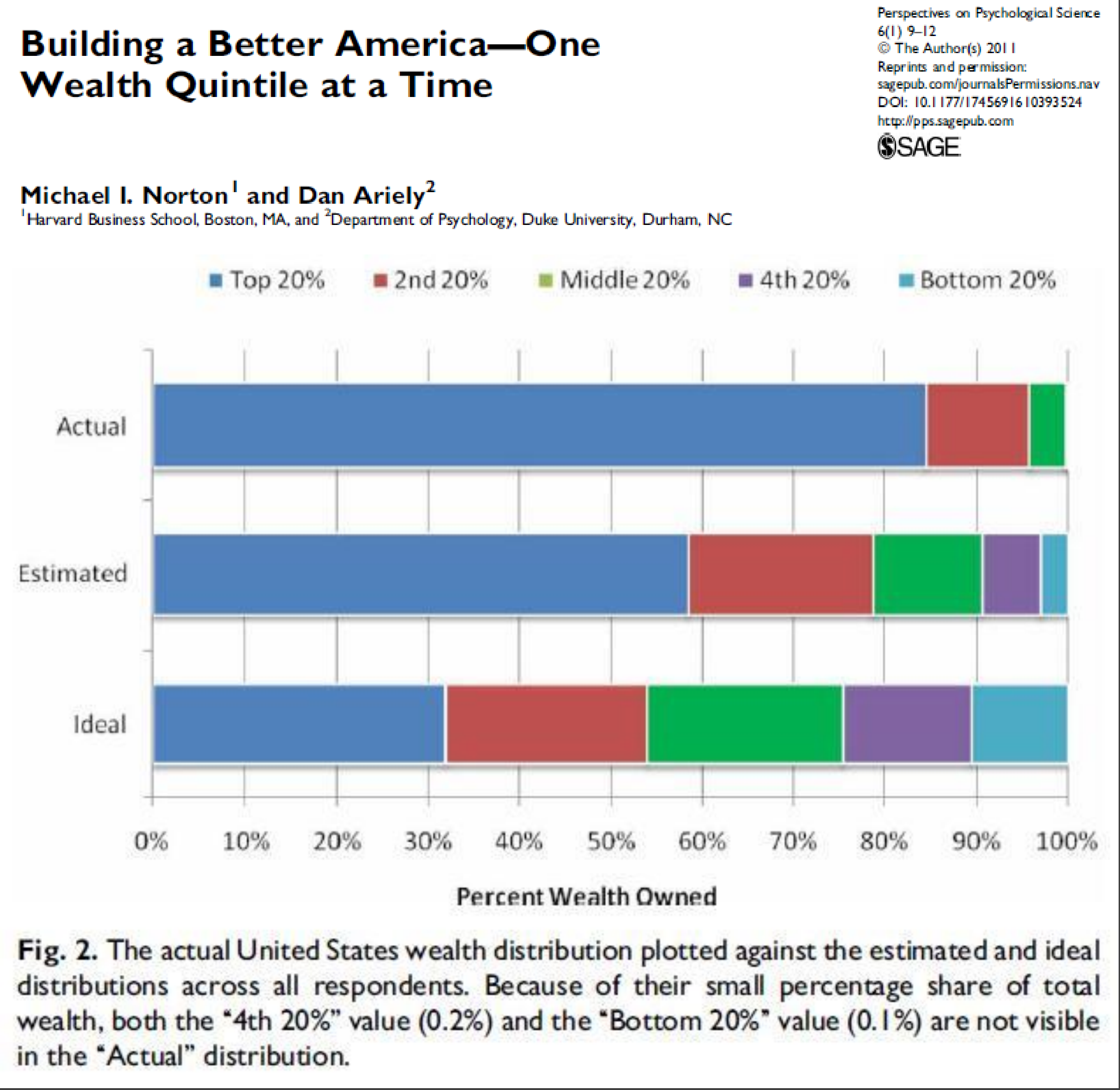Correspondence: Gord Pennycook, gpennyco@uwaterloo.ca

