

Misperceiving inequality

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Abstract

A vast literature suggests that economic inequality has important consequences for politics and public policy. Higher inequality is thought to increase demand for income redistribution in democracies and to discourage democratization and promote class conflict and revolution in dictatorships. Most such arguments crucially assume that ordinary people *know* how high inequality is, how it has been changing, and where they fit in the income distribution. Using a variety of large, cross-national surveys, we show that, in recent years, ordinary people have had little idea about such things. What they think they know is often wrong. Widespread ignorance and misperceptions emerge robustly, regardless of data source, operationalization, and measurement method. Moreover, perceived inequality—not the actual level—correlates strongly with demand for redistribution and reported conflict between rich and poor. We suggest that most theories about political effects of inequality need to be reframed as theories about effects of *perceived* inequality.

1 | INTRODUCTION

Economic inequality is believed to have important consequences for politics and public policy. In democracies, where the poor majority can vote to tax the rich, higher inequality is thought to produce more generous social spending. *Ceteris paribus, unequal democracies should redistribute more than equal ones.* In dictatorships, the greater the income gap, the more the poor can gain by overthrowing and expropriating their rulers. *Unequal autocracies should be more prone to revolution.* Similarly, the more skewed are the distributions of property and income, the more elites should fear to extend the franchise. *High inequality should discourage democratization.*

These arguments—familiar from works of Aristotle, Marx, and many more recent scholars—seem plausible. But what if most citizens do not *know* whether they are relatively rich or poor? Everyone knows his own income, but not necessarily the distribution into which it fits. What if most citizens have no idea how much wealth elites have accumulated and whether the gap is growing or shrinking? Even the rich may fail to gauge how strong the motive is for the poor to revolt. In such cases, the neat link between actual inequality and political outcomes evaporates.

We provide evidence that such uncertainty and misperception are extremely widespread. Results from nine large, cross-national surveys suggest that in recent years ordinary people have known little about the extent of income inequality in their societies, its rate and direction of change, and where they fit into the distribution. What they think they know is often wrong.¹ This finding is robust to data sources, definitions, and measurement instruments. For instance, perceptions of inequality are no more accurate if reinterpreted as being about wealth rather than income.

A strange inconsistency underlies much recent scholarship. On one hand, theories assume that individuals know the income distribution. On the other, scholars complain that data available to test these theories—even in developed democracies—are “dubious” (Ahlquist, & Wibbels, 2012) and “massively unreliable” (Cramer 2005). If experts despair at the quality of data, it seems odd to assume the public is perfectly informed. And if analysts fault the figures available today—despite the most sophisticated statistical agencies in history—quality must have been worse during the nineteenth century heyday of revolution and democratization.

The implications for theories of redistribution, revolution, and democratization are potentially far-reaching. To be convincing, these must be reformulated as theories about not actual inequality but perceptions of it, with no presumption the two coincide. Although actual inequality—as captured by the best current estimates—is not related to preferences for redistribution, we show that perceived inequality is. Actual poverty correlates only weakly with reported tension between rich and poor, but the perceived poverty rate strongly predicts such inter-class conflict.

A number of previous papers have noted inconsistencies in perceptions of inequality, using surveys and experiments, mostly within a single country (Norton, & Ariely, 2011; Chambers, Swan, & Heesacker, 2014; Cruces, Perez-Truglia, & Tetaz, 2013; Kuhn, 2011, 2016; Niehues, 2014). We build on these works. Our contribution is to provide the most general and comprehensive investigation of the topic to date, using nine cross-national surveys, comparing multiple countries, exploring numerous aspects of income and wealth inequality, and developing the implications for influential arguments about the politics of redistribution, revolution, and democratization.

To preview the results, we find that, when asked about the level of and recent trend in inequality in their country, respondents performed only slightly better than chance. Many could not even approximately identify the average wage nationwide, average salaries in different jobs, the top one percent’s share of wealth, or the current poverty rate. Respondents who were almost certainly near the top of the distribution thought they were near the bottom, and vice versa. Both within and across countries, perceptions of inequality closely tracked demand for government redistribution and reported class conflict, while the relationship with actual inequality was tenuous at best.

We believe the accumulation of evidence from the multiple surveys we consider is more compelling than any individual piece. Although one can—by assuming respondents misunderstood a

¹ And since beliefs will correlate among those who interact or use the same media, the “wisdom of crowds” will not ensure average estimates are unbiased. Nor is it clear how any available “information shortcuts” could close this gap (see Conclusion).

question or interpreted it idiosyncratically—construct scenarios in which the respondents were better informed on a particular point than might appear, it would require a huge number of ad hoc rationalizations to eliminate all the anomalies we document. And an assumption that rationalizes answers in one setting would often make those in other settings more puzzling.

The next section reviews major theories relating inequality to politics. Section 3 uses cross-national surveys to demonstrate widespread misperceptions of the income distribution, the respondent's place in it, and recent trends in inequality. Section 4 shows that preferences for redistribution and perceptions of political and social tension correlate more strongly with beliefs about inequality than with actual levels. Section 5 concludes.

2 | INEQUALITY AND POLITICS

Various theories associate countries' levels of economic inequality with important political outcomes. Such outcomes include the extent of income redistribution (in democracies); the incidence of revolution and other political violence (in non-democracies); and changes in regime type.

One argument contends that democracies with greater market-generated inequality redistribute more. In a stylized model, Meltzer and Richard (1981) showed that the larger is the gap between median and mean incomes, the greater the fiscal transfer from rich to poor produced by majority-rule voting. Subsequent papers built this mechanism into models aiming to explain the pace of economic growth, the fiscal consequences of decentralization, and the extent of government debt (Persson, & Tabellini, 1994a, 1994b; Cukierman, & Meltzer, 1989).

A second literature blames inequality for revolutions, coups, civil wars, and other political violence. The greater the incomes and land-holdings of the rich, the more the poor can gain by expropriating them (Huntington 1968, p. 375). "A large group of impoverished citizens, facing a small and very rich group of well-off individuals, is likely to become dissatisfied with the existing socioeconomic status quo and demand radical changes," write Alesina and Perotti (1994, p. 362). "As a result, mass violence and illegal seizures of power are more likely the more unequal the distribution of income is." One review called it "almost a universal assumption that an inequitable distribution of resources and wealth will provoke violent rebellion" (Cramer 2005; see also Goldstone, 2014, p. 11, and Gurr, 1970).

A third related approach links inequality to the evolution of political regimes. Since elites in unequal autocracies anticipate high redistribution under democracy, they fight to prevent it. Boix (2003), therefore, predicts a negative relationship between inequality and democratization, unless elites are protected from expropriation, for instance by mobility of their assets. Acemoglu and Robinson (2006) agree but add that the poor have weak incentives to seek democracy if inequality is low (taxing the rich yields little). Thus, odds of democratization should trace an inverted U: it is unlikely at either high or low inequality, but more probable at intermediate levels. Both theories crucially assume that poor citizens know the extent of inequality.

Despite their appeal, all three sets of theories have proved hard to substantiate empirically. Reviewing recent literature, Lupu and Pontusson (2011, p. 316) report a "current consensus... that inequality does not matter for the politics of redistribution, at least not in any direct and particularly significant way." Ansell and Samuels (2011, pp. 2–3) concur that: "results have consistently called into question... that pressures for redistribution increase with inequality."² Does economic

² See also Neckerman and Torche (2007) and Lenz (2004), who finds only mixed evidence of a relationship between inequality and redistribution across American states.

inequality prompt political violence? “For almost half a century,” writes Ostby (2013, p. 206), “scholars have tried to test this assumption, finding little empirical support for a statistical relationship between the two variables.” What about regime type? The search for a connection has yielded only “mixed results” say both Houle (2009, p. 598) and Haggard and Kaufman (2012, p. 495). A sophisticated statistical inquiry found “no evidence that domestic inequality is related to regime outcomes once spatial correlation is accounted for” (Ahlquist, & Wibbels, 2012, p. 461).

Scholars have suggested several reasons why the simple relationship might not hold—from conditional effects to nonlinear functional forms. Inequality might not prompt redistribution because attitudes towards it are mediated by: beliefs about the fairness of the distribution (Alesina & Angeletos, 2005a, 2005b; Alesina, Cozzi, & Mantovan, 2012), beliefs about social mobility (Piketty, 1995, Bénabou, & Ok, 2001, Alesina, & La Ferrara, 2005; Ravallion, & Lokshin, 2000), or other societal norms (Alesina, & Giuliano, 2009). Religious organizations might build multiclass coalitions, alleviating conflict (Huber, & Stanig, 2011). Inequality might not produce civil unrest if the poor cannot mobilize or if assets are in forms hard to expropriate (Boix, 2003).

