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WHY IS IT SO HARD TO COUNTERACT WEALTH INEQUALITY?

Evidence from the United Kingdom

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ABSTRACT

Despite high and rising levels of wealth inequality, many advanced democracies have cut taxes on inherited wealth in recent decades. To explain this puzzle, the authors argue that taxing inherited wealth is politically difficult because, paradoxically, the people who have the strongest material interest in higher taxes—low-wealth renters—are those least likely to express a clear opinion about inheritance taxation. Instead, the political terrain is shaped by the preferences of homeowners and their children, who have a strong material interest in lower inheritance taxes. Empirically, the authors first evaluate this argument using original survey data from the United Kingdom. In two survey experiments, they next examine how exposure to information influences views on inheritance taxation. While the authors find no effect of providing statistical information about the distribution of housing wealth, preferences are influenced by explanatory information that explicitly outlines the potential effects of inheritance taxation.

INTRODUCTION

OVER the past half century, advanced democracies have experienced a rapid accumulation of wealth, with the average value of privately held capital, relative to national income, doubling between 1970 and 2010.¹ As part of this trend, inherited wealth has become ever more important: an increasing share of national income is transferred between generations each year, and inherited wealth makes up an ever-larger

¹ Piketty 2014, 171.

proportion of total wealth.² At the same time, wealth inequality has remained persistently high—much higher than income inequality³—and as the baby-boom generation ages, and if upward trends in asset and property prices continue, wealth inequality will be further accentuated.

To reduce the wide inequalities in wealth, many experts advocate progressive taxes on wealth, in particular on inheritances. Taxing inheritances is considered more efficient and less administratively costly than other kinds of wealth taxation.⁴ Thomas Piketty, Emmanuel Saez, and Gabriel Zucman further argue that in an ideal tax system, inheritance taxes would be strongly progressive and generally higher than those on earned income.⁵ Indeed, some estimates suggest that the optimal tax rate on top bequests may be as high as 50 to 60 percent,⁶ which is far above the highest marginal rates in most countries as of this writing.⁷ Taxing inheritances also has an obvious political rationale—relatively few estates are typically substantial enough to owe inheritance taxes, and so most voters will accrue zero or minimal inheritance taxation over their lifetime. Thus, in principle, we would expect inheritance taxation to be highly popular among voters.

Yet despite high prevailing levels of wealth inequality and these political and economic arguments in favor of taxing inherited wealth, most countries have not expanded inheritance taxation. To the contrary, across advanced democracies, inheritance taxation has become less stringent. Figure 1, using original data on inheritance tax rates, shows that not only have marginal inheritance tax rates dropped significantly since the 1980s, but inheritance tax schedules have also become less progressive. Indeed, several countries—Israel, New Zealand, Austria, Sweden, and Norway, among others—have abolished the inheritance tax altogether, facing little-to-no major political resistance or backlash.⁸

This reality presents a striking puzzle: Why have democratic governments not used inheritance taxation to counteract wealth inequality? This question becomes even more perplexing considering that existing theories of political economy predict high and rising levels of wealth inequality to be met with increased wealth redistribution.⁹ Yet many people are skeptical of taxing inheritances,¹⁰ partly because they view the tax

² Piketty and Zucman 2015.

³ OECD 2021; Elinder, Erixson, and Waldenström 2018.

⁴ OECD 2021.

⁵ Piketty, Saez, and Zucman 2023.

⁶ Piketty and Saez 2013.

⁷ Scheve and Stasavage 2016.

⁸ Genschel, Limberg, and Seelkopf 2023.

⁹ Meltzer and Richard 1981.

¹⁰ Bartels 2008; Slemrod 2006.

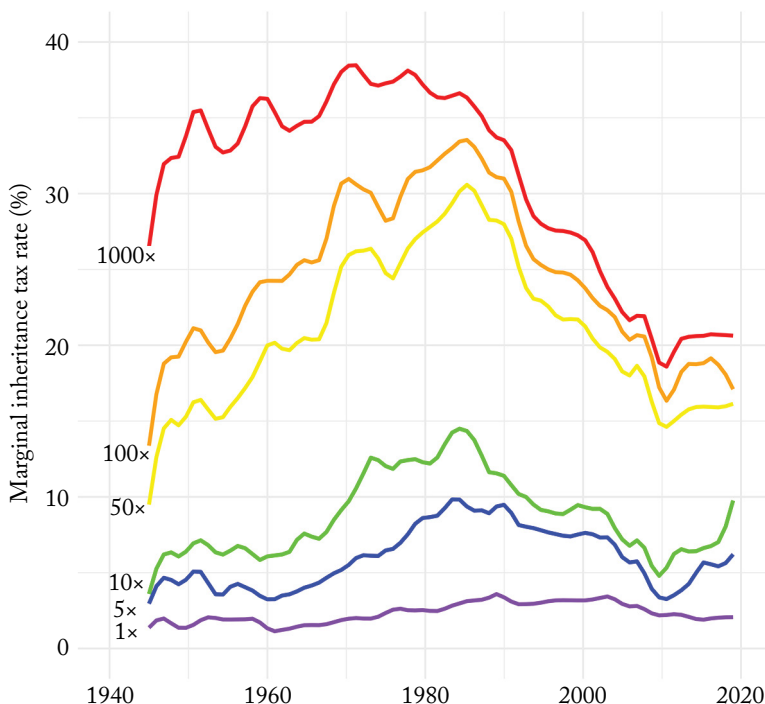


FIGURE 1
MARGINAL INHERITANCE TAX RATES BY MULTIPLE OF GDP PER CAPITA IN
EIGHTEEN ADVANCED DEMOCRACIES^a

SOURCE: Bokobza, Elkjær, and Ansell 2022.

^a The figure shows marginal inheritance tax rates by multiple of GDP per capita, averaged across the following eighteen countries: Australia, Austria, Belgium, Canada, Denmark, Finland, Germany, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, South Korea, Sweden, the United Kingdom, and the United States. For example, the line for 10× shows the marginal tax rate applied to an inheritance equal to ten times the GDP per capita, averaged across these eighteen countries.

as an unfair or inefficient economic tool incurring double or death taxation and partly because they lack a good understanding of which estates are subject to the tax.¹¹ Existing research thus consistently demonstrates strong public opposition to inheritance taxation, but we still know little about how people come to form these preferences, which limits our ability to understand the electoral politics of inheritance taxation specifically and wealth inequality more broadly.

