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Building a Better America—One Wealth Quintile at a Time

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Abstract
Disagreements about the optimal level of wealth inequality underlie policy debates ranging from taxation to welfare. We attempt to insert the desires of "regular" Americans into these debates, by asking a nationally representative online panel to estimate the current distribution of wealth in the United States and to "build a better America" by constructing distributions with their ideal level of inequality. First, respondents dramatically underestimated the current level of wealth inequality. Second, respondents constructed ideal wealth distributions that were far more equitable than even their erroneously low estimates of the actual distribution. Most important from a policy perspective, we observed a surprising level of consensus: All demographic groups—even those not usually associated with wealth redistribution such as Republicans and the wealthy—desired a more equal distribution of wealth than the status quo.

Keywords
inequality, fairness, justice, political ideology, wealth, income

Most scholars agree that wealth inequality in the United States is at historic highs, with some estimates suggesting that the top 1% of Americans hold nearly 50% of the wealth, topping even the levels seen just before the Great Depression in the 1920s (Davies, Sandstrom, Shorrocks, & Wolff, 2009; Keister, 2000; Wolff, 2002). Although it is clear that wealth inequality is high, determining the ideal distribution of wealth in a society has proven to be an intractable question, in part because differing beliefs about the ideal distribution of wealth are the source of friction between policymakers who shape that distribution: Proponents of the "estate tax," for example, argue that the wealth that parents bequeath to their children should be taxed more heavily than those who refer to this policy as a burdensome "death tax."

We took a different approach to determining the ideal level of wealth inequality: Following the philosopher John Rawls (1971), we asked Americans to construct distributions of wealth they deem just. Of course, this approach may simply add to the confusion if Americans disagree about the ideal wealth distribution in the same way that policymakers do. Thus, we had two primary goals. First, we explored whether there is general consensus among Americans about the ideal level of wealth inequality, or whether differences—driven by factors such as political beliefs and income—outweigh any consensus (see McCarty, Poole, & Rosenthal, 2006). Second, assuming sufficient agreement, we hoped to insert the preferences of "regular Americans" regarding wealth inequality into policy debates.

A nationally representative online sample of respondents (N = 5,522, 51% female, mean age = 44.1), randomly drawn from a panel of more than 1 million Americans, completed the survey in December, 2005.[1] Respondents' household income (median = $45,000) was similar to that reported in the 2006 United States census (median = $48,000), and their voting pattern in the 2004 election (50.6% Bush, 46.0% Kerry) was also similar to the actual outcome (50.8% Bush, 48.3% Kerry). In addition, the sample contained respondents from 47 states.

We ensured that all respondents had the same working definition of wealth by requiring them to read the following before beginning the survey: "Wealth, also known as net worth, is defined as the total value of everything someone owns minus any debt that he or she owes. A person's net worth includes his or her bank account savings plus the value of other things such as property, stocks, bonds, art, collections, etc., minus the value of things like loans and mortgages."

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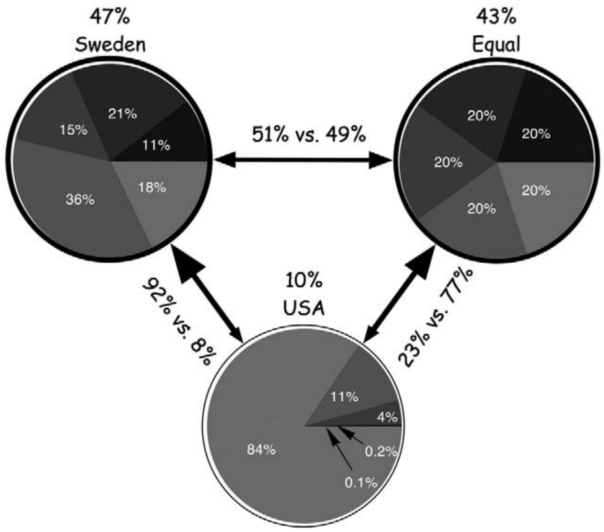

Fig. 1. Relative preference among all respondents for three distributions: Sweden (upper left), an equal distribution (upper right), and the United States (bottom). Pie charts depict the percentage of wealth possessed by each quintile; for instance, in the United States, the top wealth quintile owns 84% of the total wealth, the second highest 11%, and so on.