While these factors may indeed matter, we suggest a simpler explanation. All theories discussed so far assume key actors accurately perceive the degree of income inequality. Yet, given how hard it is to estimate distributions of income and property—for skilled professionals, let alone statistically unsophisticated citizens—this assumption is implausible. People may not respond to inequality as posited because, quite simply, they do not know its level.

A few papers have explored misperception of the income distribution, but usually in a single country. Norton and Arieli (2011) found respondents underestimated wealth inequality in the United States. Americans also assessed change poorly: respondents “overestimated the rise of income inequality over time” since 1960, and beliefs about this varied systematically between political liberals and conservatives (Chambers et al., 2014; see also Bartels 2008). Using a survey experiment in Argentina, Cruces et al. (2013) found “biases in individuals’ perceptions of aggregate income distributions” as well as in assessments of their own relative position. Where respondents thought they stood in the national distribution turned out to correlate strongly with their place in the local income distribution, or in some other reference group. Obviously using small, non-representative samples produces bias. Among respondents in Spain, only 14% could correctly identify their decile in the national income distribution (Fernandez-Albertos, & Kuo, 2013, p. 16).

In an important paper, Niehues (2014) used the International Social Survey Project (ISSP 2009) to estimate average perceptions of inequality in 23 European countries plus the United States. She demonstrated systematic errors and noted a correlation between perceived inequality and the belief that it was too high, as well as with preferences for redistribution.³ Engelhardt and Wagener (2014) also noted a correlation between perceived inequality and redistribution preferences. They distinguished between a measure of perceived social mobility and actual mobility and found that perceived mobility reconciled people better to inequality than actual mobility.

³ We accept as a starting point the idea, suggested first by Niehues, of estimating subjective Gini coefficients. However, where she examined a truncated sample from one survey, we document systematic misperceptions using nine cross-national surveys and multiple questions, together covering a total of 110 countries of all types. We examine: (a) perceptions of the level of inequality, (b) individuals’ beliefs about their place in the distribution—including their belief about the average income, the key variable for theories such as Meltzer and Richard (1981), and (c) perceptions of recent changes in inequality. Besides the relationship between perceptions and demand for redistribution, we analyze how inequality perceptions relate to perceived conflict between rich and poor, examining these relationships at the individual as well as cross-national level. We derive implications for theories of politics and public policy, which remain unexplored in previous papers.

3 | MISPERCEIVING THE INCOME DISTRIBUTION

3.1 | Do people understand the level of inequality?

The ISSP survey, conducted in 2009 in 40 countries, focused on social inequality. One question (14a) showed respondents five diagrams, accompanied by verbal descriptions, of different “types of society” (Figure 1). Respondents were asked which diagram and description best fit their country. While the question does not explicitly refer to income or wealth, the previous questions asked about “pay” and “earnings,” so an interpretation in terms of income is the most natural one.

Responses varied greatly across the 40 countries (see Table A1 in the online appendix).⁴ While in Latvia 68% chose the steep pyramid (Type A), in Denmark fewer than 2% picked this option; 56% of Danes saw their country as a diamond, with most people in the middle (Type D).

How often were respondents right? A simple point emerges directly from the distribution of answers. Barring exact ties—in which case the correct answer would surely be “don’t know”—only one of the five diagrams can “best describe” each country. It follows that in 29 of the 40 countries *a majority of respondents who ventured a guess guessed wrong*. For a majority to guess right, they must all pick the same diagram—but in 29 countries, the leading choice attracted fewer than 50% of those who guessed. (Another 5% on average chose “don’t know” and 1% refused to answer.) So, in almost three quarters of countries, most respondents who thought they could identify the general pattern of inequality got it wrong.⁵ This conclusion does not require any assumptions about the actual distributions.

To explore further, we estimate Gini coefficients corresponding to each diagram. We assume each of the seven bars represents an income class and—initially—that the income gap between each two adjacent categories is the same (we code average income in the bottom bar as 1 and that

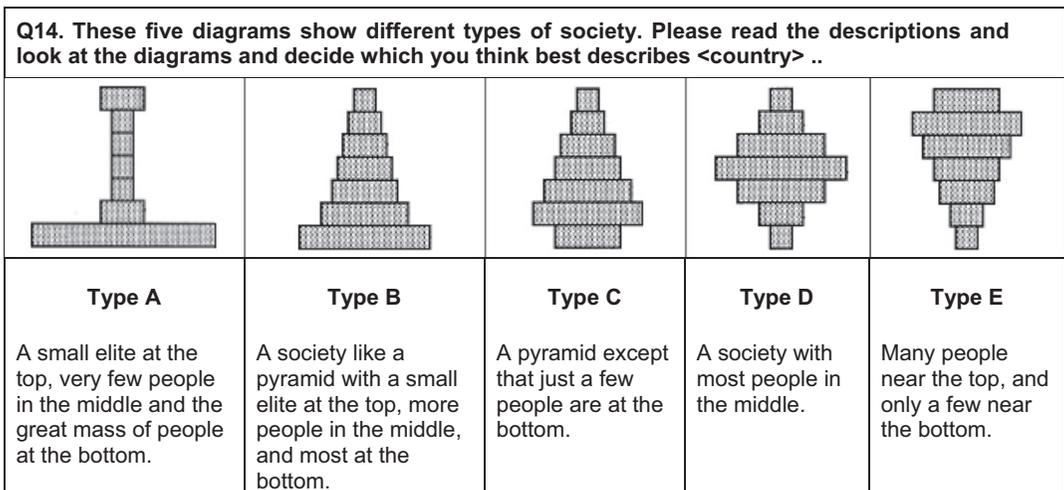


FIGURE 1 Characterizing the type of society

Source: International Social Survey Project survey (2009) questionnaire

⁴ The online appendix, data, and STATA do files for this article are available at <https://www.sscnet.ucla.edu/polisci/faculty/treisman/Pages/publishedpapers.html>.

⁵ Even if we combine diagrams D and E since they are quite similar, this only raises the maximum number of countries where the majority could have been right from 11 to 12.

in the top bar as 7).⁶ Taking the area of each bar (in square cms) to represent the population share in that income class, we calculate the Gini using the standard formula: $G_n = 2 \sum_{i=1}^n y_i \left(\frac{i-1}{n} \right) / \sum_{i=1}^n y_i - 1$, where n is the number of observations (i.e., the total area of the figure), and y_i is the income of the i 'th observation. Since the number of groups is small (seven), we correct for the bias associated with calculating the Gini from grouped data, as recommended by Van Ourti and Clarke (2011).⁷ The resulting Gini coefficients for the five diagrams are: (A) 0.42, (B) 0.35, (C) 0.30, (D) 0.20, (E) 0.21.

Next, we calculated what proportion of respondents chose the diagram with the Gini coefficient closest to their country's actual Gini (we call this the "correct" diagram). For actual Ginis, we refer to those for equalized household disposable income from the Standardized World Income Inequality Database (SWIID, version 5.0; see Solt, 2009, 2014). This standardizes observations from a variety of sources, including the United Nations University's World Income Inequality Database, the OECD Income Distribution Database, Eurostat, and the World Bank, and employs multiple imputation to fill in certain missing data points.⁸ We use data for 2009, the ISSP survey year, and, since the questionnaire did not specify whether diagrams referred to pre- or post-tax-and-transfers incomes, we consider the Gini coefficients for both. Since the Ginis for diagrams D and E are almost identical, we combine them to avoid penalizing respondents who pick one rather than the other.⁹

Respondents turn out to pick the wrong diagram most of the time. Worldwide, 29% chose "correctly" if we use their country's post-tax-and-transfers Gini and 24% were right if we use the pre-tax-and-transfers measure. For reference, a purely random choice among the five answers would be correct 23% of the time for post-tax-and-transfers incomes and 20% of the time for pre-tax-and-transfers incomes.¹⁰ In other words, respondents picked correctly only slightly more often than they would have by chance. The percentage correct varied across countries (Table 1). Assuming post-tax-and-transfers incomes, the proportion correct ranged from 5% in Ukraine—where almost all overestimated inequality—to 61% in Norway. In only five of the 40 countries did a majority guess correctly. In five countries—Estonia, Slovakia, Croatia, Hungary, and Ukraine—90% or more picked the wrong distribution.¹¹ (Using preredistribution incomes, a majority guessed right in only *three* countries.)

