



# Does Inequality Matter?

HOW PEOPLE PERCEIVE ECONOMIC DISPARITIES AND SOCIAL MOBILITY



## How does the United States compare?

Across the OECD, most people are concerned about inequality. Concern varies across countries, and is higher where people perceive wide economic disparities, low intergenerational mobility, and that working hard does not suffice to get ahead in life. The more people are concerned about inequality and perceive low social mobility, the higher their demand is for redistribution. However, there may be insufficient support for inequality-reducing policies if people do not agree on policy options or have doubts about the effectiveness of such policies.

### Is inequality a concern in the United States?

People in the United States are substantially less concerned about income inequality than the OECD average, despite the United States being – and being perceived as – an unequal country by OECD standards (Figures 1 and 2). In 2017, roughly 63% of the American population agreed that income disparities were too large, which is lower than the OECD average of 80%.

However, like many other OECD countries, concerns about inequality have grown over time in the United States. In particular, the share of people strongly concerned about income disparities almost doubled between the late 1980s and the Global Financial Crisis of 2007-08, and has since continued to increase (Figure 1).

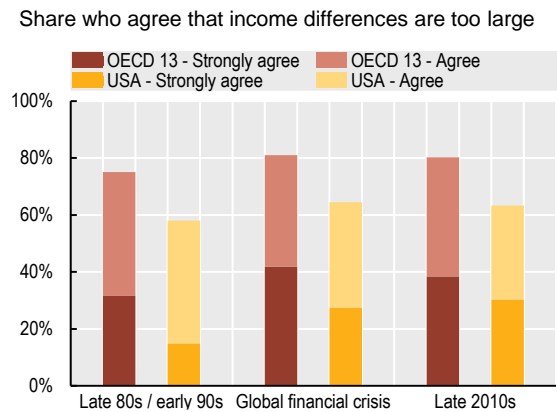
### What factors affect the level of concern?

The low level of concern about inequality in the United States may be explained by people's views on the desirability of earnings differences and the equality of opportunity.

People in the United States perceive relatively high earnings dispersion compared to the OECD average, but many tend to prefer larger earning disparities (Figure 2), believing that those who work hard deserve the fruits of their labour. Indeed, the United States has the highest confidence,

among OECD countries, in the importance of working hard to get ahead. Furthermore, they are more likely to believe that poor children can escape poverty in their lifetimes compared to the OECD average: on average, people believe that 52 out of 100 poor children will remain poor once adults, versus 56 out of 100 on OECD average.

Figure 1. Concern about income inequality is low in the United States

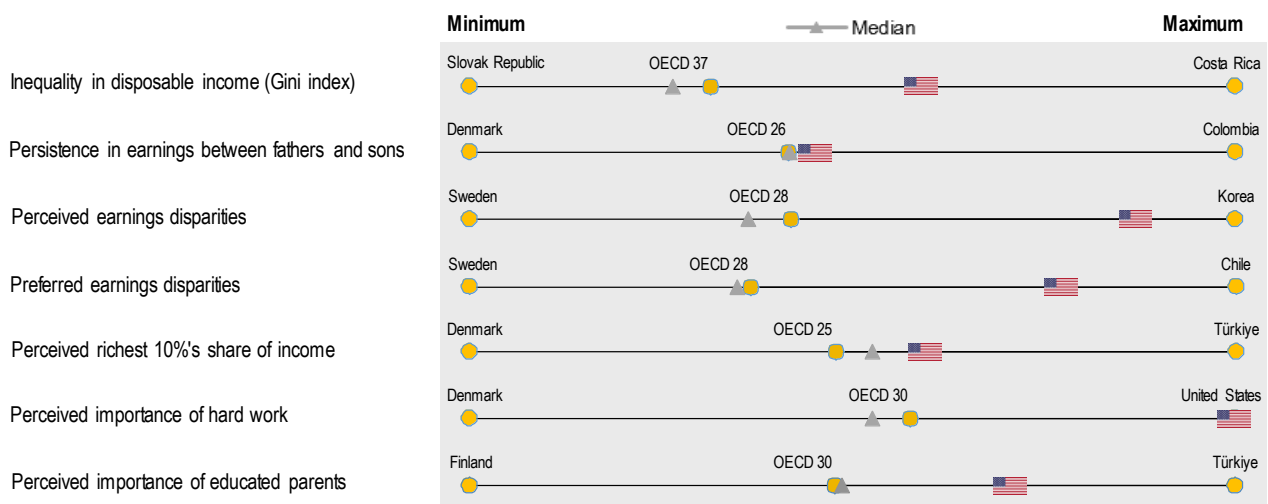


Source: OECD (2021), *Does Inequality Matter?*, Chapter 2.