On the (nearly ubiquitous) desire for greater wealth equality in the United States: A follow-up to Norton & Ariely (2011)

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Abstract

Norton and Ariely (2011) found that Americans a) totally underestimate the massively unequal distribution of wealth in the United States and b) almost unilaterally desire a much more egalitarian distribution of wealth. Using a novel distribution judgment task, we found that participants who endorse a free-market ideology desired a less egalitarian distribution of wealth, but were nonetheless very egalitarian. Performance on a battery of heuristics and biases tasks was associated with more accurate estimates of wealth distribution, though these estimates were still highly inaccurate. Moreover, replacing 'wealth' with 'income' did not affect our results whatsoever. These findings belie recent criticisms of N&A, which have focused primarily on the potential for anchoring effects and the focus on wealth instead of income (which is much less unequal). We attempt to shift focus back to the key aspect of N&A: That most desire an egalitarian distribution of wealth *despite* underestimating the true distribution.

Building a Better America—One Wealth Quintile at a Time

Michael I. Norton[1] and Dan Ariely[2]
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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.

Criticisms of Norton & Ariely

Chambers, Swan, & Heesacker (2014; *Psych Science, 25*, 613-618)

- Shifted focus onto estimates of *income* inequality (Note: Income inequality is lower than wealth inequality).
- Participants overestimated the proportion of Americans who have incomes lower than $35,000.
- However, the average income of the top 20% was also overestimated.
- Thus, the participants *overestimated* income inequality.
- **Participants were not directly asked about the *distribution* of income, it was simply inferred from their estimates.**
- **The authors did not ask about *ideal* income.**

Eriksson & Simpson (2012; *JDM, 7*, 741-745)

- Norton & Ariely used an anchor of 20% (i.e., a completely equal distribution of wealth).
- Eriksson & Simpson demonstrated that this anchor may have caused estimated and ideal wealth to be artificially equal.
- Participants were also asked to indicate the estimated and ideal *average* wealth of the top 20% ("What is [should be] the average household wealth, in dollars, among the 20% richest households in the United States"). This lead to more accurate responses.
- **Participants did not see the logical connection between estimates about average wealth and the distributions of wealth (i.e., in theory, but not in practice, everyone can be rich).**

Shifting the narrative

- Norton & Ariely's finding that people underestimated the distribution of wealth isn't important because people were inaccurate (that's obvious).
- The key is that they desired a very egalitarian distribution of wealth *despite* underestimating the true distribution. If participants had *over*estimated inequality, it would be less surprising that they wanted a more equal distribution of wealth.

Experiment 1

Goals

1) Replicate Norton & Ariely's primary finding using a different, more intuitive task.
2) Illustrate the validity of the task by correlating judgments with predefined measures of interest.
3) Investigate whether asking about wealth or income matters.

Role of ideology and rationality?

- Estimated wealth/income distributions should be more accurate for more analytic individuals. We used the "heuristics and biases task" (Toplak, West, & Stanovich, 2011): e.g., Regression to the mean, gambler's fallacy, conjunction fallacy, probability matching (14 in total)
- Ideal wealth/income distributions should correlate with "free-market ideology" (Heath & Gifford, 2006): e.g., "An economic system based on free markets unrestrained by government interference automatically works best to meet human needs." (5 in total)

Task

We are interested in people's perception of the distribution of wealth [income] in the United States.

Wealth includes the values of homes, automobiles, personal valuables, businesses, savings, and investments. [income is the sum of all the wages, salaries, profits, interests payments, rents and other forms of earnings received over a single year.]

Imagine that all of the wealth [income] in the United States (put in monetary terms) was $100 trillion.

Please estimate the proportion of total wealth [income] for each 20% of the United States population.

The bottom 20% are the least wealthy individuals in the United States and the top 20% are the wealthiest.

How much of the $100 trillion would each group have? [Now, what would you say is the IDEAL distribution of income? How much of the $100 trillion would each group have?]

Your total should add up to 100.