In some countries, errors were not just widespread but extreme. Ukraine had one of the most equal income distributions in 2009: it came first (out of 114 countries with data) for pre-redistribution equality and 14th for post-redistribution equality. Its Gini, for either, was around .28, less than that for Diagram C. Yet fewer than 5% of Ukrainians chose C, while 63% picked the steep pyramid

⁶ This might, at first, seem an arbitrary assumption, but in fact the diagrams are meaningless if one does not assume this or something similar. If, instead, income gaps between the seven bands were allowed to vary, then each diagram could be made to fit almost any distribution simply by adjusting the cutoffs. We also tried a variety of other assumptions about the values (see below).

⁷ The correction is to multiply the Gini by $k^2(n^2 - 1)/n^2(k^2 - 1)$, where k is the number of groups, seven in this case.

⁸ The database provides 100 imputations for each data point; we use the average.

⁹ Even fewer guess correctly if types D and E remain separate.

¹⁰ The rate is not simply 20% in the first case because Ginis for options D and E are combined. Denote the proportions of respondents for whom (A), (B), (C), and (D or E) are correct as, respectively, a , b , c , and d . The proportion correct under random choice is: $0.2a + 0.2b + 0.2c + 0.4d$. Using pre-tax-and-transfers Ginis, for this group of countries: $a = 0.863$, $b = 0.101$, $c = 0.036$, and $d = 0$; for post-tax-and-transfers Ginis: $a = 0.213$, $b = 0.256$, $c = 0.379$, and $d = 0.153$. So the expected proportion of answers correct is 20% for pre-tax-and-transfers Ginis and 23% for post-tax-and-transfers Ginis.

¹¹ This assumes post-redistribution incomes; using pre-redistribution incomes, 90% answered incorrectly in 11 countries.

of Diagram A. Many respondents in some countries simply said they did not know—11% in Austria, 13% in Russia, 16% in Portugal, and 24% in the United States—while up to 7% refused to answer.

Were most people at least close? Often the correct Gini lay between those of two adjacent diagrams. We calculated how often respondents chose a diagram that was the nearest on one or the other side of the correct Gini. The probability of doing this purely by chance is 25% for pre-tax-and-transfers Ginis and 44% for post-tax-and-transfers Ginis.¹² In fact, in the average country, 28% were “correct” under this rule for pre-tax-and-transfers income and 48% for post-tax-and-transfers income. Were most respondents at least within one diagram of the correct one (for instance, if B was correct, did most at least pick A, B, or C)? With only five options, getting within one place of the right one is not very difficult. Choosing randomly, respondents should achieve this 63% of the time for post-tax-and-transfers income and 43% of the time for pre-tax-and-transfers income.¹³ In fact, for post-tax-and-transfers income, 69% were within one diagram of the right one. For pre-tax-and-transfers income, 58% were within one diagram, 15 percentage points better than random. Still, 42% were very far from the correct choice. And the errors were highest in countries where one might expect people to be best informed. If focusing on pre-tax-and-transfers income, more than 70% missed by at least two places in Denmark, Norway, Finland, Sweden, and—perhaps less surprisingly—Ukraine.

Might we be exaggerating respondents’ ignorance because we do not know whether they had pre- or post-tax-and-transfers income in mind? To check, we tried coding respondents correct if they picked *either* the diagram that was “right” assuming pre-tax-and-transfers income *or* the diagram that was “right” assuming post-tax-and-transfers income. The probability of picking one or other of these purely by chance was 0.38.¹⁴ In fact, on average 45% got the “correct” answer, thus-defined. Even giving respondents generous benefit of the doubt, they only slightly outperformed chance.

Assigning values 1 to 7 to the bars is probably the most natural interpretation. But results are almost identical if we make different assumptions. We tried using one tighter distribution, with the bars representing incomes of 1, 1.5, 2, 2.5, 3, 3.5, and 4, and two more spread-out distributions: (A) bars equalling 1, 3, 5, 7, 9, 11, and 13, and (B) bars valued 1, 2, 4, 7, 11, 16, and 22. We even tried assuming that respondents in more genuinely unequal societies supposed the bars to be more widely spaced—specifically, we used the values (1, 2, 3, 4, 5, 6, 7) for countries with actual Gini coefficients in the bottom third of the sample; (1, 3, 5, 7, 9, 11, 13) for countries in the middle third; and (1, 2, 4, 7, 11, 16, 22) for those in the third with the highest actual inequality. Re-doing the analysis under these four alternative assumptions, and using Ginis for both post-tax and

¹² Denoting the correct Gini g , the proportion correct under random choice (combining options D and E) is: $.2 \times \Pr(g > 0.35) + .2 \times \Pr(0.30 < g < 0.42) + 0.2 \times \Pr(0.21 < g < 0.35) + 0.4 \times (g < 0.3)$, where $\Pr(x)$ denotes the frequency with which expression x was true for ISSP respondents. This equals 0.25 for pre-tax-and-transfers Ginis and 0.44 for post-tax-and-transfers Ginis.

¹³ Again denoting the frequencies with which (A), (B), (C), and (D or E) are correct as, respectively, a , b , c , and d , the proportion within one diagram of the correct one under random choice will be: $0.2(a+b) + 0.2(a+b+c) + 0.2(b+c+d) + 0.4(c+d)$. Again, for pre-tax-and-transfers income, $a = 0.863$, $b = 0.101$, $c = 0.036$, and $d = 0$, while for post-tax-and-transfers Ginis: $a = 0.213$, $b = 0.256$, $c = 0.379$, and $d = 0.153$. So the expected proportion correct is 0.43 for pre-tax-and-transfers Ginis and 0.63 for post-tax-and-transfers Ginis.

¹⁴ In 25 countries (containing 58% of respondents), the two “right” answers were different options from among A, B, and C; the probability for a respondent to pick one or other of these at random is .4. For eight countries (containing 27% of respondents), the same option (from among A, B, and C) was right for both pre and post-tax-and-transfers income; for these, the probability of guessing right by chance is 0.2. For the remaining seven countries (15% of respondents), the two “right” answers were either A or B and “D or E”; the probability of being right by chance in these cases is .6. So on average the probability of being right is $.58 \times .4 + .27 \times .2 + .15 \times .6 = .376$.

TABLE 1 Percentage choosing the diagram with Gini coefficient closest to “correct” one, 2009

	If question refers to:	
	Post-tax- and-transfers income	Pre-tax- and-transfers income
Norway	61	2
Denmark	59	2
Cyprus	54	4
Israel	51	17
Iceland	51	18
South Africa	49	49
Argentina	45	45
United Kingdom	40	13
Italy	39	32
Sweden	38	7
Spain	37	15
Venezuela	35	30
Russia	34	34
Belgium	33	7
Turkey	32	36
Finland	32	6
Philippines	32	32
New Zealand	30	6
Portugal	30	34
United States	29	12
Austria	28	15
Australia	28	6
Bulgaria	26	26
South Korea	26	35
Taiwan	25	36
Switzerland	24	6
Japan	24	10
Chile	23	23
China	21	21
Germany	21	17
Latvia	20	68
France	17	17
Czech Republic	16	28
Slovenia	13	23
Poland	13	34

(Continues)

TABLE 1 (Continued)

	If question refers to:	
	Post-tax- and-transfers income	Pre-tax- and-transfers income
Estonia	10	30
Slovak Republic	8	39
Croatia	6	51
Hungary	6	52
Ukraine	5	5
<i>Total</i>	29	24
<i>Expected percent correct if random</i>	23	20

Source: Authors' calculations from ISSP (2009, Question 14a) and SWIID database (Solt, 2014).

Notes: Diagrams D and E combined. If these kept separate, expected percent correct is 20 in both columns, and total percent correct is 24 for both. The two columns correlate at $r = -.34$: since the pre-tax-and-transfers Gini is almost always substantially above the post-tax-and-transfers Gini, the diagram that is "right" for pre-tax-and-transfers income tends to be "wrong" for post-tax-and-transfers income.

pre-tax incomes, results proved remarkably consistent. Across all eight permutations, the share choosing the "right" diagram ranged between 22% and 26%.