In this article we develop a novel argument explaining how people form preferences over inheritance taxation. Since residential real estate

¹¹ Ferrario and Stantcheva 2022; Kuziemko et al. 2015; Sides 2016.

represents by far the largest share of wealth for ordinary citizens,¹² we focus on an individual's status as a homeowner or renter as a potential determinant of preferences over inheritance taxation. Homeowners—who stand to pass on real estate to their children—and the children themselves—who expect to inherit a property in the future—have a strong material interest in low inheritance taxes. Families of renters, by contrast, potentially benefit from stronger inheritance taxation, as it could enhance equality of opportunity and raise tax revenues.¹³

Homeowners and renters not only have different expected utilities from changes in inheritance taxation but also allocate significantly different cognitive efforts to understanding the impacts of such policies. For homeowners, and their heirs, the potential cost of inheritance taxation is both significant and tangible. Most people have a reasonably accurate idea of their home's value and the corresponding tax liability they might face due to death or gifting the property. This knowledge is manifested in the economic behavior of wealthy households, as many actively seek ways to circumvent inheritance taxes.¹⁴ Conversely, for renters, assessing the redistributive impact of inheritance taxes (or the implications of their reduction or abolition) is a complex task given that they do not have the same incentives as do homeowners to actively seek information on such policies. This complexity is heightened by the fact that the inheritance tax is not a policy that renters often have to navigate—if ever—making it even less likely for them to engage deeply with the potential consequences of the tax.

We argue that precisely because homeowners are more likely than nonowners to be exposed to inheritance taxation, and because they have greater incentives to actively acquire information about it, they are in a better position to develop coherent preferences in line with their material self-interest.¹⁵ We expect that while families of homeowners are able to articulate strong preferences for low inheritance taxes, families of renters tend to express weak preferences, if any at all. We further argue that this difference between families of homeowners and nonowners has direct implications for the politics of wealth inequality. The people who would stand to gain the most from taxing inheritances—low-wealth renters—are those least likely to articulate a clear preference. Hence, the political environment surrounding the inheritance tax is instead shaped by the preferences of those who stand to lose from this policy: wealthy

¹² OECD 2021.

¹³ See, e.g., OECD 2021.

¹⁴ Abraham et al. 2018; Escobar, Ohlsson, and Selin 2023.

¹⁵ Berinsky 2002.

homeowners. These informational asymmetries and the subsequent unbalanced issue salience between the winners and losers of inheritance taxation help to explain why governments have been able to reduce or even abolish inheritance taxes, despite relatively few citizens paying them. In short, using the terminology of Philip Converse, the “issue public” on inheritance taxation consists of highly resourceful families of homeowners who oppose, and can prevent, high taxes.¹⁶

To test this argument, we leverage an original survey of more than 3,000 respondents in England and Wales. The respondents were first asked to provide information about their own and their parents’ housing situation, and then to answer a series of questions about their preferences over inheritance taxation. We consistently find not only that homeowners and their children are more likely to articulate a preference (compared to renters and their children), but also that they are strongly opposed to higher inheritance taxes. These findings are confirmed in a forced-choice conjoint experiment that asked respondents to choose between two hypothetical inheritance tax systems. Respondents who did not express a preference on the earlier questions, many of whom are renters or children of renters, hold more ambivalent preferences; and we again observe little support for higher taxes than those already in place in the United Kingdom (UK). These findings help to explain the lack of political appetite for using inheritance taxation to combat wealth inequality.

After evaluating our main argument, we experimentally examine whether exposure to relevant information can help (low-wealth) individuals to formulate preferences that align with their material self-interest. Existing political economy literature on redistributive preferences predicts that rising wealth inequality increases demand for wealth redistribution;¹⁷ thus, it is puzzling to see a lack of support for, or in some cases indifference toward, inheritance taxes. One possibility for these attitudes is that people are simply unaware of the level of prevailing wealth inequality and providing statistical information might remedy that.¹⁸ Inspired by studies on income inequality,¹⁹ we examine the effect of exposing respondents to information about the distribution of housing wealth locally and/or nationally. We find no significant effect of this treatment on inheritance tax preferences, suggesting that providing people with information about the highly unequal distribution

¹⁶ Converse 2006.

¹⁷ Meltzer and Richard 1981.

¹⁸ See, e.g., Norton and Ariely 2011; Gimpelson and Treisman 2018.

¹⁹ McCall et al. 2017; Kuziemko et al. 2015.

of (housing) wealth may not be an effective way of galvanizing support for inheritance taxation.

One reason for the lack of an effect of the statistical information, as identified in previous research,²⁰ might be that respondents have difficulties recognizing their material interest in the inequality-alleviating effects of redistributive policies. To further explore this idea, we next examine the extent to which information about the merits, or lack thereof, of the inheritance tax might help individuals to develop preferences. For example, revenue generated by inheritance taxation—which disproportionately affects people at the top end of the wealth distribution—could fund equitable policies that would benefit the majority of voters, such as enhanced equality of opportunity, improved public services, or reduced income taxes. In contrast, some scholars argue that the unpopularity of inheritance taxes stems from the belief that it constitutes an inefficient, unfair double tax. We assess the impact of presenting information related to the most popular arguments for and against inheritance taxes, as outlined by the Organisation for Economic Co-operation and Development (OECD),²¹ through a second experiment included in a follow-up survey with more than 3,500 UK respondents. We find that a death/double tax argument against inheritance taxation increases skepticism among respondents. Conversely, when informed about the potential benefits of inheritance taxation, such as improved public goods provision or lower income taxes, respondents' views become more favorable toward inheritance taxes. Finally, the effect of the argument that inheritance taxation improves equality of opportunity varies depending on whether the respondent anticipates inheriting property in the future.