Americans Prefer Sweden

For the first task, we created three unlabeled pie charts of wealth distributions, one of which depicted a perfectly equal distribution of wealth. Unbeknownst to respondents, a second distribution reflected the wealth distribution in the United States; in order to create a distribution with a level of inequality that clearly fell in between these two charts, we constructed a third pie chart from the income distribution of Sweden (Fig. 1).[2] We presented respondents with the three pairwise combinations of these pie charts (in random order) and asked them to choose which nation they would rather join given a "Rawls constraint" for determining a just society (Rawls, 1971): "In considering this question, imagine that if you joined this nation, you would be randomly assigned to a place in the distribution, so you could end up anywhere in this distribution, from the very richest to the very poorest."

As can be seen in Figure 1, the (unlabeled) United States distribution was far less desirable than both the (unlabeled) Sweden distribution and the equal distribution, with some 92% of Americans preferring the Sweden distribution to the United States. In addition, this overwhelming preference for the Sweden distribution over the United States distribution was robust across gender (females: 92.7%, males: 90.6%), preferred candidate in the 2004 election (Bush voters: 90.2%; Kerry voters: 93.5%) and income (less than $50,000: 92.1%; $50,001–$100,000: 91.7%; more than $100,000: 89.1%). In addition, there was a slight preference for the distribution that resembled Sweden relative to the equal distribution, suggesting that Americans prefer some inequality to perfect equality, but not to the degree currently present in the United States.

Building a Better America

Although the choices among the three distributions shed some light into preferences for distributions of wealth in the abstract, we wanted to explore respondents' specific beliefs about their own society. In the next task, we therefore removed Rawls' "veil of ignorance" and assessed both respondents' estimates of the actual distribution of wealth and their preferences for the ideal distribution of wealth in the United States. For their estimates of the actual distribution, we asked respondents to indicate what percent of wealth they thought was owned by each of the five quintiles in the United States, in order starting with the top 20% and ending with the bottom 20%. For their ideal distributions, we asked them to indicate what percent of wealth they thought each of the quintiles ideally should hold, again starting with the top 20% and ending with the bottom 20%.

To help them with this task, we provided them with the two most extreme examples, instructing them to assign 20% of the wealth to each quintile if they thought that each quintile should have the same level of wealth, or to assign 100% of the wealth to one quintile if they thought that one quintile should hold all of the wealth.

Figure 2 shows the actual wealth distribution in the United States at the time of the survey, respondents' overall estimate of that distribution, and respondents' ideal distribution. These results demonstrate two clear messages. First, respondents vastly underestimated the actual level of wealth inequality in the United States, believing that the wealthiest quintile held about 59% of the wealth when the actual number is closer to 84%. More interesting, respondents constructed ideal wealth distributions that were far more equitable than even their erroneously low estimates of the actual distribution, reporting a desire for the top quintile to own just 32% of the wealth. These desires for more equal distributions of wealth took the form of moving money from the top quintile to the bottom three quintiles, while leaving the second quintile unchanged, evincing a greater concern for the less fortunate than the more fortunate (Charness & Rabin, 2002).

We next explored how demographic characteristics of our respondents affected these estimates. Figure 3 shows these estimates broken down by three levels of income, by whether respondents voted for George W. Bush (Republican) or John Kerry (Democrat) for United States president in 2004, and by gender. Males, Kerry voters, and wealthier individuals estimated that the distribution of wealth was relatively more unequal than did women, Bush voters, and poorer individuals. For estimates of the ideal distribution, women, Kerry voters, and the poor desired relatively more equal distributions than did their counterparts.

Despite these (somewhat predictable) differences, what is most striking about Figure 3 is its demonstration of much more consensus than disagreement among these different demographic groups. All groups—even the wealthiest respondents—desired a more equal distribution of wealth than what they estimated the current United States level to be, and all groups also desired some inequality—even the poorest respondents. In addition, all groups

Fig. 2. The actual United States wealth distribution plotted against the estimated and ideal distributions across all respondents. Because of their small percentage share of total wealth, both the "4th 20%" value (0.2%) and the "Bottom 20%" value (0.1%) are not visible in the "Actual" distribution.