Figure A1 (see appendix) plots *perceived* inequality in the 40 countries against their *actual* post-tax-and-transfers inequality. The measure of perceived inequality, *GPI*, is simply an average of the Gini coefficients for diagrams (A) to (E), weighted by the proportion of respondents who chose that diagram. The *GPI*'s thus calculated range from just under 0.25 for Denmark and Norway to 0.39 for Ukraine. Perceived and actual inequality turn out to be quite weakly correlated ($r = 0.37$).¹⁵ By construction, the *GPI*'s cannot exceed the Gini for the most unequal diagram, 0.42. In four countries—the Philippines, Chile, China, and South Africa—the actual Ginis were higher than this. Yet even dropping these countries, the correlation is only $r = 0.41$.¹⁶ Some countries where respondents perceived the greatest inequality—such as Ukraine—had among the lowest levels. In others—such as the United States—respondents underestimated inequality.

Another way to explore this is to examine people's beliefs about salaries in their country. The ISSP asked respondents how much they thought employees in five occupations—from "unskilled factory worker" to "chairman of a large national corporation"—typically earned.¹⁷ Comparing respondents' answers to information on actual average earnings, we found guesses were often far off the mark (Table A3). Out of 45 cases with information on actual salaries, the average respondent guessed within plus or minus 10% of the correct answer in only nine. In the Philippines, the

¹⁵ Although it is reassuring that the correlation is not zero, this suggests distortions in individuals' perceptions produce significant distortion in the crossnational pattern. (Whereas correlations in the 0.2–0.4 range might seem adequate to establish an association between two different variables, $r = 0.37$ suggests an abnormally weak relationship between two supposed measures of the same thing.) As we will see, these distortions are enough to eliminate correlation between the crossnational pattern of inequality and demand for redistribution.

¹⁶ The Spearman correlation coefficient (between countries' ranks in actual and perceived inequality)—0.41—is also low.

¹⁷ Unfortunately, the question's wording sometimes referenced pretax and sometimes post-tax income. We focus on countries for which it referred to pretax income since media accounts, the most likely source, usually report gross pay for different professions.

typical general practice doctor earned about \$5,500 in 2008, according to a World Bank survey; Filipino respondents guessed \$144,000. South Africans surveyed thought the typical CEO earned \$77,000; in fact, the average across 56 major South African companies was \$1.7 million (for sources, see Table A2). Not only were average guesses often wrong, the dispersion was sometimes extreme. Almost all respondents missed by more than plus or minus 33% when guessing top CEOs' salaries. Inequality between doctors (or cabinet ministers) and factory workers (or shop assistants) was overestimated in most countries. But the gap between corporate executives and low-paid occupations was massively *underestimated* everywhere we had data.¹⁸

A third question is whether people know how rich the rich are. This is important if citizens are to judge how much could be expropriated by redistributive policies or revolution. In 2015, the polling firm Ipsos MORI asked about 1,000 residents in each of 29 countries what proportion of total household wealth in their country they thought the wealthiest 1% owned (Ipsos MORI, 2015). We compared the answers to estimates of the correct figures calculated by the investment bank Credit Suisse (CS), using household balance sheet and other data (Credit Suisse, 2010, 2014, 2015, pp. 84–7). In the average country, the average respondent's guess was 17 percentage points off—usually an overestimate. In the United Kingdom, for instance, respondents thought the wealthiest percentile owned 59% of total household wealth, compared to CS's estimate of 23%. In only eight of the 29 countries was the average guess within plus or minus 10 percentage points of the correct answer (Table A4).

A fourth source of evidence relates to poverty. Ordinary people might know more about the underclass than about the top wealth-holders. In fact, ignorance and misconceptions were common here too. A 2010 Eurobarometer survey asked respondents what proportion of people in their country were poor. Of course, respondents might have their own definitions of poverty, but using either the EU-favored or the national definition (usually very close), almost one third of respondents in the average country guessed more than 10 percentage points above or below the true level (Table A5). In Cyprus, Hungary, Poland, Malta, and Spain, a *majority* of those who answered were more than 10 percentage points off.¹⁹ Since the average poverty rate in these countries was 16%, an error of more than 10 percentage points is substantial.

Even if individuals are often wrong about their society's level of inequality, average perceptions might still correlate cross-nationally with the actual levels. In fact, as already noted, the correlation between perceived and actual inequality is low ($r = 0.37$). Still, that might be because of the particular measures we used or because of the assumptions we had to make to construct Gini coefficients for the perceived distributions. To check, Table 2 shows the correlation coefficients between five alternative measures of actual economic inequality and four measures of perceived inequality. It is possible respondents were thinking about wealth—not income—inequality (Bagchi, & Svejnar, 2013). So we include CS's estimates of the wealth share of the top 10% (for 2009) and the Gini for wealth (for 2010, the first year available).²⁰ We also include another common indicator of income inequality, the 90/10 ratio (i.e., the ratio between incomes at the 90th and 10th percentiles).

¹⁸ Does such misperception matter for policy preferences? One 2015 U.S. poll suggests it does. When respondents were asked to guess the average public school teacher's salary in their state, the average was \$38,294. In fact, nationwide the average was \$57,379 (https://nces.ed.gov/programs/digest/d15/tables/dt15_211.50.asp?current=yes). Among those not given more information, 63% favored increasing teachers' salaries. Among those who were told the correct figure for their state, support for raising salaries was only 45% (<http://educationnext.org/2015-ednext-poll-school-reform-opt-out-common-core-unions/>).

¹⁹ Aalberg (2003, p. 97) found that, in 1991, German, Dutch, British, and U.S. respondents all overestimated poverty.

²⁰ Estimated Ginis for wealth ranged from .57 in Spain to .88 in Switzerland (Credit Suisse, 2010, 2014, 2015).

For perceived inequality, we add three other measures derived from the ISSP survey. First, to minimize assumptions, we simply use the percentage of respondents who selected diagram (A), the most unequal. Second, we constructed a measure of the average choice among the diagrams where (A), the most unequal, was scored 5 and (E), the least unequal, was scored 1. Finally, we calculated the ratio of perceived earnings of a CEO in a large national company to those of an unskilled factory worker, averaging in each country across all respondents who gave estimates for both. As Table 2 shows, no pair of these measures of objective and perceived inequality correlated at higher than $r = .40$; many were not correlated at all.

In sum, respondents only slightly outperform chance when asked to identify the shape of the income distribution in their country. They are often quite wrong about what various occupations pay and what share of total wealth belongs to the top one percent. Many European respondents think poverty is either much higher or lower than it is. And, measured in various ways, actual and perceived levels of inequality correlate at most weakly.

3.2 | Do people know their place in the distribution?

According to Meltzer and Richard (1981), the median voter will favor redistribution if his income is below the mean. But does the median voter *know* whether his income is below the mean?

In its 2015 survey, Ipsos MORI asked respondents: “What do you think the average annual wage for a full-time worker is in [country]?”²¹ The results were surprising. Comparing the answers in each country to our best estimate of the actual average wage, we found that in all countries except New Zealand people underestimated the average wage, often by a lot.²² For instance, the average U.S. respondent thought the average annual wage was about \$26,000; in fact, the OECD

TABLE 2 Correlation coefficients between objective and subjective inequality measures

Subjective measures	Objective measures				
	Gini for pre-tax-and-transfers income	Gini for post-tax-and-transfers income	90/10 ratio for post-tax income	Gini for wealth, 2010	Wealth share of top 10%, 2009
Average perceived Gini, constructed from survey answers	0.01	0.37	0.36	-0.17	0.09
Percent choosing diagram A	-0.04	0.28	0.37	-0.08	0.23
Average diagram choice	-0.01	0.40	0.39	-0.15	-0.02
Average ratio of perceived earnings of CEO and unskilled factory worker	0.32	0.25	0.05	0.16	0.02

Source: SWIID database (Solt, 2014), OECD, SEDLAC, Eurostat, LIS, Credit Suisse (2010), ISSP (2009), and authors' calculations.

Note: Estimates for 2009 where possible, 2008 or 2010 when 2009 not available.

²¹ See Ipsos MORI (2015). We are very grateful to Bobby Duffy and James Stannard for sharing data from this poll; any interpretations offered here are ours and not those of Ipsos MORI.

²² In the interest of consistency, we used the OECD's estimates from national accounts where available, and figures from national statistical offices or the ILO where OECD estimates were not available.

estimated it was \$57,417. In only one of 27 cases was the average guess within 30 percentage points of the correct level (Table 3).

If the median voter in each country had the average belief about the mean wage in his country, his estimate would almost always be wrong. Would it at least be on the right side of the median wage? That is, would he still support redistribution when Meltzer–Richard logic suggests he should, and oppose it when that was in his self-interest? Among the 22 countries for which official estimates of the median wage were available, it turns out he would have been right in only two.