Participants

198 participants were recruited from Amazon Mechanical Turk. Participants who failed at least 1 of 3 attention checks (N = 31) were excluded from further analyses.

The wealth and income percentages were then checked for errors (e.g., a higher percentage estimate for the bottom than the middle quintile). In total, 33 (19.8%) participants made an error for estimated wealth/income and 41 (24.6%) made an error for ideal wealth/income. These data were excluded from further analysis.

Results
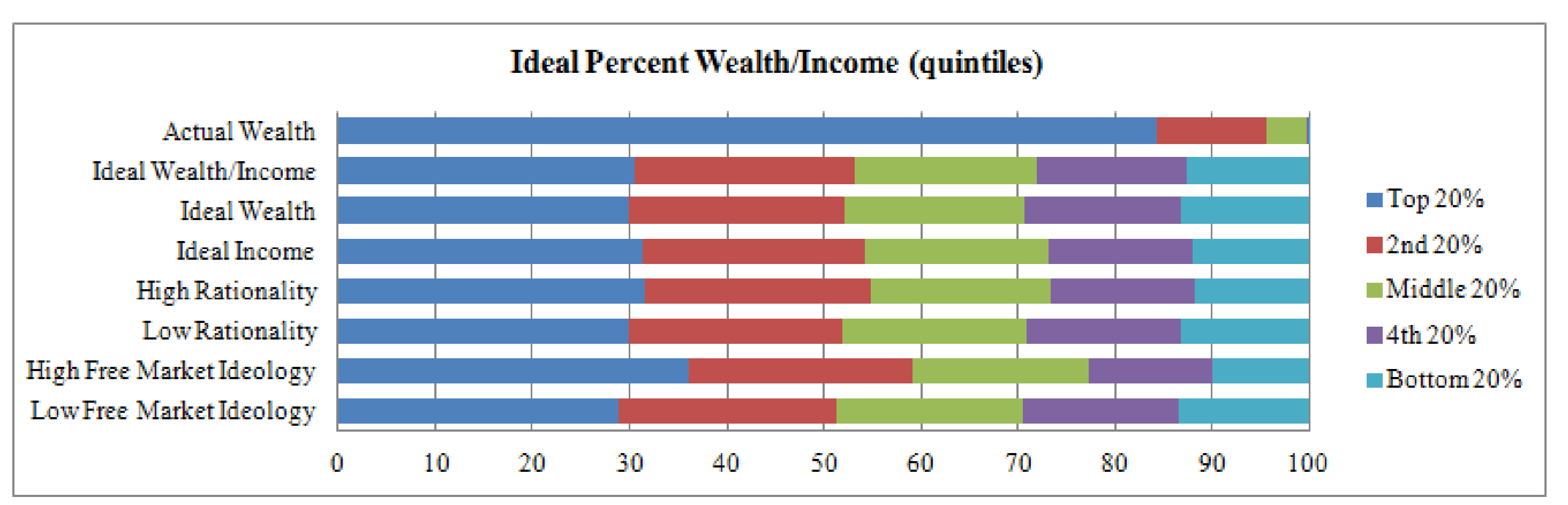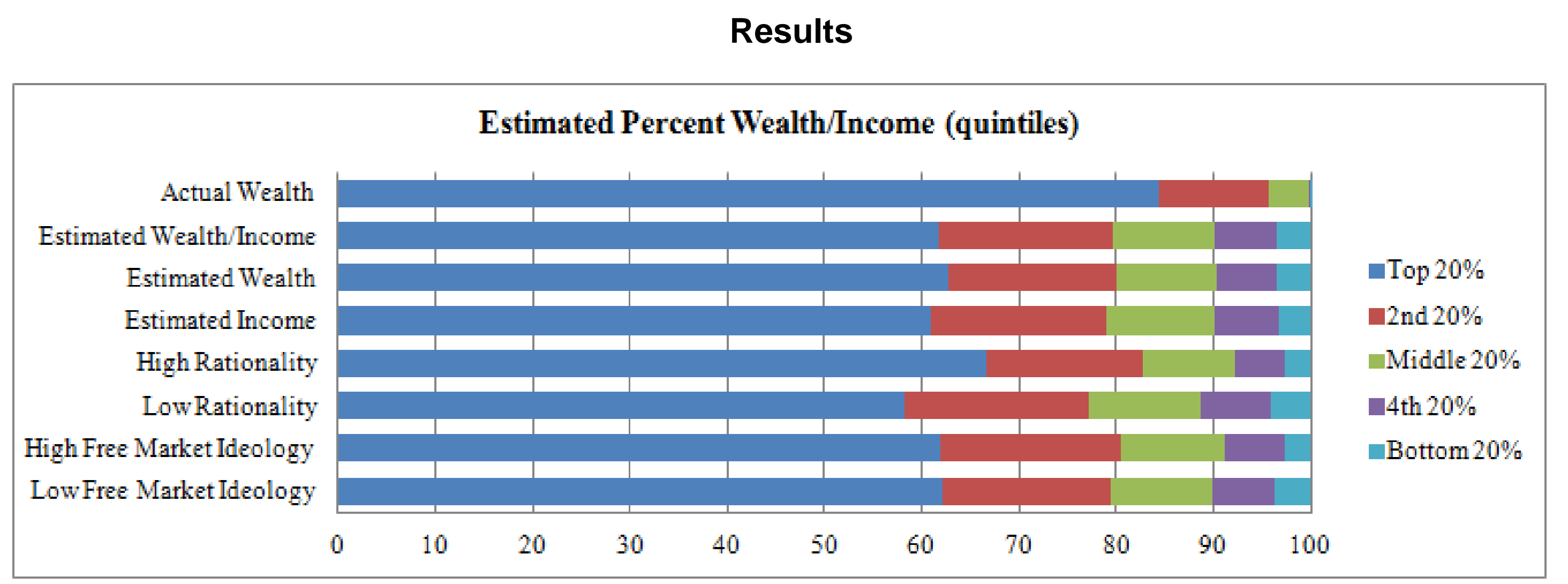
Summary