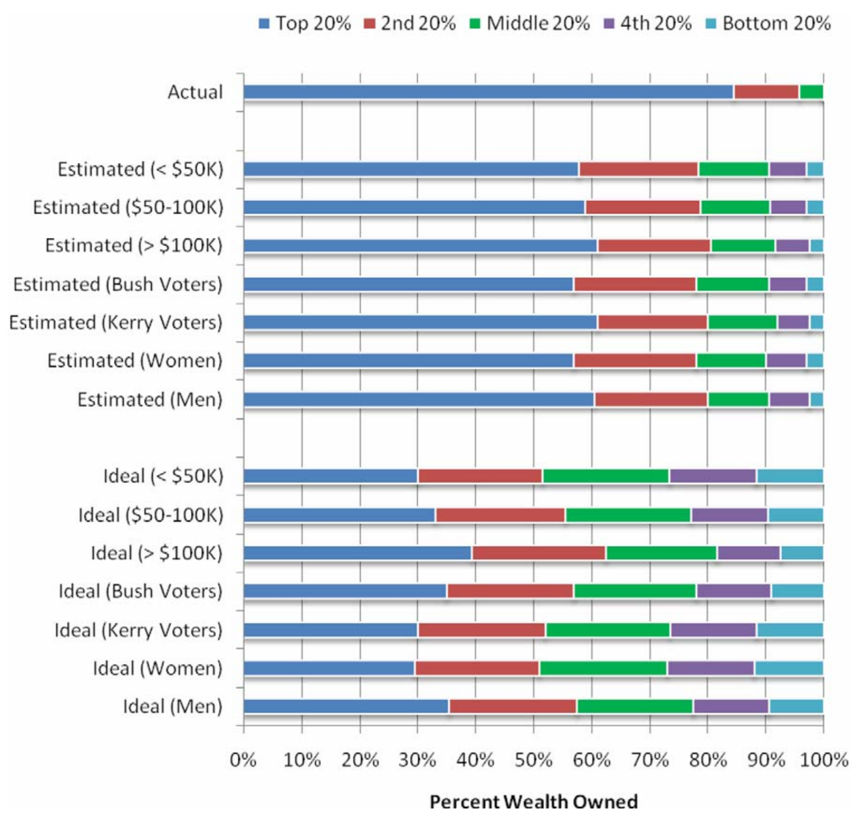

Fig. 3. The actual United States wealth distribution plotted against the estimated and ideal distributions of respondents of different income levels, political affiliations, and genders. Because of their small percentage share of total wealth, both the "4th 20%" value (0.2%) and the "Bottom 20%" value (0.1%) are not visible in the "Actual" distribution.

agreed that such redistribution should take the form of moving wealth from the top quintile to the bottom three quintiles. In short, although Americans tend to be relatively more favorable toward economic inequality than members of other countries (Osberg & Smeeding, 2006), Americans' consensus about the ideal distribution of wealth within the United States appears to dwarf their disagreements across gender, political orientation, and income.

Overall, these results demonstrate two primary messages. First, a large nationally representative sample of Americans seems to prefer to live in a country more like Sweden than like the United States. Americans also construct ideal distributions that are far more equal than they estimated the United States to be—estimates which themselves were far more equal than the actual level of inequality. Second, there was much more consensus than disagreement across groups from different sides of the political spectrum about this desire for a more equal distribution of wealth, suggesting that Americans may possess a commonly held ''normative'' standard for the distribution of wealth despite the many disagreements about policies that affect that distribution, such as taxation and welfare (Kluegel & Smith, 1986). We hasten to add, however, that our use of ''normative'' is in a descriptive sense—reflecting the fact that Americans agree on the ideal distribution—but not necessarily in a prescriptive sense. Although some evidence suggests that economic inequality is associated with decreased well-being and health (Napier & Jost, 2008; Wilkinson & Pickett, 2009), creating a society with the precise level of inequality that our respondents report as ideal may not be optimal from an economic or public policy perspective (Krueger, 2004).