Errors were so large in some cases that we wondered if respondents might have misunderstood the question. So we tried to adjust for possible misinterpretations. For instance, in some countries, it is common to discuss monthly rather than annual salaries. Although the pollsters' question explicitly asks about the *annual* wage, we nevertheless tried multiplying the average guess by 12 whenever that produced something closer to the correct answer. It is also possible some respondents took the question to refer to *post-tax* rather than *pre-tax* wages. We therefore adjusted again, using OECD estimates of the total tax rate on labor income to convert the guess from post-tax to pre-tax, whenever this rendered it more accurate (Table A7). Reinterpreting respondents' answers in these ways reduces the errors, but not by much. Even adjusting in either or both of these ways when that helped, the average guess about mean income remained about one third too high or too low in the average country. And still respondents placed the average income on the right side of the median in only seven out of 17 countries. With these misperceptions, following Meltzer–Richard logic would lead the median voter astray more often than not.

A final possibility is that respondents misunderstood the word “worker” in the question to mean either an industrial worker or, more generally, a manual worker, not just an employee. Using data from Eurostat, the ILO, and national statistical agencies on the average wages of “machine operators,” the category in common use that seemed closest to “industrial worker,” we checked whether this could make sense of respondents' estimates. Among the 14 countries for which we found data, the average guess was 53 percentage points above or below the actual average wage of machine operators (Table A8a). And even if we adjust as before—multiplying by 12 and/or adjusting for taxes if that helps—the average guess still misses the actual average wage for machine operators by 30 percentage points. Results are similar using instead the average wage for “manual workers” (Table A8b). In sum, people in many countries appear to have extremely unreliable ideas about the average wage.²³ Were they to act politically on the basis of these ideas, they would very often do the opposite of what influential theories predict.

More generally, do people know where in the national income distribution they fall? To examine this, we exploit data from the 2010 Life in Transition Survey (LiTS 2010). LiTS includes 30 emerging (mostly transition) economies and five advanced European economies. The ideal survey to answer this question would record: (A) respondents' own income, and (B) their beliefs about their place in the national distribution. Using the country's true distribution, one could then judge how often respondents were right. However, neither LiTS nor any other crossnational survey we know collects data on both (A) and (B). We therefore present indirect evidence.

LiTS asked respondents into which decile in the national income distribution they thought they fell. Assuming the survey samples were as representative as intended and as subsequent scrutiny confirmed (Cojocar, & Diagne, 2015), one tenth of respondents should fall within each of the 10 deciles. A histogram of responses should resemble the uniform distribution: a flat line at 10%, with

²³ Although the average wage is not average per capita income, we see no reason perceptions of the latter would be more accurate.

TABLE 3 Did people know the average annual wage in their country (early 2015, local currency units)?

Country	Average guess of respondents	Actual average wage, 2014	Actual median wage, 2014	Was average guess about the mean on right side of median?
New Zealand	50,210	48,737	44,876	Yes
Great Britain	20,802	32,453	26,909	No
Australia	48,845	78,715	63,651	No
Sweden	232,380	378,907	336,000	No
China	32,821	56,360	n.a.	n.a.
Canada	33,320	62,551	56,032	No
Belgium	21,965	42,687	36,432	No
Japan	2,045,037	4,033,913	3,505,045	No
South Africa	50,040	98,328 ^a	36,396 ^a	Yes
Germany	16,680	36,556	n.a.	n.a.
US	26,092	57,417	41,616	No
Israel	53,243	128,400	93,962	No
Hungary	1,213,809	2,889,151	2,166,863	No
Turkey	10,200	33,627	19,185	No
Poland	13,350	45,139	36,057	No
Russia	105,082	389,940	278,766	No
Spain	6,799	27,408	22,972	No
Italy	6,050	28,647	n.a.	n.a.
France	6,260	36,018	29,180	No
Brazil	3,084	25,616	n.a.	n.a.
Saudi Arabia	9,069	73,188	n.a.	n.a.
Argentina	6,942	70,365	60,000	No
South Korea	2,092,564	33,224,208	25,897,472	No
Colombia	758,605	12,734,700	7,392,000	No
Peru	1,003	14,759	11,957	No
Mexico	3,822	137,844	105,497	No
Chile	316,782	9,610,671	6,397,636	No
India	108,345	n.a.	n.a.	n.a.

Source: Ipsos MORI (2015); see Table A6 for sources and notes on actual figures.

Notes: Respondents were asked: "What do you think the average annual wage for a full-time worker is in [country]?"^a 2013.

no hills or valleys. That is not what one sees (Figure A2). In most countries, the two central deciles (5th and 6th) together capture not 20% but more than 40% of respondents. Many seem to believe they are relatively richer or poorer than they are.²⁴

²⁴ We also examined a similar question in the fifth wave of the World Values Survey (WVS). The histograms for this survey also tend to bunch in the center, and for a few countries toward the bottom of the scale. However, Donnelly and Pop-Eleches (2012) raise questions about the representativeness of the WVS samples.

Although the LiTS samples have withstood critical examination, it remains possible they do not adequately represent all income groups. If they oversampled the middle of the distribution, that would explain why respondents disproportionately placed themselves in the middle. To address this, we adopt a different tactic. From respondents' answers to other questions, we identify some who are almost certainly among the richest in their societies and others almost certainly among the poorest, and see where they placed themselves in the distribution.

LiTS surveys ownership of various consumer durables, including cars. Of course, in developed countries car ownership is common, but in six of those sampled—Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, and Ukraine—one third of households or fewer owned cars, according to national statistics (Table A10). Given the expense of automobile ownership, one might expect car-owning households to be among the richest. In Azerbaijan, the average car cost \$13,300 at the time of the survey—almost four times per capita income.²⁵ However, if car-owners in these countries belonged in the top income deciles, they did not realize this. More than 60% of them in all six countries thought they earned less than the median income (Table A10).

Owning two houses usually indicates wealth. In all 35 LiTS countries, at most one in four respondents said her family owned a second residence, and in all but three it was less than one in six. However, most secondary residence owners did not think themselves particularly rich (Table A11). On average, 60% placed themselves in the bottom half of the income distribution. In Uzbekistan, only 3% of respondents lived in households with a second residence, yet almost two thirds of these thought their incomes were *below* the national median. Developed countries had fewer such anomalies. Still, in France, Italy, and Great Britain, 40% or more of second home owners placed themselves in their country's bottom half.

Neither of these indicators is perfect. Even clearer evidence of high income might be owning *both* a car and a second home. In the average LiTS country, about 7% of respondents fit this description (Table A12). But, again, most did not consider themselves rich. On average, 57% of such property-owners thought they belonged in the bottom half of the distribution, and only 3% put themselves in the top two deciles. Similar patterns emerge for other consumer durables.

In these cases, many respondents who were almost certainly among the wealthiest in their country thought their incomes below average. Their guesses ranged widely, suggesting considerable doubt. Might they have been answering insincerely out of embarrassment or even fear? If so, they would surely not have admitted to owning a second home—an even clearer indication of wealth than their self-placement in a high income decile. Acknowledging possession of expensive property while claiming to be relatively poor is more consistent with confusion than with deliberate deception.

Do the poor understand their relative position? By design, it is the poor who receive targeted income support from the state. In the five developed LiTS countries, national statistics suggest very few received such aid—about 6% of households in France and Sweden and less than 1% in Germany. Yet among those who said that they had been approved to receive “targeted social assistance/guaranteed minimum income” in the previous year, only a few thought they belonged right at the bottom of the distribution (Table A13). Most aid recipients in all five countries located themselves above the bottom fifth.

Going hungry is another sign of poverty. Strapped for cash, some LiTS respondents reported having recently “reduced consumption of staple foods such as milk, fruits, vegetables, or bread.” In the developed European countries, the share saying this ranged from 3% in Sweden to 20% in Italy. We might expect such food-deprived respondents to fall in the bottom two deciles. Again,

²⁵ From www.stat.gov.az, converted from Manats at 1.245M/\$.

they thought otherwise. In Italy, more than half of those cutting food purchases placed themselves in the fifth decile or higher, and in France and Sweden more than one-third did so (Table A14, Panel A). Similarly, in the sixth round of the World Values Survey (2010–2014), very few respondents in the richest countries said that they had “gone without enough food to eat” during the previous year. Yet in most such countries, many who confessed to having gone hungry nevertheless placed themselves in the top six of ten income groups (Table A14, Panel B). In short, these surveys suggest the rich often think they are poorer—and the poor think they are richer—than they actually are. Both think they are closer to the median than is, in fact, the case.