Our article makes significant contributions to the literature on wealth inequality and inheritance taxation. First, although it is widely acknowledged that inheritance taxation is an unpopular fiscal policy—despite its limited impact on many voters and its potential for generating redistributive revenue—the micromechanisms driving this unpopularity have not been extensively investigated. Our article demonstrates that the roots of the unpopularity stem from informational asymmetries between winners and losers. Those who would benefit from the policy often lack comprehensive knowledge about it, whereas those who stand to lose the most from it tend to have well-informed preferences. Thus, the vocal and informed opinions of homeowners dominate, overshadowing the silence of uninformed renters. Second, our article demonstrates that

²⁰ Bartels 2008; Kuziemko et al. 2015.

²¹ OECD 2021.

attitudes toward inheritance taxation can be affected by the provision of information, but that statistical information appears ineffective in contrast to information about the merits or demerits of the tax itself.

HOMEOWNERSHIP, INFORMATION, AND INHERITANCE TAX PREFERENCES

Many people are ill-informed about politics.²² Survey respondents routinely get basic facts about the political system, their representatives, and current policies wrong. Economic policy and taxation are no exception,²³ and specific information about inheritance tax policies is likely to be especially lacking, since most people have limited and irregular exposure to inheritance taxation compared to, for example, income or consumption taxes. Yet important informational differences exist between families of homeowners and non-homeowners, who differ in wealth and therefore in their likely exposure to inheritance taxation. These informational disparities have important consequences for opinions toward inheritance tax policies and, in turn, for the politics of wealth inequality.

Information about inheritance taxation can be gained in two ways: through exogenous exposure or through active acquisition. Exogenous exposure to inheritance taxation typically happens when an older family member dies and their estate is transferred to younger members of the family. In OECD countries, about one in three households have experienced receiving an inheritance during their lives, but it is far more common for households at the top of the wealth distribution than for those at the bottom.²⁴ Since most personal wealth that is transferred at death is tied up in housing, non-homeowning families usually have little wealth to transfer at death. Whatever wealth they might have is likely to fall below the exemption threshold. Consequently, many people who grow up in a family of non-homeowners will never be exogenously exposed to inheritance tax policies, and they will therefore not receive much information about the inheritance tax system.

Families of homeowners, on the other hand, are highly likely at some point in their lives to be exposed to the inheritance tax system, because wealth is sticky and tends to travel across generations.²⁵ In the UK, for instance, the most common age at which today's twenty- to thirty-five

²² Delli Carpini and Keeter 1996; Converse 2006.

²³ Stantcheva 2021.

²⁴ OECD 2021, 32–33.

²⁵ Clark and Cummins 2015; Charles and Hurst 2003.

year-olds can expect to inherit is at age sixty-one,²⁶ which means that exogenous exposure to inheritance taxation often travels through multiple generations. Middle-aged children are exposed to the inheritance tax system when they inherit their parents' home; the grandchildren also acquire information by experiencing how their parents handle the grandparents' estate.

Exogenous exposure also takes place through processes of political socialization. That parents and children discuss politics with one another is well-established in the literature.²⁷ For families of homeowners, these discussions may sometimes concern the family's estate; we know, for example, that many families actively seek to limit their exposure to paying wealth transfer taxes, which necessitates active planning in the family.²⁸ This greater exposure to discussions about inheritance taxation enables homeowners' families to better formulate preferences over the tax.

Not only are families of homeowners more likely to be exogenously exposed to inheritance taxation, but they also have greater incentives to actively acquire information about it. Many countries allow parents to transfer a certain amount of wealth to their children each year as a tax-exempt gift, and most countries also have an inheritance tax exemption threshold under which no taxation applies. By planning when and how to pass wealth to their children, parents can transfer entire estates without paying much or any taxes.²⁹ Knowing that such a possibility exists, and how to exploit it most effectively, requires intimate knowledge about the policies related to wealth transfers, such as inheritance and gift taxes. Indeed, financial literacy has been shown to be strongly associated with wealth accumulation.³⁰ In short, homeowners have strong material incentives to become acquainted with inheritance tax rules, even before they inherit.

While the stakes are obvious for homeowners, the level of inheritance tax also has implications for nonowners. The narrowing of wealth inequalities through inheritance taxation may improve equality of opportunity for them and their children, and potentially also reduce house prices. Additionally, the funds raised by inheritance taxation could be used for redistribution and public goods provision; or they could pay for cuts in income or consumption taxes incurred by non-homeowners. But whereas homeowners face the prospect of direct, concentrated losses from paying inheritance taxes, the benefits of higher inheritance taxes

²⁶ Balestra and Tonkin 2018; Gardiner 2017.

²⁷ See, e.g., Jennings, Stoker, and Bowers 2009.

²⁸ Escobar, Ohlsson, and Selin 2023.

²⁹ Abraham et al. 2018; Escobar, Ohlsson, and Selin 2023.

³⁰ Behrman et al. 2012.

for nonowners are indirect and diffuse. Moreover, at an individual level, the negative utility of paying inheritance taxes for homeowners is likely to outweigh the positive utility for nonowners of increasing tax revenues.³¹ The incentives to be informed, therefore, are stronger for families of homeowners, who are more likely to be well-informed about inheritance tax policies than families of non-homeowners.

How do these informational asymmetries matter for political preferences? Public opinion research points to two possibilities: First, the uninformed may be unable to form a preference over inheritance taxation, answering “I don’t know” when asked about it;³² and if they do express a preference, they may do so wholly at random.³³ Recent experimental evidence shows that it is predominantly respondents with low levels of political information, who accordingly feel unsure about their opinion, who are likely to respond to survey questions in these ways.³⁴ The implication of such response patterns is that when aggregating individual responses, the random responses provided by the uninformed will tend to cancel each other out, and public opinion will reflect the opinion of informed respondents.³⁵ Alternatively, the uninformed may express a preference following basic heuristics and cues, which is likely to bias estimates of public opinion.³⁶

The precise extent to which each of these effects are at work is difficult to ascertain when it comes to the formation of preferences over inheritance taxation, but both are likely to bias public opinion in the same direction. In the first scenario, if all uninformed respondents do not express a preference, or answer wholly at random, the “rational” or “issue” public—to use the terminology of Benjamin Page and Robert Shapiro and Converse³⁷—would consist primarily of members of families of homeowners, who have clearly defined material interests in low inheritance taxes. In the second scenario, the predominance in the public sphere of arguments that present the inheritance tax as an unfair double or death tax suggests that following simple heuristics is likely to bias support for inheritance taxation downward. Using text analysis on open-ended survey answers about tax preferences in the United States, Beatrice Ferrario and Stefanie Stantcheva indeed find that the main concern that emerges around the estate tax is that of “double taxation.”³⁸

³¹ Kahneman and Tversky 1979.