Given the consensus among disparate groups on the gap between an ideal distribution of wealth and the actual level of wealth inequality, why are more Americans, especially those with low income, not advocating for greater redistribution of wealth? First, our results demonstrate that Americans appear to drastically underestimate the current level of wealth inequality, suggesting they may simply be unaware of the gap. Second, just as people have erroneous beliefs about the actual level of wealth inequality, they may also hold overly optimistic beliefs about opportunities for social mobility in the United States (Benabou & Ok, 2001; Charles & Hurst, 2003; Keister, 2005), beliefs which in turn may drive support for unequal distributions of wealth. Third, despite the fact that conservatives and liberals in our sample agree that the current level of inequality is far from ideal, public disagreements about the causes of that inequality may drown out this consensus (Alesina & Angeletos, 2005; Piketty, 1995). Finally, and more broadly, Americans exhibit a general disconnect between their attitudes toward economic inequality and their self-interest and public policy preferences (Bartels, 2005; Fong, 2001), suggesting that even given increased awareness of the gap between ideal and actual wealth distributions, Americans may remain unlikely to advocate for policies that would narrow this gap.

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Notes

1. We used the survey organization Survey Sampling International (surveysampling.com) to conduct this survey. As a result, we do not have direct access to panelist response rates.
2. We used Sweden's income rather than wealth distribution because it provided a clearer contrast to the other two wealth distribution examples; although more equal than the United States' wealth distribution, Sweden's wealth distribution is still extremely top heavy.

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Procedural Justice Shapes Evaluations of Income Inequality: Commentary on Norton and Ariely (2011)

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Abstract

Research finds that people's reactions to inequality in wealth are more strongly related to their views about the fairness of the procedures of wealth allocation than they are by inequality itself. Hence, the key issue is whether people think markets are procedurally just allocation mechanisms.

Keywords

socioeconomic status, policy

Norton and Ariely (2011, this issue) document a wide gap between the highly unequal wealth distribution in America today and people's ideal levels of wealth inequality. Put simply, people prefer a greater level of equality than currently exists in the United States. Given this finding, a key justice question is why Americans do not display more anger over the large and growing inequality within our society. One answer is a lack of awareness of the true extent of inequality—and it is clear that Americans do not recognize the full extent of existing inequality. Nonetheless, people do see more inequality than they believe is appropriate, so why hasn't economic inequality led to political anger and social unrest? To some extent, inequality has caused unprecedented levels of anger toward the leaders of both the political ("politicians") and the economic system ("bankers"). However, the general lack of discontent is still striking. How can there be excessive inequality without a stronger public reaction?

The justice literature provides one answer by distinguishing between two forms of justice: distributive and procedural. Distributive justice refers to the distribution of resources across people, while procedural justice is concerned with the processes through which distributions occur. The work of Norton and Ariely falls clearly within the distributive justice framework. However, studies of justice consistently suggest that people evaluate social institutions primarily through a framework of procedural justice. They are primarily concerned with whether they think the procedures through which allocations occur are or are not fair.

In the case of economic outcomes, the key allocation procedure is the economic market. Americans believe that the allocation of economic outcomes within our society occurs through a system that provides people with equal opportunities to compete for wealth and status by working hard and achieving success. People regard the American market system as a fair procedure for wealth allocation. As is the case with distributive justice, in which Americans underestimate the true level of income inequality, beliefs about the fairness of markets exaggerate the true rate of social mobility in American society, presenting an image of openness to opportunity and effort that does not match the reality of social stratification (Jencks, 1979).

Nonetheless the "Horatio Alger myth" is an important element in American's image of markets. Horatio Alger was a 19th century author who wrote a series of popular books celebrating the view that wealth is a product of merit and the direct consequence of good character and hard work (Weiss, 1969). The view that economic achievement is the end product of a fair and open contest in which energy and talent shape outcomes leads workers (Lane, 1967) and the members of minority groups (Hochschild, 1996) alike to accept both their own economic disadvantage and that of their social and ethnic groups.

The key issue in justice research is not the distribution of resources but public understanding of the procedures through which that distribution occurs. As long as people generally believe that outcomes flow from fair allocation procedures, discontent will be muted. Therefore, the true key to reactions of inequality is evidence of whether the public believes that the American dream, which is a dream of equal opportunity not equal outcomes, is disappearing.

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A New Veil of Ignorance? Commentary on Norton and Ariely (2011)

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Abstract

Norton and Ariely's (2011, this issue) finding that people prefer relatively equal distributions of wealth begs for further research. It is one thing to argue, as T. Frank (2004) has, that people vote against their interests. But Norton and Ariely seem to show that people vote against their preferences. What does that even mean, and how does it happen?