3.3 | Do people know how inequality is changing?

Perhaps ordinary people do not know the level of inequality or their place in the distribution but can still sense when the gap between rich and poor is growing. If so, the dynamics of inequality might still drive political behavior. To measure such change, we use the Gini coefficient for pretax-and-transfers income from SWIID 5.0. Between 2007 and 2012, change in the Gini ranged from a fall of 7.7 percentage points in Bolivia to a rise of 6.5 points in Spain. Among the 61 countries with SWIID data for both 2007 and 2012, inequality increased in 32 and decreased in 29.

Could citizens detect the trend? To check, we exploit a survey taken in spring 2013 by the Pew Global Attitudes project. Respondents in 39 countries were asked: “Do you think the gap between the rich and the poor in (survey country) has increased, decreased, or stayed the same in the last five years?” For 22 countries, we had data on actual changes in the Gini coefficient.

We categorize countries where the Gini changed by less than plus or minus 1 percentage point as having “stayed the same.” With this classification, the Gini fell in eight of these 22 countries, increased in six, and stayed the same in eight. If respondents chose randomly between these three options, they would be right about one third of the time. In fact, the average percentage correct was just slightly higher—34.6% (Table A15).²⁶ In more than 90% of countries, a plurality of respondents—usually a large majority—believed the gap between rich and poor had grown in the previous five years. The only exceptions were Malaysia, El Salvador, and Bolivia, where a plurality said it had “stayed the same.”

Perhaps respondents focused on wealth rather than income inequality. If we use Credit Suisse’s wealth estimates, a larger share were right. This is simply because wealth inequality rose in more countries than did income inequality between 2007 and 2012, so the tendency to assume rising inequality was more often correct.²⁷ But whereas the proportion of respondents that thought inequality was rising at least correlated cross-nationally with actual change in the Gini for income ($r = .58$), there was no correlation with the actual change in wealth inequality. In other words, although most respondents worldwide thought inequality had risen, respondents were not more likely to believe this in countries that actually experienced the biggest increases in wealth inequality.²⁸

²⁶ Using post-tax-and-transfers income Ginis, the percentage correct was lower. For another nine of the 39 countries, change in the Gini between 2007 and 2011 (but not 2012) was available. Including these countries, the average percentage right increases to 38.7%. Might people be more sensitized to change at the top of the distribution? Using the income share of the top decile instead of the Gini to measure the “gap between rich and poor,” only 29% got the trend right—fewer than would have done so by chance (Table A17).

²⁷ We use the change in the share of wealth of the top 10% to assess the trend since CS provides Ginis only from 2010.

²⁸ In a similar Pew survey for 2002, the proportion correctly identifying the direction of change averaged 36.6%, again only slightly better than chance (Table A16).

People appear equally ignorant of trends in poverty. In 2010, Eurobarometer asked respondents how poverty had changed in their country in the previous three years. Again coding change of less than plus or minus 1 percent as “stayed the same,” actual poverty had increased in just eight of the 27 countries. Yet in all 27, more than 65% of respondents thought it had risen. Moreover, the percentage who thought poverty had increased correlated *negatively* with the actual change ($r = -0.23$; Figure A3). In Romania, where poverty had fallen almost four percentage points, 89% thought it had risen.

In short, in recent years respondents worldwide have assumed that inequality and poverty were rising. If focusing on the income distribution, they guessed the trend only slightly better than chance. If focusing on wealth, they were right more often because inequality *did* increase in more countries. However, the proportion convinced that inequality was rising bore no relation to the actual change in the wealth gap. Even where the wealth share of the top 10% and top 1% fell slightly in 2007–12—e.g., in Canada and the United States—two thirds or more believed it had risen.

4 | PERCEIVED INEQUALITY, DEMAND FOR REDISTRIBUTION, AND CLASS CONFLICT

If people do not know how high inequality is, we should not expect actual inequality to predict public preferences and behavior. But *perceived* inequality could still matter. The evidence we can offer here is only suggestive; we do not take a strong position on causality. Still, results of various surveys suggest it is perceptions—not the reality—of inequality that shapes political outcomes.²⁹

First, consider preferences over redistribution. In one question, the ISSP asked whether it was “the responsibility of the government to reduce the differences in income between people with high incomes and those with low incomes.” Respondents could choose among the options: “strongly agree,” “agree,” “neither agree nor disagree,” “disagree,” “strongly disagree,” and “can’t choose.” Since the first five of these represent ordinal categories, we constructed a dependent variable measuring support for government redistribution that takes the values one to five.

We then explored how support for redistribution related to both actual and perceived inequality. For actual inequality, we used the country’s Gini for income; for perceived inequality, we used the perceived Gini (*GPI*, based on answers to Question 14a, as described earlier).³⁰ We conducted analysis at both the country and individual level (see Table 4).³¹ At the country level, we regressed (by OLS) the average level of support for redistribution on the country’s actual Gini and the perceived Gini (*GPI*). At the individual level, we regressed (by ordered probit) the individual’s support for redistribution (on the 5-point scale) on her country’s actual Gini and on that individual’s perceived Gini. In fact, in the individual case we could distinguish between the effect of the average perception of inequality in the country (*GPI*) and the individual’s idiosyncratic perception (the

²⁹ Using a different method to estimate perceived wage inequality, Kuhn (2016) finds this is related to belief in the degree of meritocracy in labor markets.

³⁰ This question came after the one about attitudes toward redistribution in the questionnaire, so the perceived inequality question cannot have primed respondents’ attitudes toward redistribution.

³¹ Since some data were missing for some controls, we used multiple imputation in the individual level regressions, using Amelia to impute 10 datasets which were then combined using STATA’s *mi* command. Results are very similar deleting listwise instead of imputing (Table A19). Table A18 adds controls for the country’s growth rate and exposure to trade (exports plus imports as a percent of GDP). Neither of these is ever significant, and they affect results little.

Gini of her chosen diagram, controlling for *GPI* (Table 4, columns 9–11). The former may measure common perceptions based on shared cultural or media stimuli, while the latter captures the individual's particular impressions.

Neither the pre-tax nor the post-tax actual income Ginis are related to support for redistribution at either the country or individual level. However, perceived inequality is highly significant in both cases. Where inequality was believed to be high, more people supported government redistribution. Given beliefs about inequality, higher actual inequality was in fact associated with *lower* demand for redistribution (columns 4, 5, 10, and 11). Breaking down perceptions into their general and idiosyncratic components, we found a stronger effect of the general perception than of the individual's idiosyncratic perceptions (columns 9–11). Still, both seemed to matter. And the importance of perceived inequality was robust to including a variety of individual level controls. (Other things equal, women, the old, those without higher education, and those who identified with a left-wing political party, as classified by ISSP, tended to support redistribution more.)

What about the idea that greater inequality prompts class conflict and even revolution? One ISSP question asked respondents how much conflict existed in their country “between poor people and rich people.” The four possible answers (besides “can't choose”) ranged from “no conflicts” to “very strong conflicts.” Again, we created an ordinal scale and ran probit regressions to analyze relationships at the individual level; we used OLS to measure country level relationships.

At the country level, post-tax-and-transfers inequality was significantly associated with greater reported inter-class tension, although pre-tax-and-transfers inequality was not (Table 5, panel A). However, the effect of perceived inequality was two to three times larger than that of actual inequality. Moreover, controlling for income and population eliminated the effect of actual inequality (column 5). At the individual level, results are similar: the post-tax-and-transfers Gini and individual perceptions are both significant; but perceptions have a much larger effect, and that of actual inequality disappears controlling for income and population.³² (Women, the young, the unmarried, those without higher education, and backers of left-wing parties tended to perceive more conflict between rich and poor.)

Tables 4 and 5 use measures of perceived inequality and redistributive preferences from the same survey. As noted, we do not make strong claims about causality. Inequality perceptions might affect demand for redistribution. But it also could be that advocates of redistribution “perceive” more inequality than there is, to rationalize their preferences; or both might result from some third factor. We defer systematic examination to a future paper.

Still, we used data from other surveys to assess robustness. In 2009, Eurobarometer asked respondents how much tension existed in their countries: A) between poor and rich, and B) between managers and workers. The limited overlap between the Eurobarometer and ISSP surveys reduces our sample to just 17 countries. But among them, perceived inequality (from ISSP) related strongly and positively to perceived tension between rich and poor and between managers and workers (from Eurobarometer); actual inequality was either insignificant or *negatively* related to reported class conflict (Table A20).