³² Berinsky 2002.

³³ Converse 2006.

³⁴ Elkjær and Wlezien 2024.

³⁵ Page and Shapiro 1992.

³⁶ Zaller and Feldman 1992; Althaus 2003.

³⁷ Page and Shapiro 1992; Converse 2006.

³⁸ Ferrario and Stantcheva 2022.

To the extent that public opinion matters for politics—which a large literature suggests is the case³⁹—the informational asymmetry between families of homeowners and non-homeowners will shape the political environment surrounding the inheritance tax. Homeowners both constitute a majority in most electorates and have strongly anchored preferences.⁴⁰ Hence, public opinion will be driven by homeowners, and their families. This potential for a mobilized electorate creates a fertile political terrain for organized business groups to work to repeal the inheritance tax. This was for instance the case in Sweden and Austria, where organized business interests played an important role in abolishing the tax.⁴¹ Likewise, in the United States, conservative interest groups and thinktanks have long advocated for a repeal of the estate tax.⁴² And although left-wing governments may have broader goals of greater equality of opportunity and outcomes, they are likely to face a stiff challenge realizing these goals through inheritance taxation. The voters who should find inheritance taxation most appealing are likely to hold weak preferences, if any at all, and those who are most strongly opposed to such policies are resourceful, well-informed families of homeowners. In such an environment, mobilizing political support in favor of inheritance taxation may prove difficult, limiting the tools available to governments to effectively counteract wealth inequality.⁴³

DOES EXPOSURE TO INFORMATION AFFECT INHERITANCE TAX PREFERENCES?

Our argument implies that inheritance taxation is a low-information environment in which many people have difficulties formulating a clear opinion. In the second part of the empirical analysis, we examine whether exposure to different types of information can help them to do so.

The experimental literature on inheritance taxation finds mixed effects of exposure to information. Studies of the United States show that providing information about the limited number of estates that are subject

³⁹ Erikson, Wright, and McIver 1994; Stimson, Mackuen, and Erikson 1995; Soroka and Wlezien 2009.

⁴⁰ Ansell and Adler 2019.

⁴¹ Klitgaard and Paster 2021.

⁴² Graetz and Shapiro 2006.

⁴³ Although we focus on the contrasting behaviors of homeowners and renters, other dimensions may also be important for the politics of inheritance taxation. Perhaps most notably, in countries with a large share of family owned businesses, debates may also concern questions of whether and how to protect family businesses from excessive exposure to inheritance taxation. Our theoretical argument has similar implications for the political behaviors of business owners and nonowners as it does for homeowners and nonowners: Members of families of business owners should be more likely to hold strong preferences, and mobilize on the issue, compared to families of workers, who do not have a family business to protect.

to the estate tax can have large, positive effects on support for the tax.⁴⁴ But since no other country has an exemption threshold anywhere near that of the US estate tax,⁴⁵ this kind of information is not as relevant elsewhere. In Sweden, Spencer Bastani and Daniel Waldenström instead inform respondents how much of total wealth is inherited, who inherits, and that most Swedish billionaires have inherited their fortunes.⁴⁶ This information significantly increased support for reintroducing a broad-based inheritance tax but did not increase support for introducing an inheritance tax only on large estates. In a cross-national study of France, Sweden, Italy, the UK, and the United States, Alberto Alesina, Stephanie Stantcheva, and Edoardo Teso show respondents two short, animated movies explaining that whereas few poor kids grow up to become rich, many rich kids remain rich in adulthood.⁴⁷ Although this treatment successfully altered peoples' views on intergenerational mobility, it did not influence support for inheritance taxes.

Building on this experimental literature, we examine the effects of two new interventions. The first extends experimental studies of income inequality to wealth inequality.⁴⁸ Grounded in empirical evidence that many people are unaware of the extent of inequality in society,⁴⁹ these studies investigate the impact of factual information about income inequality on people's views on inequality and redistribution. Although effects vary across studies, a recent meta-analysis shows that such information significantly increases both concerns about inequality and support for redistributive measures, with the former effect being larger than the latter.⁵⁰

In our experiment, we provide respondents with visual and textual information about the distribution of house prices at the national level or at both the national level and in their local authority. Since most of people's wealth is tied up in residential real estate, showing the distribution of house prices provides information about the distribution of inheritances that ordinary people can expect to receive. As people tend to underestimate the level of wealth inequality,⁵¹ we expect that informing respondents about the highly unequal distribution of housing wealth will elicit stronger support for policies designed to tackle wealth inequality, such as inheritance tax policies.

⁴⁴ Kuziemko et al. 2015; Sides 2016.

⁴⁵ OECD 2021, 88.

⁴⁶ Bastani and Waldenström 2021.

⁴⁷ Alesina, Stantcheva, and Teso 2018.

⁴⁸ See, e.g., McCall et al. 2017; Kuziemko et al. 2015.

⁴⁹ Norton and Ariely 2011; Gimpelson and Treisman 2018.

⁵⁰ Ciani, Freget, and Manfredi 2021.

⁵¹ Norton and Ariely 2011.

Incorporating both local and national information treatments allows us to examine whether individuals' responses to wealth inequality vary between their immediate surroundings and the country at large. Several reasons exist as to why people might react to information about local inequality. First, house prices in voters' own locality have more economic and social implications for their welfare than do national averages. Most renters aspire to buy homes in places in which they have already established social and professional ties. And most homeowners' utility depends on house prices in their own locality. Second, recent research shows that the belief that one's locality lags national averages has important political implications, generating demand for both interpersonal and interregional redistribution.⁵² However, we also have reasons to believe that the national distribution of house prices should be pertinent information. In particular, inheritance taxation is a national policy; thus, we would expect voters to also react to national averages in the level and distribution of wealth when they consider the merits of taxing inheritances, not least in terms of the likely tax revenues. To the best of our knowledge, this study is the first not only to examine the effects of exposing people to the distribution of housing wealth, but also to distinguish between local- and national-level effects.

