

# New Study Reveals Widespread Underestimation of Income of the Richest

*Research shows how cognitive biases lead to the misperception of income inequality, affecting support for redistribution.*

BUDAPEST II., HUNGARY, October 3, 2024 /EINPresswire.com/ -- A study published in PNAS Nexus by researchers from ELTE, Harvard Business School, Stanford, and other leading institutions has uncovered a significant cognitive bias that causes people to consistently underestimate the income held by the top 1% of earners. The study sheds new light on the challenges posed by growing income inequality and its impact on public support for redistributive policies.

The research, led by Barnabás Szász, examined data from over 2,700 participants in a series of experiments. Across all four studies, participants were found to significantly underestimate the resources held by the top 1% of earners, compared to more accurate estimates for lower-income groups.

“Our findings highlight a fundamental cognitive bias—scope insensitivity—that prevents people from accurately perceiving just how concentrated income is at the top,” explains Szász. “This misperception likely contributes to the lower support for redistribution, despite rising inequality.”

The study demonstrates that while people are often aware of inequality, they do not fully grasp the magnitude of income concentrated among the richest individuals. The researchers argue that addressing these cognitive biases is critical to increasing public awareness of income disparities and developing more effective policies to tackle inequality.

## Key Findings of the Study:

People consistently underestimate the income thresholds of the top 1% compared to more accurate perceptions of other income brackets.

This selective underestimation may be driven by cognitive biases like scope insensitivity, where large numbers (such as top incomes) become harder to comprehend.

Correcting these misperceptions could be challenging, as systemic factors like media representation and geographic segregation reinforce them.

With inequality rising sharply in developed countries, this study provides valuable insights for policymakers looking to address the public’s understanding of income distribution.

For further information, please visit the study page on PNAS Nexus or contact Barnabás Szászi at the Institute of Psychology, Eötvös Loránd University, Budapest.

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