Finally, how do beliefs about *poverty* relate to preferences over social policy and perceptions of inter-class tensions? As Tables A21 and A22 demonstrate, using Eurobarometer data from 2010,

³² This might be, in part, because some effect of actual inequality is mediated through perceptions of it. However, the inaccurate part of perceptions is also clearly important. If we split the variation in the perceived Gini into two parts—that which is correlated with the actual post-tax-and-transfers Gini and that which is not—and put both into the Table 5 regressions, both are significant (not shown).

TABLE 4 Inequality perceptions and support for government redistribution

Dependent variable: Government should reduce differences in income											
	(A)					(B)					
	Country level, OLS: average response where 5 = "strongly agree", 1 = "strongly disagree"										
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Gini (pre-tax-and-transfers)	-0.57 (.84)					-0.64 (.74)					
Gini (post-tax-and-transfers)		-0.03 (.58)		-1.51* (.60)	-1.52** (.55)		-0.12 (.41)			-1.44** (.45)	-1.41** (.41)
Perceived Gini (respondent)			7.35** (.96)	8.52** (.98)	8.17** (1.07)			3.09** (.33)	1.89** (.17)	1.91** (.17)	1.73** (.15)
Perceived Gini (country avge.)									5.58** (1.09)	7.11** (.91)	7.01** (.94)
Ln GDP per capita					-0.04 (.09)						-0.04 (.08)
Ln population					-0.01 (.05)						-0.01 (.04)
Male											-0.07** (.02)
Age											.002* (.001)
Married											-0.00 (.03)
Some higher education											-0.24** (.04)

(Continues)

TABLE 4 (Continued)

		Dependent variable: Government should reduce differences in income										
(A)		(B)										
Country level, OLS: average response where 5 = "strongly agree", 1 = "strongly disagree"		Individual level, ordered probit: 5 = "strongly agree", 1 = "strongly disagree"										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)		
Respondent identified with												
Left-wing party												
Respondent identified with												
Center party												
Constant	4.12** (.39)	3.87** (.20)	1.46** (.33)	1.57** (.29)	2.03 (1.20)							
N	40	40	40	40	40	55,238	55,238	55,238	55,238	55,238	55,238	
R ²	0.01	0	0.45	0.52	0.53						.32** (.05)	

Source: ISSP 2009, SWIID 5.0. Penn World Tables 8.0 for GDP per capita, World Bank WDI for population.

Notes: Robust standard errors, clustered by country in panel B.* p<.05, ** p<.01. Multiple imputation used in Panel B to impute values for some independent variables; 10 datasets imputed with Amelia. See Table A19 for results without imputation.

TABLE 5 Inequality perceptions and perceived conflict between rich and poor

		Dependent variable: Perception of conflict between rich and poor										
(A)		(B)										
Country level, OLS: average response where 4 = "very strong conflicts", 1 = "no conflicts"		Individual level, ordered probit: 4 = "very strong conflicts", 1 = "no conflicts"										
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)		
Gini (pre-tax-and-transfers)	0.63 (.77)				0.65 (.68)							
Gini (post-tax-and-transfers)	1.77** (.56)	1.77** (.56)	1.16 (.62)	0.41 (.57)		1.65** (.56)			1.11 (.60)	0.46 (.48)		
Perceived Gini (respondent)		4.42** (1.29)	3.52* (1.53)	4.60** (1.53)			1.94** (.38)	1.08** (.16)	1.09** (.16)	1.08** (.16)	1.08** (.16)	
Perceived Gini (country avge.)								3.97** (1.28)	2.88* (1.37)	4.22** (1.36)		
Ln GDP per capita				0.15* (.06)						.18** (.05)		
Ln population				0.11** (.03)						.13** (.03)		
Male										-.07** (.02)		
Age										-.002** (.001)		
Married										-.07** (.02)		
Some higher education										-.10** (.04)		

(Continues)

TABLE 5 (Continued)

		Dependent variable: Perception of conflict between rich and poor										
		(A)					(B)					
		Country level, OLS: average response where 4 = "very strong conflicts", 1 = "no conflicts"					Individual level, ordered probit: 4 = "very strong conflicts", 1 = "no conflicts"					
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Respondent identified with												.07*
Left-wing party												(.03)
Respondent identified with												-.05
Center party												(.05)
Constant		2.17**	1.87**	1.01*	0.93*	-1.44						
		(.37)	(.20)	(.40)	(.39)	(.87)						
N		40	40	40	40	40	55,238	55,238	55,238	55,238	55,238	55,238
R ²		0.01	0.14	0.19	0.25	0.47						

Source: ISSP 2009, SWIID 5.0. Penn World Tables 8.0 for GDP per capita, World Bank WDI for population.

Notes: Robust standard errors, clustered by country in panel B. * $p < .05$, ** $p < .01$. Multiple imputation used in Panel B to impute values for some independent variables; 10 datasets imputed with Amelia. See Table A19 for results without imputation.

both the actual poverty rate and the belief that it was high correlated with the demand for government anti-poverty measures. However, only perceived—not actual—poverty was positively associated with reported tension between rich and poor.

In sum, we found little evidence of a link between actual inequality and citizens' demands for government redistribution or perceptions of class conflict. However, the levels of inequality and poverty that citizens *imagined* to exist correlated strongly and robustly with such demands and perceptions. Although we cannot make strong causal claims, the patterns are consistent with the notion that beliefs about inequality—rather than the actual phenomenon—drive political outcomes.

5 | CONCLUSION

Various theories contend that economic inequality influences the characteristics and policies of governments. Most assume that citizens accurately observe the level of inequality, at least on average. The evidence presented here casts doubt on this assumption.

Meltzer and Richard (1981) showed that, under majority rule, redistribution should rise with the gap between median and average incomes. However, when respondents around the world were asked to guess their country's average wage, a large proportion placed it on the wrong side of the median wage. Respondents were confused about their relative incomes. Many who reported that they could not afford enough to eat nevertheless thought they belonged in the middle or even upper half of the distribution. Others whose assets suggested relative wealth thought their incomes were below average. Given such confusion, it seems doubtful the median voter generally *knows* whether she would gain or lose from redistribution. And, in fact, demand for redistribution appears to vary with not actual inequality but the perception of it.³³

Acemoglu and Robinson (2006) p. 36) argued that, *ceteris paribus*, more “inter-group inequality makes revolution more attractive for the citizens” of a dictatorship. If they revolt, the poor “get a chance to share the entire income of the economy (minus what is destroyed in revolution).” The rich should respond with repression (if inequality is high) or by democratizing (if inequality is intermediate). Yet, as we saw, citizens often have little idea about the income and wealth of the rich. They hardly outperform chance when guessing how income is distributed. And, on average, they missed by 17 percentage points when guessing the share of wealth owned by the top 1%. Revolution, repression, and democratization might relate to predominant beliefs about inequality, and perceptions of class conflict appear to vary with those beliefs. But if potential revolutionaries know so little about actual inequality levels, these are unlikely to predict revolution.

Not all arguments about inequality assume individuals perceive it accurately. The claim that concentration of wealth enables elites to dominate politics, depressing participation, presupposes

³³ The Meltzer and Richard (1981, p. 941) model assumes “fully informed” voters. Even if voters are misinformed about inequality, one might be able to construct a version of the game in which parties still converge on the policy the median voter should prefer if correctly informed (we thank John Huber for this point). However, for this to hold one must assume that parties can only propose policies that genuinely balance the budget (rather than those voters believe are feasible) and that they compete by offering voters a vector of net transfers. If, by contrast, parties compete by proposing a tax rate (as in Meltzer Richard, pp. 920–21) and voters infer—based on perhaps incorrect beliefs about the income distribution—what the equal lump sum transfers will be, then, at least in a one-shot model, parties should converge on the tax rate the median voter believes he prefers. The transfers feasible at that rate may not be what voters expect. However, if a party offers a different tax rate, the other party can win by offering the rate the median voter thinks he prefers. In this case, higher inequality will not necessarily produce more redistribution.

no widespread knowledge of the Gini coefficient (Goodin, & Dryzek, 1980, Solt, 2008). Nor does the point that inequality can lead the poor to underinvest in human capital if their borrowing is constrained (Galor, & Zeira, 1993). Ansell and Samuels' (2010) argument that inequality motivates the rich to seek democracy as a defense against state expropriation could still work even if rich and poor are uncertain of the distribution.