- Asking about income instead of wealth had no effect on estimated or ideal distributions (Note: Income estimates are therefore technically, but artificially, more accurate).
- Those who scored higher on the heuristics and biases battery ("High Rationality") had more accurate estimated distributions relative to lower scorers ("Low Rationality"), but they did not differ based on ideal distributions.
- Those who rated themselves higher in free-market ideology had less equal distributions of wealth relative to low free market ideology individuals. However, these groups did not differ in estimated distributions.
- **All groups indicated a desire for far less inequality in wealth/income than what they thought to be the case.**
- **Only 3 out of 120 participants (2.5%) assigned a higher *ideal* than *estimated* proportion of wealth/income to the top 20% of the population. *Thus, practically no one desired more inequality.***

Experiment 2

Goal

1) Does Norton & Ariely replicate even using a very high (v. low) anchor?

Anchor manipulation (between subject)

- Low anchor: The mean ideal distribution of wealth from Experiment 1

- High anchor: The actual distribution of wealth (from Norton & Ariely), roughly.

Participants

170 participants were recruited from Amazon Mechanical Turk. Participants who failed at least 1 of 3 attention checks (N = 17) were excluded from further analyses.

The wealth and income percentages were then checked for errors (e.g., a higher percentage estimate for the bottom than the middle quintile). In total, 12 (7.8%) participants made an error for estimated wealth and 35 (22.9%) made an error for ideal wealth. These data were excluded from further analysis.