While this first experiment allows us to examine the effects of statistical information, previous research suggests that people sometimes have difficulties connecting their concerns about inequality with support for policies meant to address it.⁵³ This research indicates that people may need help to understand the effects of policies, which might be especially true for policies, like the inheritance tax, in which the benefits are widely distributed and about which many people are ill-informed. Through a second experiment included in a follow-up survey, we therefore test the effectiveness of information that explicitly outlines the potential consequences of inheritance taxation. This information should clarify the respondents' material interest in the tax and therefore help them to develop preferences.

The second experiment includes three treatments along with a control group. Two treatments gave information on the potentially beneficial effects of inheritance taxation: the first that increasing inheritance taxes can raise tax revenues that could be used to improve public goods provision or lower income taxes; the second that inheritance taxation can help to improve equality of opportunity. Because these treatments

⁵² Carreras, Irepoglu Carreras, and Bowler 2019; Ansell and Adler 2019.

⁵³ Bartels 2008; Kuziemko et al. 2015.

highlight the material interest that many (low-wealth) individuals have in inheritance taxation, we expect the treatments to cause more favorable views of inheritance taxation. The final treatment assessed the forcefulness of negative information about inheritance taxation. This treatment notes that the inheritance tax is sometimes viewed as incurring double or death taxation. Previous research shows that survey respondents consider double taxation as an unjust form of taxation,⁵⁴ and we therefore expect this treatment to cause more negative views of the tax.

SUMMARY OF EXPECTATIONS

We derive a number of testable implications from our argument. The first follows directly from the fact that if homeowners and their children are better informed about inheritance taxation, they should be in a better position to express preferences on the issue:

—Hypothesis 1 (H1): Homeowners and children of homeowners are more likely to express an opinion regarding inheritance taxation than non-homeowners and children of non-homeowners.

Second, because members of families of homeowners are more likely to express a clear preference, public opinion should generally be skeptical of inheritance taxation. Moreover, since families who own more expensive houses stand to pay higher inheritance taxes, opposition to the tax should increase with housing wealth:

—Hypothesis 2 (H2): a) Public opinion is opposed to higher taxes on inherited wealth; b) opposition to inheritance taxation is concentrated among members of families who own more expensive houses.

Third, due to unawareness of the vast inequalities in inherited wealth, we expect that informing people about national or local house price inequality will increase support for inheritance taxation and that this effect will be stronger among members of families who rent or own inexpensive housing—since they would stand to gain more from such taxation:

—Hypothesis 3 (H3): a) Informing people about the (unequal) distribution of housing wealth increases support for taxing inheritances; b) this effect is stronger among low-wealth individuals.

Fourth, if many people are ill-informed about their material interest in inheritance taxation, informing them about it should influence support for the tax. And since information is expected to rise with wealth, these effects should be stronger among low-wealth individuals:

⁵⁴ Stantcheva 2021.

—Hypothesis 4 (H4): a) Informing people about the potential positive effects of inheritance taxation on public goods provision, income taxes, and equality of opportunity increases support for the tax; b) these effects are stronger among low-wealth individuals.

Finally, to the extent that opposition to inheritance taxation is caused by many people relying on commonly heard arguments against the tax, negative arguments around double taxation should reduce support for the tax.

—Hypothesis 5 (H5): Arguments that present the inheritance tax as a double or death tax lower support for the tax.⁵⁵

Note that contrary to information about the potential positive effects of inheritance taxation (H4), we do not expect the effect of this treatment to be stronger among low-wealth respondents. Although many low-wealth individuals will receive new information about the effects of the inheritance tax, homeowners will receive (additional) arguments for opposing it. We anticipate that homeowners, for self-serving reasons, will respond to this kind of information, thereby reducing the difference in the treatment effect among different wealth groups.

DATA

To test our arguments, we designed an original survey that asked respondents about their own and their parents' housing wealth, and about their preferences over inheritance taxation. YouGov conducted the survey in May and June 2021, using their nationally representative online panel, which included 3,186 adults living in England and Wales.⁵⁶ To provide context for the survey, house prices have surged in the UK in recent decades, but with strong regional differences (mostly in the city of London). Concurrently, the inheritance tax system has gone from being strongly progressive, with 14 tax brackets and a top marginal rate of 75 percent in 1980, to a flat rate of 40 percent applying to estates above £325,000 (or above £500,000 for residential real estate).⁵⁷

In the first part of the survey, we included a range of questions about the respondents' wealth. For example, we asked homeowners to estimate the current value of their house. In Appendix B in the supplementary material, we assess the quality of the estimated house prices

⁵⁵ The experimental hypotheses H3, H4, and H5 were preregistered ahead of data collection at Open Science Framework under DOIs: <https://doi.org/10.17605/OSF.IO/PFN7Z> and <https://doi.org/10.17605/OSF.IO/PCVBH>.

⁵⁶ We obtained ethics approval prior to conducting the survey; see Appendix A.

⁵⁷ Married couples owning a single property can pass on £500,000 each of that property's value tax-free, bringing the total to £1m. About 4 percent of estates incurred inheritance taxation in 2022.

by comparing our survey estimates to land registry data from the Office of National Statistics (ONS). Although homeowners in our survey are slightly overoptimistic (about £10,000 on average), they match the national distribution of homeowners well, giving us confidence in our sample of homeowners and in their ability to accurately estimate the current value of their house. To provide an example, the regional median of estimated house prices in our sample is an average of just £5,000 away from the regional averages for the same month reported by the ONS.

We also asked respondents about the housing situation of their parents, so we could assess how being likely to inherit a home in the future affects one's preferences over inheritance taxation. Since many (older) respondents had already lost their parents, many skipped this question or answered "Don't know/not applicable" (41 percent), but most respondents still had their parents and were willing to answer the question (59 percent).⁵⁸ If their parents owned a house, we asked them to provide an estimate of its value—about 31 percent of the sample did.