A growing literature contends that belief in high social mobility or the fairness of the economic system, as well as various norms, may reconcile people to large income gaps (Alesina, & Giuliano, 2009, Bénabou, & Tirole, 2006). We find these arguments plausible and intuitive—with one modification. What such beliefs and norms reconcile people to is not actual inequality but the level they *believe* to exist.

In making this argument, we do not assume official inequality statistics are necessarily accurate. For many reasons, inequality is difficult to measure. But that does not invalidate our main point: it makes it in another way. If experts cannot gauge inequality, how can the man in the street? And the accuracy of official measures does not affect our second point: that perceptions of inequality—whether accurate or not—*do* correlate with political preferences. The strength of this link is significant in its own right, even though establishing causal priority is difficult.

A few possible objections are worth considering. First, some might argue that all models—including that of Meltzer and Richard—are simplifications and not meant to be taken too literally. Friedman (1953) famously contended that the realism of assumptions is irrelevant if a theory yields accurate predictions. However, the arguments we critique have not yielded accurate predictions, and the implausibility of their assumptions might explain why. That models are simplifications does not mean that all simplifications are useful.

Second, it could be that people have accurate intuitions about inequality but that the polls fail to elicit these. Certainly, the polls we cite are imperfect in various ways, and, therefore, we use different surveys and instruments to measure perceptions in different country contexts. However, if people know the true level of inequality—and influential theories get the logic right—these theories should do a better job of explaining the crossnational and over-time variation in behavior. We should see a strong link between high inequality and, respectively, revolution, resistance to democratization (in autocracies), and demand for redistribution (in democracies). By the same logic, we should *not* expect to see such a strong correlation between inaccurate “perceptions of inequality” and support for government redistribution. If people respond as if they do not know something and act as if they do not know it, Occam's razor would suggest the reason may well be that—they do not know it.

A third objection might be that detailed factual knowledge is unnecessary if informational shortcuts can achieve the same result. Lupia (2015) rightly urges scholars to stop equating competence with the recall of obscure facts. “Low information rationality” is often enough. Yet, in this case, it is hard to see what shortcuts or heuristics could enable peasants to infer when the benefits of revolution exceed the costs or voters to deduce their place within the income distribution. Arguments of this type often assume that some informed agent—a party leader, revolutionary, or activist—exists to guide the uninformed or make decisions on their behalf. Yet such actors have incentives to mislead or serve their own interests. Professional revolutionaries have a stake in revolution, just as the authorities have one in the status quo. Parties have established positions on government redistribution and rarely change these to match undulations in the Gini.

It might be that people only become informed about the income gap when economic disruptions make it salient or when some decision—such as voting—looms. If so, it is hard to imagine a year when inequality would have been *more* salient than 2009, as the global financial crisis tipped the world into deep recession. To check whether people become better informed around the time of

elections, we recalculated Table 1 using just those 13 countries where the ISSP's polling occurred within six months of a national vote. The proportions of respondents "correct" about their country's distribution—26% and 24%—were if anything lower than in the full sample (29% and 24%).

Protests, revolutions, and even elections turn on the actions of a subset of citizens. Does it, then, matter whether the majority gauges inequality correctly? Again, the theories we critique here—based on the Meltzer–Richard framework—assume that it does. They suppose that all voters know their interests and act upon them—whether by voting, rebelling, or resisting democracy. Perhaps if most citizens *realized* they did not know the right answer and deferred to those who did, the actions of the informed would carry the day. But the evidence suggests citizens are not just passively ignorant; they hold non-randomly inaccurate beliefs, which will not wash out in the mix. It may be reasonable to switch to a theory in which what matters is the mobilization of groups, with different identities and organizational potential (Achen, & Bartels, 2016). But that requires abandoning the approaches we critique. It also eliminates the straightforward connection between political outcomes and inequality. In a group-based theory, such outcomes would have more to do with the structure of identities, the preferences of group leaders, and the organizational resources at their disposal.

We defer to future research the question what causes perceptions of inequality.³⁴ But several hypotheses seem plausible. First, individuals may over-generalize from their immediate reference group, thus making biased inferences (Cruces et al., 2013, Xu, & Garand, 2010). Since, in everyday life, most people tend to see some around them who are richer and some who are poorer, it is natural to think they belong in the middle of the distribution. This would be consistent with the tendency we noted for respondents to disproportionately place themselves around the center. People may also—wrongly—take the range they observe in day-to-day interactions as a measure of the range nationwide. Inhabitants of villages where incomes and property are relatively equal may underestimate their country's gap between rich and poor. Those in professions with large earnings variation may think inequality is higher than those in jobs with uniform wages.

A second likely influence is the media, and television in particular.³⁵ Globalization of media might cause people in poor countries to compare their consumption to that glimpsed in rich states, generating impressions of relative deprivation (Pop-Eleches, 2009). Sensationalistic and celebrity-focused television may foster perceptions of extreme wealth. At the same time, media that publicize data about actual incomes might reduce misperceptions. In Norway, after newspapers created websites on which citizens could learn each others' salaries, perceptions of relative income became more accurate and attitudes towards redistribution changed accordingly (Perez-Truglia, 2016). Besides media effects, greater travel—domestic and international—could broaden the reference group.

A third possible determinant is ideology, which may predispose people to "see" the level of inequality their beliefs and values convince them must exist (Alesina, & Fuchs-Schundeln, 2007). Citizens in postsocialist countries appear particularly sensitive to inequality, perhaps reflecting the ideological legacy of communism (Corneo, & Gruner, 2002). Socialists everywhere may exaggerate income gaps, while conservatives may underestimate them. A Marxist may see capital concentrating, while a free marketeer sees wealth trickling down. Shocks experienced early in life can also leave lasting scars in values and perceptions (Giuliano and Spilimbergo 2013).

Fourth, other psychological effects could matter. A desire to blend in may cause individuals to think their income close to average; "self-enhancement bias" might lead them to overestimate their

³⁴ For an interesting theory of how information about inequality is spread, see Iversen and Soskice (2015).

³⁵ The strong effect of the average perception of inequality in the country in Tables 4 and 5 is consistent with media influences.

standing (Loughnan *et al* 2011). Some may conflate reports of high inequality worldwide with assessments of their own country. They may confuse changes in the trend with information about the level: hearing inequality is rising, they may assume it is high, and vice versa. They may suppose that recession—which reduces incomes of the poor—must increase inequality, when in fact recessions often shrink the capital income of the rich more than wage income. On the other hand, reports of rapid growth that arouse unrealistic expectations could generate suspicions that income has been diverted to the wealthy (Verme, 2014).

Whatever the causes, the gap between perceptions and reality—or, at least, statisticians' best estimates of reality—is clear. And misperceptions were probably even greater in less data-rich and scientifically sophisticated eras. Besides inequality, we suspect misperceptions affect how people respond to inflation, unemployment, and other economic phenomena (Gimpelson, & Oshchepkov, 2012). More generally, respondents misperceive facts about various social phenomena (Hochschild, 2001) and often resist changing their views and policy preferences even when confronted with accurate information (Kuklinski, Quirk, Jerit, Schwieder, & Rich, 2000, Lawrence, & Sides, 2014, Kuziemko, Norton, Saez, & Stantcheva, 2015).

ACKNOWLEDGMENTS

V. Gimpelson acknowledges support from the NRU HSE Basic Research Program. Treisman acknowledges support from the UCLA College of Letters and Sciences. We thank Vivek Ashok, Mark Beissinger, Sara Berens, Dan Bernhardt, Graeme Blair, Carles Boix, David Cameron, Dan Corstange, Rafaela Dancygier, Alex Debs, Christian Dippel, Tim Frye, Laura Garcia, Miriam Golden, Guy Grossman, Sergei Guriev, Stephan Haggard, Greg Huber, John Huber, Karen Long Jusko, Slava Kapeliushnikov, Kimuli Kasara, Herbert Kitschelt, Sasha Klyachkina, Hanzhang Liu, Rick McAlexander, Péter Mihállyi, Gautam Nair, Grigore Pop-Eleches, Andrew Roberts, Tom Romer, David Rueda, Bruce Russett, Ken Scheve, Jason Seawright, Milan Svolic, Tinghua Yu, Ekaterina Zhuravskaya, and other participants at seminars at Columbia University, Northwestern University, Yale University, Princeton University, the Higher School of Economics, Sciences Po, the University of Warwick, and the 2015 APSA convention, as well as two anonymous referees, for helpful comments.

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How to cite this article: Gimpelson V, Treisman D. Misperceiving inequality. *Econ Polit.* 2018;30:27–54. <https://doi.org/10.1111/ecpo.12103>