Results
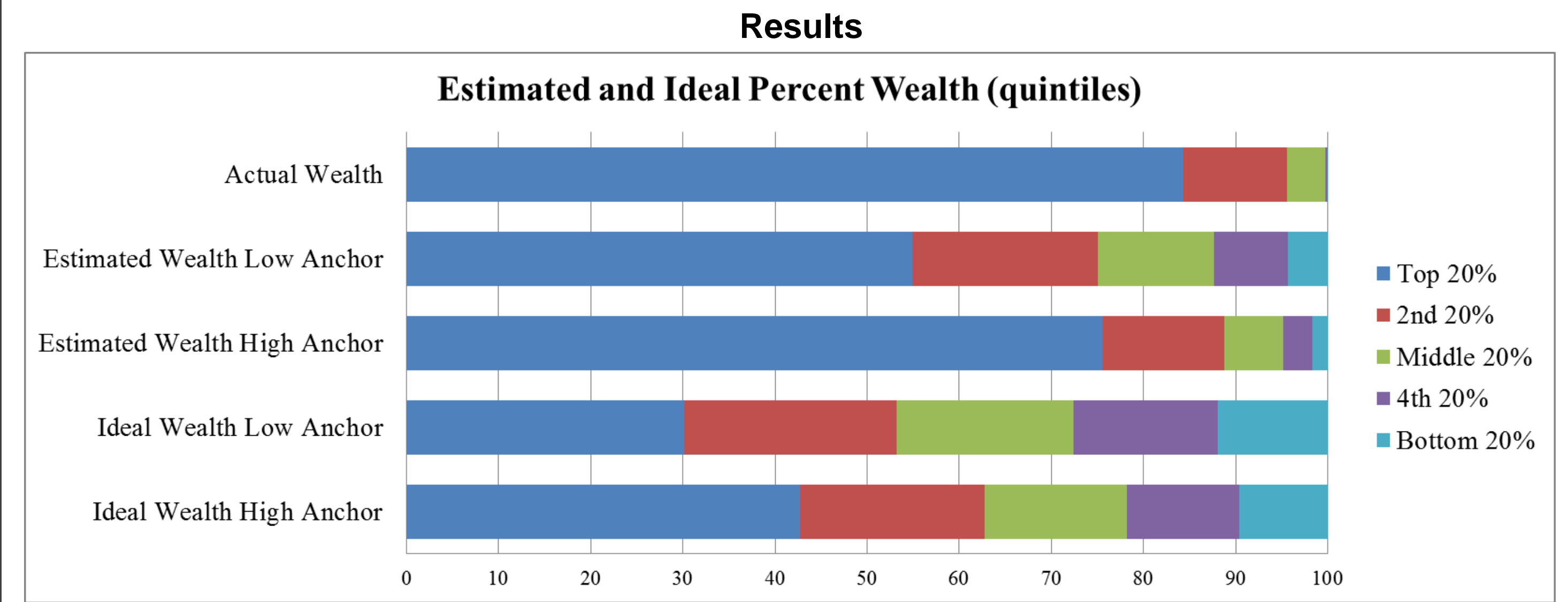
Summary

- The high anchor caused higher inequality in both estimated and ideal distributions.
- The difference between the estimated and ideal proportion of wealth for the top 20% was *larger* for the high anchor condition [76% (E) - 42.7% (I) = 33.3% difference] than the low anchor condition [53.4% (E) - 30.1% (I) = 23.3% difference], *p* = .024.
- **Using a relatively equal distribution as an anchor *underestimates* the nearly unanimous desire for a more egalitarian distribution of wealth relative to when a high (and veridical) distribution is used.**

Conclusions

- Free-market ideology was associated with ideal wealth/income, but even particularly conservative participants endorsed a remarkably egalitarian distribution of wealth/income.
- Performance on a battery of heuristics and biases tasks was associated with more accurate estimates of wealth/income distribution, though these estimates were still highly inaccurate. Rational thinking did not associate with ideal wealth/income.
- Asking about income rather than wealth had no effect on estimated or ideal distributions.
- Participants were highly egalitarian even when given a high anchor (i.e., the *actual* distribution of wealth in the United States).
- Using the actual distribution of wealth as a high anchor actually caused participants to shift *more* from what they believed to be the true distribution of wealth to what they think *ought* to be the distribution of wealth.
- **If anything, Norton & Ariely *underestimated* the degree to which people desire for the distribution of wealth in the United States to become more egalitarian (relative to whatever they believe it to currently be).**
- **The desire for a more equal distribution of wealth in the United States was nearly ubiquitous in our sample.**