Keywords

income equality vs. inequality, opacity of individual preferences, new "veil of ignorance"

Norton and Ariely (2011, this issue) report a finding I regard as both astonishing and important: Americans of all levels of wealth and political orientation prefer relatively equal wealth distributions to the distribution that currently characterizes the United States. They have uncovered a "veil of ignorance" different from the one that Rawls (1971) had in mind, stating that people develop and express political preferences in ignorance of some of their own values. This finding begs for follow-up research. A few questions I would love to see explored are these:

1. Would the findings be different if people had been asked about income rather than wealth?
2. People's preference for Sweden's wealth distribution over strict equality may reflect an effort to balance equality with equity, or, said another way, an effort to balance equality with the possible incentive effects of additional income opportunities (see Baron, 2008, chapter 17.) It would be interesting to see whether people actually have this in mind explicitly when they answer these questions about preferred wealth distributions. Also, R. Frank (1985) suggests that the reason the slope relating wages to what economists call the worker's "marginal product" (what the worker contributes to the firm's profitability) is relatively flat is that people care about relative position, so people at the low end of the wage scale have to be bought off for their low position with wages that they do not "deserve." But it is possible that rather than R. Frank's explanation, here, too, wage rates reflect a compromise between equality and equity.
3. DeVoe and Iyengar (2010) have recently shown that people prefer distributions of money to be made on the basis of equity (merit), whereas distributions of in-kind goods should be equal. The Norton and Ariely results seem to contradict the DeVoe and Iyengar finding. Are people equity driven in the day-to-day distributions of goods but otherwise largely equality driven? This query relates to the first question. Income is a smaller matter than wealth. People may be more equity driven when it comes to income than when it comes to wealth.
4. Finally, if the Norton and Ariely data are reflections of people's true values and preferences, why are people so blind to these values and preferences when it comes to forming opinions of public policies and political candidates? T. Frank (2004) argued, somewhat insultingly, that average Americans are being duped to vote against their real economic interests. But the Norton and Ariely data suggest that people vote against their preferences. How can people be duped to vote against their preferences? What does that even mean?

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Unclear Implications: Commentary on Norton and Ariely (2011)

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Abstract
Despite the suggestiveness of their empirical findings, I argue that the implications of Norton and Ariely's work are unclear, both morally and politically.

Keywords
inequality, equality, justice, morality, politics

Norton and Ariely (2011, this issue) surveyed Americans to discover what their ideal wealth distributions might look like. Although the results (people prefer far more egalitarian distributions than they actually obtain) are certainly suggestive, it is important to emphasize that, so far as I can see, these findings don't have any particular moral implications—that is, implications concerning what the distribution should be.

Although Norton and Ariely mention this point in passing, it would be easy to lose sight of it. After all, Norton and Ariely report asking those surveyed to choose between various distributions, from behind a "Rawlsian veil," not knowing where they would be in the relevant society, but having an equal chance of being in any given position. And Rawls's theory (1971) is supposed to tell us what just social institutions would look like. Shouldn't we conclude, accordingly, that the preferred distribution is morally preferable?

Not necessarily. For this situation doesn't actually correspond to the one Rawls defended as suitable for determining fair policies. First of all, in Rawls's own theory, choosers are not supposed to make any assumptions about having an equal probability of ending up in any given position; they are to deliberate without regard to probabilities. Yet Norton and Ariely's respondents were explicitly instructed to assume they had an equal chance of ending up in any possible position, from richest to poorest. Second, in Rawls's theory, the choosers are conceived of as being perfectly rational, yet having no knowledge of their own actual moral beliefs. Obviously, however, Norton and Ariely's respondents are not perfectly rational, and presumably they chose in light of their own preexisting moral beliefs. So if someone wanted to argue for the moral relevance of these findings, it couldn't be by way of appeal to Rawls's own theory. Maybe there is some alternative moral argument that takes off from these findings, but the authors of course, don't attempt to construct one.

