Misinformed in an Unequal World: How Accurate Information about Inequality and Income Affects Public Support for Redistributive Policies

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Rising Inequality in United States

Income Gains at the Top Dwarf Those of Low- and Middle-Income Households

Percent change in real after-tax income since 1979

- Top 1 percent
- Next 19 percent
- Middle 60 percent
- Bottom 20 percent

Source: Congressional Budget Office
The Puzzle: Lack of Demand for Redistribution
Research Questions

• Do citizens hold accurate beliefs about income inequality and their own position in the income distribution?

• Can information affect support for redistribution?

• If so, does information do so even in partisan environments?
Survey Design

• Survey of 3,040 Californians (administered by SSI)

• Measure beliefs about inequality and personal income
  – What percentage of California’s total income is actually held by five groups?
    1) Richest 20%, 2) Second richest 20%, 3) Middle 20%, 4) Second poorest 20%, 5) Poorest 20%
  – What percentage of California’s total income ideally should be held by five groups?
  – Which group do you think you are in based on your personal income?
Misinformation about Income Inequality

- **Actual**: 60% Richest 20%, 30% 2nd richest 20%, 5% Middle 20%, 5% 2nd poorest 20%, 10% Poorest 20%
- **Republicans’ beliefs**: 55% Richest 20%, 35% 2nd richest 20%, 10% Middle 20%, 10% 2nd poorest 20%, 3% Poorest 20%
- **Democrats’ beliefs**: 60% Richest 20%, 25% 2nd richest 20%, 10% Middle 20%, 5% 2nd poorest 20%, 0% Poorest 20%
Misinformation about Personal Income

- Richest 20%
- 2nd richest 20%
- Middle 20%
- 2nd poorest 20%
- Poorest 20%

Percent Believing their Income Falls in each Group
Correcting Misinformation: An Experiment

• Control group (example: charity healthcare)

The California state legislature recently considered a bill that would require hospitals to establish policies for charity care and discounted payments for low-income individuals. Under such a program, hospitals would need to provide a payment plan if a hospital bill exceeds 10 percent of a patient’s income.

• Party cues group

Members of the Democratic Party support this measure. Members of the Republican Party oppose it.
From 1980 to 2014, California’s income distribution changed significantly. There has been a sizeable increase in the income earned by the richest 20% of Californians. The percentage of income earned by the poorest 20% and the second poorest 20% has decreased substantially.
• Party cue + Inequality information group

Members of the Democratic Party support this measure. Members of the Republican Party oppose it.

Percentage of Income Held By Different Groups of Californians (richest 20%, second richest 20%, middle 20%, second poorest 20%, poorest 20%)
Poor Republicans

(conflicting signals: Republican Party opposes; inequality info supports)

<table>
<thead>
<tr>
<th>Condition</th>
<th>Probability of Support</th>
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<tr>
<td>Control</td>
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<tr>
<td>Party Cues</td>
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<tr>
<td>Inequality</td>
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<tr>
<td>Party + Inequality</td>
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Wealthy Republicans

(reinforcing signals: Republican Party opposes; inequality info opposes)
Wealthy Republicans Who Value Equality
(reinforcing signals: Republican Party opposes; inequality info opposes)
Take Home Message

• Misinformation about inequality and personal income

• Educating citizens *can* make a difference for government efforts to combat inequality

• Support for redistribution even when economic self-interest or partisan allegiances militate against it

• **Implication:** Misinformation contributes to weak relationship between inequality and redistribution

  • Prevents voters from connecting economic self-interest and preferences for less inequality to policy views

  • Citizens not simply ignorant; information can make a difference
Poor Republicans

(conflicting signals: Republican Party opposes; inequality info supports)
Predictions

• Party cue group
  – Citizens will support redistributive policies that their party supports and oppose those that their party opposes

• Personal inequality information group
  – Citizens’ response will depend on where they fall in the income distribution
    • Poor citizens’ support for redistribution should increase; Wealthy citizens’ support should decrease

• Party cue + Personal inequality information group
  – Citizens will rely on party cues and ignore the inequality information
The Exception

- Citizens who value greater equality (i.e., believe the poor have less income than they ideally should)
  - This value may override wealthy citizens’ economic self-interest when exposed to personal inequality information
  - May do so even when exposed to their party’s conflicting position
Wealthy Democrats

(Conflicting signals: Democratic Party supports; inequality info opposes)
Rising Inequality in United States

States Face Wide Income Gaps Between Rich and Poor

Ratio of average household income for richest 20% of families to the poorest 20% of families, 2008-2010

Greater than 8.0  Between 7.0 and 8.0  Less than 7.0

Source: CBPP and EPI analysis of Census Bureau Data from the Current Population Survey. Center on Budget and Policy Priorities | cbpp.org
Relation to the Literature

- Explanations for the weak relationship between inequality and redistribution
  - Unequal representation (government responds to the rich)
  - Citizen ignorance
  - Misinformation about inequality and/or personal economic circumstances

- Unequal representation cannot explain weak relationship in direct democracy settings

- Observational studies cannot fully distinguish citizen ignorance from misinformation