After answering the wealth questions, respondents were randomly assigned to one of three groups: one third was assigned to a national information treatment and saw the distribution of house prices across England and Wales, another third saw the distribution of house prices both in their local authority and nationally, and the last third was assigned to a control group and did not receive any information.⁵⁹ After the information treatment, we asked respondents a range of questions about their preferences over inheritance taxation, and the survey concluded with a forced-choice conjoint experiment to assess their preferred marginal tax rates on different-sized inheritances.

To test the robustness of our initial set of results, and to evaluate hypotheses 4 and 5, we ran a second YouGov survey in fall 2022, again using their nationally representative online panel but this time sampling 3,592 adults living in the UK. The survey included identical questions about housing tenure and wealth, but instead of the house price treatment, we randomly assigned respondents to one of three treatments or a control group (with a quarter of the sample in each group). In one treatment participants were presented with the argument that the inheritance tax is a double or death tax. In the other two treatments, participants were

⁵⁸ Because we did not want respondents to relive the pain of losing a parent, we did not include a "deceased" response option to the question about their parents' housing tenure; instead, we included both "Don't know" and "Not applicable" options. Respondents who answered DK/NA are on average sixteen years older (58.6 years) than the rest of the sample (42.7 years), indicating that in many cases a DK/NA answer is likely to reflect deceased parents.

⁵⁹ To ensure randomization within the groups, we stratified the randomization within the three groups by average local house prices. Appendix G provides the images shown to respondents.

provided with information about the potential positive effects of inheritance taxation on equality of opportunity or on public goods provision and income taxes. After this experiment, we asked the same set of questions about inheritance tax preferences as in the first survey, except for the conjoint experiment. As we move through the empirical analysis, we provide more detailed information about the survey questions and experiments.

RESULTS

A PARADOX OF INHERITANCE TAXATION

We begin the empirical analysis by analyzing responses to a set of six questions about inheritance taxation. The questions asked: “Regarding the level of inheritance tax people pay in [the] United Kingdom, do you think the level is too low, too high, or about right?” In randomized order, the respondents were asked to express their opinion about the 1) “overall level of inheritance tax”; 2) “inheritance tax you might pay in the future”; 3) “inheritance tax your heirs might pay in the future”; and “inheritance tax for those who receive . . .” 4) “. . . under £325,000”, 5) “. . . between £325,000 and £1m”, and 6) “. . . over £1m.”

Inspired by the work on the thermostatic model of policies and preferences by Stuart Soroka and Christopher Wlezien,⁶⁰ we use answers to these questions to gauge the public’s relative preference for inheritance taxation. Just as a respondent does not need to know exactly how much money the government spends on, say, health to know whether they think it should spend more or less, expressing a relative preference on inheritance taxation does not necessitate intimate knowledge about the inheritance tax system, such as precise information about tax thresholds and marginal rates. It does presuppose, however, that people have a general sense of how much inheritors pay in taxes. Our theory predicts (H1) that some respondents, predominantly those from families of non-homeowners, will have little-to-no information about inheritance taxation, and that these respondents should therefore be more likely to provide a no-opinion response.

Figure 2 displays the distribution of responses to these questions. The first five bars reflect views about whether inheritance taxes are too high or low and the sixth bar shows the proportion of respondents who answered “Don’t know.” Two patterns stand out. First, despite decades-long declines in inheritance tax rates, the public in England and Wales is still

⁶⁰ Soroka and Wlezien 2009.