Well, is it at least true that the findings might have political implications, concerning the possibility of bringing about a significantly more egalitarian distribution of wealth? They might; but of course they might not. To start with the obvious, precisely because such a huge portion of American wealth is held by such a tiny percentage of individuals, these individuals have an extraordinary interest in maintaining the currently inegalitarian distribution. And unlike the vast majority of Americans, who have so little and thus have so much to gain, this tiny minority has the immense resources to see to it that their interests are carefully attended to by lawmakers. Second, despite the suggestiveness of Norton and Ariely's findings, it isn't even clear that most Americans really would favor the relevant redistributive policies. After all, it is one thing to think that a given state of affairs is ideally preferable; it is quite another to be willing to embrace the various social changes (and policies) that would be required to bring such an ideal state to reality. Finally, agreement about an "in-principle" ideal is still compatible with radical disagreement about how to respond to the current situation or, for that matter, whether the current situation is even in any way morally objectionable. Indeed, one can quite consistently think it would be "ideal" to have greater equality, while still thinking that the current inequality is just, or fair, or deserved, or necessary. I don't myself hold any of

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these beliefs, but it is compatible with Norton and Ariely's data to worry that many Americans might nonetheless think something along these lines.

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Consensus at the Heart of Division: Commentary on Norton and Ariely (2011)

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Abstract
We argue that seemingly deep-seated partisan divisions may be built on a foundation of surprising consensus, not only in terms of the wealth distributions that people prefer (Norton & Ariely, 2011, this issue), but also in the gut-level moral reactions and beliefs about money and happiness that may underlie those preferences.

Keywords
consensus, moral reactions, income, happiness, predictions

Occasionally, an article appears that challenges our assumptions about the way the world works; in the context of modern America, which often appears starkly color coded into red and blue, Norton and Ariely (2011, this issue) pose just such a challenge. They report the remarkable finding that when it comes to nationwide distributions of wealth, "Americans prefer Sweden." But even more surprising is their finding that this preference for more equal distributions of wealth holds up for Democrats and Republicans, rich and poor.

How is broad consensus on such a central issue possible in an age of division, a time of Tea Party Patriots and Obama maniacs? Our own current research illuminates how seemingly deep-seated partisan divisions may be built on a foundation of surprising consensus. We presented participants with harmless, but disgusting, scenarios and asked them to consider individuals such as Henry, who "likes the taste of his own dried blood" and privately "licks at his old scabs" (Buchtel & Dunn, 2010). When participants were given time to think through these scenarios, conservatives rated them as being more immoral than did liberals, which is consistent with past research showing that conservatives place more weight on their feelings of disgust when making moral judgments (Graham, Haidt, & Nosek, 2009). But, when participants were forced to make the same judgments quickly while under cognitive load, consensus emerged: The gut reactions of liberals to these scenarios converged with those of conservatives. Thus, even in moral domains that are known to produce disagreements along partisan lines, the gut reactions of liberals and conservatives may be more similar than we realize.

In making judgments about ideal wealth distributions, people may draw on their moral instincts about right and wrong, as well as their intuitions about the relationship between wealth and happiness. When we asked a nationally representative sample of Americans to predict how happy they would be given various levels of income, they correctly envisioned the declining marginal utility of wealth, recognizing that $1,000,000 per year would provide almost no more happiness than $500,000 per year (Aknin, Norton, & Dunn, 2009). By contrast, at the lower end of the income spectrum, people expected even relatively small differences in income to yield substantial differences in happiness (predicting, for example, that someone earning $35,000 per year would be much happier than someone earning $10,000 per year). In fact, although participants were fairly accurate in estimating the happiness of people with high levels of income, they vastly underestimated the happiness of low income earners. Although wealthier participants tended to imagine a particularly tight relationship between income and happiness, the perception that poverty is associated with misery was consensually held across the income spectrum. This suggests that Americans' shared preference for relatively equal wealth distributions may stem from their consensual belief in the declining marginal utility of wealth.

According to our perspective, then, there is a remarkable degree of consensus not only in Americans' apparent preferences for Swedish wealth distributions, but also in the gut-level moral reactions and the beliefs about money and

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happiness that may underlie those preferences. Although these forms of consensus emerge when people are asked to step behind the veil of ignorance (Norton & Ariely, 2011), provide their gut-level response (Buchtel & Dunn, 2010), or focus on their expected emotions (Aknin et al., 2009), it is hard to imagine our public discourse without deep discord. Identifying practical ways to peel back these layers of disagreement and unearth the consensus at the heart of these divisions represents a pressing goal for future research.

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