Nevertheless, people in the United States believe more strongly than in many other countries that having wealthy and educated parents is important for getting ahead – indicating that they do not believe that opportunities are truly equal.

Figure 2. Perceptions are not always in line with actual levels of inequality in the United States

Actual vs. perceived indicators of inequality



Note: The OECD averages refer countries available for each indicator. Conventional statistical indicators refer to the latest available year; for perceived richest 10%'s share of income to 2020; all other data refer to 2009.

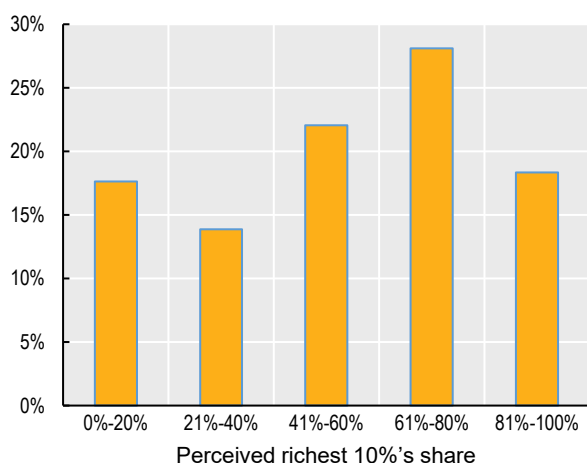
Source: OECD Income Distribution Database; OECD (2018), *A Broken Social Elevator?*; OECD (2021), *Does Inequality Matter?*, Chapter 2.

### Are Americans' views on inequality divided?

The low level of concern about inequality in the United States relative to the OECD average masks differences in Americans' perceptions. There is a wide range of views on inequality in the United States, with a clear contrast between a group that perceives the richest 10%'s share of income to be relatively low (below 20%) and a group which believes it to be between 60 and 80% (Figure 3).

**Figure 3. Perceptions about inequality are dispersed**

Share of population by perceived richest 10%'s share of national income in 2020



Source: OECD (2021), *Does Inequality Matter?*, Chapter 4.

There are also differing views on the source of inequality – whether top earnings are too high or bottom earnings are too low. More than 26% of Americans are concerned that top earnings are too high (but think that bottom earnings are fair or could

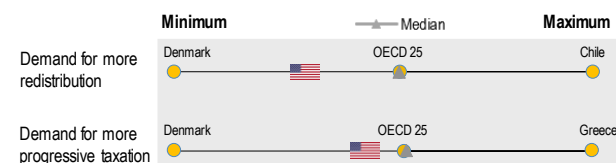
even be lower), while 17% think bottom earnings are too low. In contrast, less than 15% of people in the OECD on average believe top earnings are too high and 24% think bottom earnings are too low.

### How much support is there in the United States for inequality-reducing policies?

Consistent with their low general level of concern about inequality, Americans' demand for more government redistributive intervention through taxes and benefits is comparatively lower than the OECD average (Figure 4). However, demand for more progressive taxation – through higher taxes on the rich is closer to the OECD average. This suggests that people in the United States are relatively more favourable to redistribution through higher taxation of high incomes rather than through stronger benefits towards the poor.

A possible explanation is that the stronger belief in the importance of hard work and in the possibility of escaping poverty lowers the demand for redistribution through benefits. At the same time, the growing distance between top and bottom earners, coupled with the belief that having wealthy and highly educated parents matter for success, increases the support for higher taxes on richer people.

**Figure 4. Demand for more redistribution is low**



Note: Data refer to year 2020.

Source: OECD (2021), *Does Inequality Matter?*, Chapter 3.

### How can people's perceptions of, and concerns about, inequality inform policy?

Understanding how people form their perceptions and opinions is important for getting citizens and governments on the same page about policies that reduce inequality and promote social mobility. This includes:

**Better understanding of public support for reform:** Inequality of outcomes and opportunities matter to people, and hence policies should address both aspects. Nonetheless, people may favour specific policy mixes, depending on their beliefs and preferences.

**Better understanding of the effectiveness of policies:** People favour policies that they believe are effective. It is necessary to evaluate the impact of inequality-reducing policies transparently and facilitate people's understanding of how they function.

**Better information on inequality and equality of opportunities:** Providing reliable information about inequality can help provide a common ground for public debate and address division and polarisation of public opinion.

### Contacts

Any questions? Contact us at: [wellbeing@oecd.org](mailto:wellbeing@oecd.org)

For more information, access the complete report at: <http://oe.cd/does-inequality-matter>