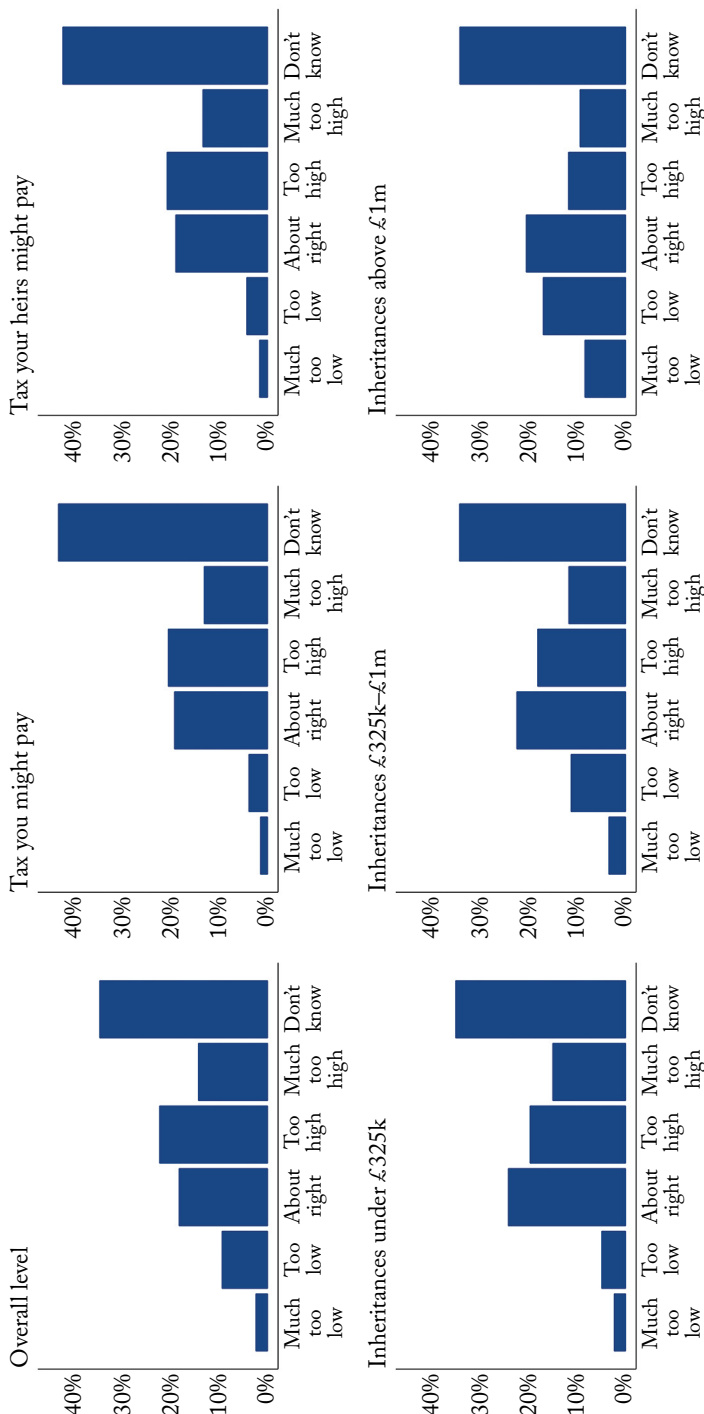


FIGURE 2
PREFERENCES OVER INHERITANCE TAXATION^a

^a N = 3,186 in all panels.

more likely to think that inheritance taxes are too high than too low. On average across the six questions, 31 percent of respondents said that taxes were (much) too high, whereas just 11 percent said that they were (much) too low. The only exception is the question about inheritances above £1m, for which 25 percent think taxes are (much) too low, compared to 21 percent who think they are (much) too high. These results are consistent with Hypothesis 2a and the expectation that the public is generally opposed to higher taxes on inherited wealth.

Second, on all six questions, the modal response is “Don’t know”—strikingly, between 34 and 43 percent of respondents appear to have too little information to formulate a relative preference on inheritance taxation. Considering that “Don’t know” responses are predominantly provided by respondents who have low levels of political information or who otherwise feel unsure about their opinion on an issue,⁶¹ the high proportions of such responses are a clear indication that inheritance taxation is a low-information environment, in which many lack the basic information needed to formulate a preference. The lack of information is further demonstrated by the fact that 34 percent of respondents believe that taxes on inheritances under £325k are (much) too high despite these inheritances being fully exempt from taxation.⁶²

Who are the people who don’t know their preference, and how are they different from those who do? To address this question, we regress a binary variable of whether the respondent expressed a preference (1) or answered “Don’t know” (0) to the question about the overall inheritance tax level on measures of housing wealth and other socioeconomic variables. As a measure of current housing wealth, we include an estimate of the value of the respondent’s house rescaled into eight categories, with the baseline being a non-homeowner. To capture the effect of being a future property inheritor, we include an estimate of the value of the parents’ house. We rescale this variable into six categories; the omitted category is again non-homeowner. We also include measures of household income (measured in fifteen categories), age, gender, and whether the respondent has a university degree.

Table 1 presents the results. Model 1 shows the results from a linear probability model, which we use to interpret marginal effects; model 2 shows the (very similar) results from a logit model, which we use below

⁶¹ Elkjær and Wlezien 2024; Graham 2021.

⁶² Naturally, the most direct way to measure peoples’ level of information about an issue is to ask them factual questions. Yet given that existing research demonstrates that political information is a strong predictor of “Don’t know” responses (Berinsky 2002; Elkjær and Wlezien 2024; Schuman and Presser 1979; Laurison 2015), we argue that it is reasonable to interpret “Don’t know” answers as typically reflecting a lack of such information.

TABLE 1
DETERMINANTS OF EXPRESSING AN OPINION ABOUT THE OVERALL
LEVEL OF INHERITANCE TAXES^a

	<i>LPM</i>	<i>Logit</i>
Value of own house:		
100k and under	0.060 (0.055)	0.256 (0.269)
£100k to £200k	0.065* (0.029)	0.272 (0.144)
£200k to £300k	0.160* (0.030)	0.789* (0.162)
£300k to £400k	0.177* (0.035)	0.927* (0.201)
£400k to £500k	0.208* (0.045)	1.234* (0.291)
£500k to £750k	0.214* (0.047)	1.320* (0.321)
£750k and up	0.198* (0.061)	1.281* (0.426)
Value of parents' house:		
NA/deceased	0.032 (0.029)	0.107 (0.141)
£200k and under	0.073* (0.037)	0.315 (0.184)
£200k to £400k	0.103* (0.035)	0.480* (0.180)
£400k to £600k	0.129* (0.047)	0.626* (0.259)
£600k and up	0.130* (0.051)	0.630* (0.288)
Demographics:		
Household income	0.008* (0.003)	0.038* (0.015)
Age	0.004* (0.001)	0.020* (0.004)
Female	-0.121* (0.019)	-0.650* (0.099)
University degree	0.008 (0.020)	0.043 (0.105)
Constant	0.352* (0.045)	-0.710* (0.225)
Observations	2258	2258
R ²	0.118	

* $p < 0.05$; standard errors in parentheses.

^a Baselines for the value of own and parents' house are in both cases "not homeowner."
LPM = linear probability model.

to calculate predicted probabilities for different wealth profiles. Model 1 shows that a number of sociodemographic factors predict the propensity to express a preference: Being male, thirty years old, or having an income above £150k (compared to below £5000) each add about twelve percentage points to the probability of answering the question, although one of the strongest predictors of “Don’t know” responses in previous studies—having a university degree—is not associated with higher rates of expressing a preference in our study.⁶³

Importantly, the results show that even after accounting for the impact of these sociodemographic variables, housing wealth is a strong predictor of expressing a preference, which is consistent with Hypothesis 1.⁶⁴ Homeowners owning a property worth more than £400k are about twenty percentage points more likely to express a preference than are renters, and children of homeowners owning a property valued higher than £400k are about thirteen percentage points more likely to answer the question compared to children of renters. Consequently, a strong wealth gradient exists in the probability of expressing an opinion: Individuals who either expect to pass on a house to their next generation or who stand to inherit a property from their parents are much more likely to express an opinion on inheritance taxation compared to respondents who (or whose parents) do not own a house. In Appendix D in the supplementary material, we show the results for all six questions included in Figure 2: they are substantively similar to those reported here.

