Project Syndicate

Prisoners of the American Dream

Feb 22, 2018 | **STEFANIE STANTCHEVA**

CAMBRIDGE – Given worsening economic inequality in the United States, many observers might assume that Americans would want to reduce income differences by instituting a more progressive tax system. That assumption would be wrong because, in December, the US Congress passed a sweeping tax bill that will, at least in the short term, disproportionately benefit higher-income households.

Despite their country's mounting income gap, Americans' support for redistribution has, according to the General Social Survey, remained flat for decades. Perhaps John Steinbeck got it right when he supposedly said that, "Socialism never took root in America because the poor see themselves not as an exploited proletariat, but as temporarily embarrassed millionaires."

For those who believe that a society should offer its members equal opportunity, and that anyone who works hard can climb higher on the socioeconomic ladder, redistribution is unnecessary and unfair. After all, equal opportunists argue, if everyone begins at the same starting point, a bad outcome must be due to an individual's own missteps.

This view approximates that of a majority of Americans. According to the World Values Survey, 70% of Americans believe that the poor can make it out of poverty on their own. This contrasts sharply with attitudes in Europe, where only 35% believe the same thing. Put another way, most Europeans consider the poor unfortunate, while most Americans consider them indolent. This may be one reason why European countries support more generous – and costlier – welfare transfers than the US.

Misreading the American Dream

Americans have deep-seated, optimistic views about social mobility, opinions that are rooted in US history and bolstered by narratives of rags-to-riches immigrants. But today, Americans' beliefs about social mobility are based more on myth than on fact.

According to survey research that colleagues and I recently conducted and analyzed, Americans estimate that among children in the lowest income bracket, 12% will make it to the top bracket by the time they retire. Americans also believe that with hard work, only 22% of children in poverty today will remain there as adults.

The actual numbers are 8% and 33%, respectively. In other words, Americans overestimate upward social mobility and underestimate the likelihood of remaining stuck in poverty for generations. They also believe that if everyone worked hard, the American Dream of self-made success would hew closer to reality.

European respondents are more pessimistic about mobility: unlike Americans, they overestimate the odds of remaining in poverty. For example, French, Italian, and British respondents said, respectively, that 35%, 34%, and 38% of low-income children will remain poor, when the reality is that 29%, 27%, and 31% will.

Views about social mobility are not uniform across the political spectrum or across geographic regions. In both the US and Europe, for example, people who call themselves "conservative" on matters of economic policy believe that there are equal opportunities for all children, and that the free-market economy in their country is fair.

The opposite holds true for those who call themselves economically "liberal." These people favor government intervention, because they believe that, left to their own devices, markets will not ensure fairness, and may even generate more inequality.

An even more striking pattern is that Americans are overly optimistic about social mobility in parts of the country where actual mobility is low – including the southeastern states of Georgia, Alabama, Virginia, North Carolina, and South Carolina. In these states, respondents believe that mobility is more than two times greater than it is. By contrast, respondents underestimate social mobility in northern states – including Vermont, Montana, North Dakota, South Dakota, and Washington – where it is higher.

As part of our study, we shared data on social stratification in Europe and America with our participants. We found that self-identified liberals and conservatives interpreted this

information differently. When shown pessimistic information about mobility, for example, liberals became even more supportive of redistributive policies, such as public education and universal health care.

Conservatives, by contrast, remained unmoved. While they acknowledged that low social mobility is economically limiting, they remained as averse to government intervention and redistribution as they were before we shared the data with them.

Part of the reason for conservatives' reaction, I believe, is mistrust. Many conservatives hold government in deep disdain; only 17% of conservative voters in the US and Europe say they can trust their country's political leaders. The share of conservatives with an overall negative view of government was 80%; among liberals, it was closer to 50%. Moreover, a high percentage of conservatives say the best way to reduce inequality is to lower taxes on businesses and people.

But suspicion of government may also stem from a belief that political systems are rigged, and that politicians can't or won't improve things because they have become "captured" by entrenched interests, mired in legislative stalemate, or stymied by bureaucracy. In short, when conservatives learn that social mobility is lower than they thought, they believe government is the problem, not the solution. As J.D. Vance noted in his 2016 memoir *Hillbilly Elegy*, many on the American right now believe that "it's not your fault that you're a loser; it's the government's fault."

We may be so polarized in the US and Europe that, even after receiving the same information, we respond in opposite ways. The left will want more government, and the right will want less. Clearly, reality is not so neat. But what is clear is that people's views about social mobility have as much to do with ideology and geography as with their circumstances.

STEFANIE STANTCHEVA
1 Commentary

Stefanie Stantcheva is a professor of economics at Harvard University.

http://prosyn.org/e89GGoI;