American Dream? Or Mirage?

Gray Matter

By MICHAEL W. KRAUS, SHAI DAVIDAI and A. DAVID NUSSBAUM  MAY 1, 2015

ECONOMIC inequality in the United States is at its highest level since the 1930s, yet most Americans remain relatively unconcerned with the issue. Why?

One theory is that Americans accept such inequality because they overestimate the reality of the “American dream” — the idea that any American, with enough resolve and determination, can climb the economic ladder, regardless of where he starts in life. The American dream implies that the greatest economic rewards rightly go to society’s most hard-working and deserving members.

Recently, studies by two independent research teams (each led by an author of this article) found that Americans across the economic spectrum did indeed severely misjudge the amount of upward mobility in society. The data also confirmed the psychological utility of this mistake: Overestimating upward mobility was self-serving for rich and poor people alike. For those who saw themselves as rich and successful, it helped justify their wealth. For the poor, it provided hope for a brighter economic future.

In studies by one author of this article, Shai Davidai, and the Cornell psychologist Thomas Gilovich, published earlier this year in Perspectives on Psychological Science, more than 3,000 respondents viewed a graph of the five income quintiles in American society and were asked to estimate the likelihood that a randomly selected person born to the bottom quintile would move to each of the
other income quintiles in his lifetime. These estimates were compared with actual mobility trends documented by the Pew Research Center. Participants in the survey overshot the likelihood of rising from the poorest quintile to one of the three top quintiles by nearly 15 percentage points. (On average, only 30 percent of individuals make that kind of leap.)

Studies by another author of this article, the University of Illinois psychologist Michael W. Kraus, and his colleague Jacinth J.X. Tan, to be published in next month's issue of the Journal of Experimental Social Psychology, found a similar pattern: When asked to estimate how many college students came from families in the bottom 20 percent of income, respondents substantially misjudged, estimating that those from the lowest income bracket attended college at a rate five times greater than the actual one documented by the Current Population Survey.

One experiment by Professors Kraus and Tan demonstrated the self-serving nature of these errant upward mobility estimates. As with the studies above, participants were asked to estimate the ease of moving up the economic ladder. This time, however, they were also asked to estimate upward mobility for people who were similar to them "in terms of goals, abilities, talents and motivations." In this case, respondents were even more likely to overestimate upward mobility. We believe unduly in our own capacity to move up the economic ladder, and these beliefs increase our mobility overestimates more generally.

For those lower in income or educational attainment, lower standing was associated with greater overestimation of upward mobility. Those with the most room to move up were more likely to think that such movement was possible.

However, when people were asked to explicitly state how high up the economic ladder they felt, after accounting for their actual economic standing, the reverse pattern emerged: The higher up people said they were, the more they overestimated the likelihood of upward mobility. Being aware of your position at the top of a low-mobility hierarchy can be uncomfortable, because without mobility, sitting at the top is the result of luck, rather than merit.

Some Americans were better than others when it came to judging economic mobility. Across both sets of studies, political liberals were less likely to overestimate
upward mobility relative to conservatives — a finding consistent with other research suggesting that conservatives see our society as more merit-based than do liberals.

In addition, studies by Professor Gilovich and Mr. Davidai found that members of ethnic minority groups tended to overestimate upward mobility more than did European Americans. This result indicated that those with the most to gain from believing in an upwardly mobile society tended to believe so more strongly.

Taken together, these sets of studies suggest that belief in the American dream is woefully misguided when compared with objective reality. Addressing the rising economic gap between rich and poor in society, it seems, will require us to contend not only with economic and political issues, but also with biases of our psychology.

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