To provide a sense of the substantive effects of wealth status, Figure 3 displays the predicted probability of answering the question about the overall level of inheritance taxes across individuals with very different levels of wealth. We define low wealth status as a female adult of average age (49 years) who earns less than £5000 a year and does not have a university degree; she is a renter and so are her parents. By contrast, a high-wealth status individual is a male adult of average age who earns more than £150k a year, who owns a house valued at more than £750k, and whose parents own a house valued at more than £600k.⁶⁵ Figure 3 shows that low- and high-wealth status individuals have extremely different probabilities of expressing an opinion.⁶⁶ Whereas just about two

⁶³ Berinsky 2002.

⁶⁴ The results are unaffected by controlling for respondents’ socioeconomic grade and internal political efficacy, providing further evidence that the housing wealth variables capture an effect of material interest; see Appendix C.

⁶⁵ Since women, people without a university degree, and people with low incomes tend to accumulate much less wealth (see, e.g., Piketty, Saez, and Zucman 2018), we let these sociodemographic characteristics vary across the two wealth profiles. As Table 1 shows, the wealth gradient remains even if we keep these variables constant.

⁶⁶ We base our calculations on the logit model of Table 1, because the predicted probability of expressing a preference for high-wealth individuals is slightly above one when using the LPM.

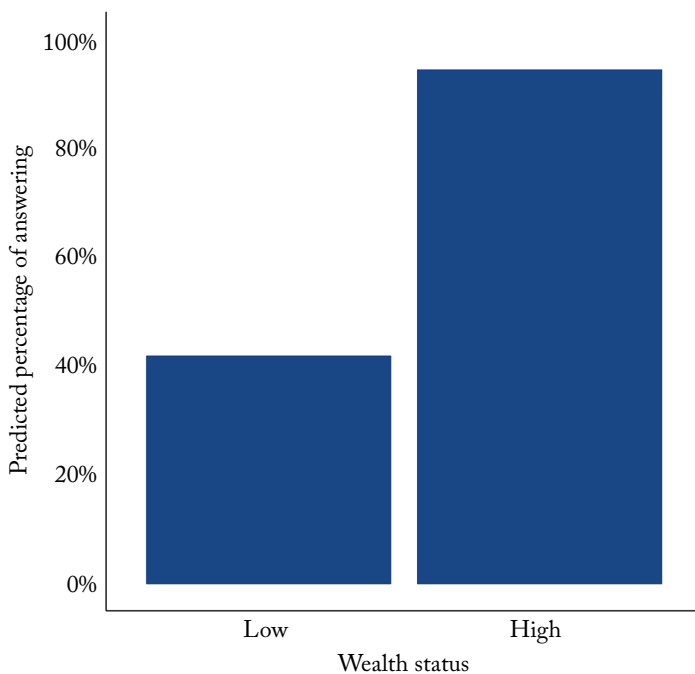


FIGURE 3
HIGH-WEALTH STATUS INDIVIDUALS ARE MORE LIKELY TO EXPRESS A
PREFERENCE OVER INHERITANCE TAXATION^a

^aThe predicted percentages are based on the coefficients for the logistic regression of model (2) of Table 1. A low-wealth individual is a female adult of average age (49 years) who earns less than £5000 a year and does not have a university degree; she is a renter and so are her parents. A high-wealth individual is a male adult of average age who earns more than £150,000 a year, who owns a house valued more than £750,000, and whose parents own a house valued more than £600,000.

in five low-wealth status individuals express an opinion on inheritance taxes, about nineteen of twenty high-wealth status individuals do.

These results unveil a paradox of inheritance taxation: Low-wealth individuals, who stand to benefit most from taxing inherited wealth, are those least likely to express an opinion on it. This finding suggests that substantial political obstacles exist to raising inheritance tax rates: Many people simply do not have an opinion about inheritance taxation, and the ones who do are homeowners and children of homeowners, who are generally opposed to higher taxes. In such an environment, proponents of wealth taxation may find it difficult to mobilize political support, and few electoral incentives appear to exist for governments to advocate for higher inheritance taxes since, at best, voters appear ambivalent. This dynamic may help to explain the reluctance of governments to use inheritance taxation as a tool to counteract wealth inequality more aggressively.

The question remains whether these results are unique to inheritance taxation, or whether they extend to other types of taxation. Indeed, existing research shows that people have low levels of information regarding many different aspects of taxation and that the public also supports lower income taxes.⁶⁷ In supplementary material Appendix E, we examine preferences over income taxation using similar questions to those presented here for inheritance taxation. Given that exposure to income taxation is frequent for most individuals, in most cases on a monthly basis, whereas exposure to inheritance taxation is low, our argument implies that we should see a different pattern for income tax preferences. Indeed, we do.

Compared to the inheritance tax questions, less than half as many respondents answer “Don’t know” to the income tax questions (15–19 percent), and there is almost twice as much support for a more progressive income tax schedule than for a more progressive inheritance tax schedule (46 percent versus 25 percent). Moreover, the total effect of current and future expected housing wealth is considerably stronger for inheritance taxation than for income taxation: Among respondents with high socioeconomic status, the effect of owning an expensive house, and having parents who do so too, is more than three times stronger on expressing an opinion about inheritance taxation compared to expressing an opinion about income taxation (0.23 versus 0.07). At least compared to income taxation, preferences over inheritance taxation are distinct.

OPPOSITION TO INHERITANCE TAXATION IS CONCENTRATED AMONG HIGH-WEALTH INDIVIDUALS

Having corroborated hypotheses 1 and 2a, we proceed to examine Hypothesis 2b, which stipulates that opposition to inheritance taxation is concentrated among high-wealth individuals. To test this conjecture, we regress responses to the six questions about inheritance taxes shown in Figure 2 on the value of the respondent’s own house, the value of the respondent’s parents’ house, and the same set of demographic covariates included above using linear probability models, in which the dependent variable is rescaled to equal one if the respondent thinks that taxes are either “too high” or “much too high”, and zero otherwise (we omit “Don’t know” responses).

The results of these regressions are displayed in Figure 4. In the left panel of the figure, we analyze responses to the questions about (i) the overall tax level and (ii) taxes that the respondent or (iii) their heirs might pay in the future. The figure shows that housing wealth has a substantively

⁶⁷ Stantcheva 2021; Barnes 2015.

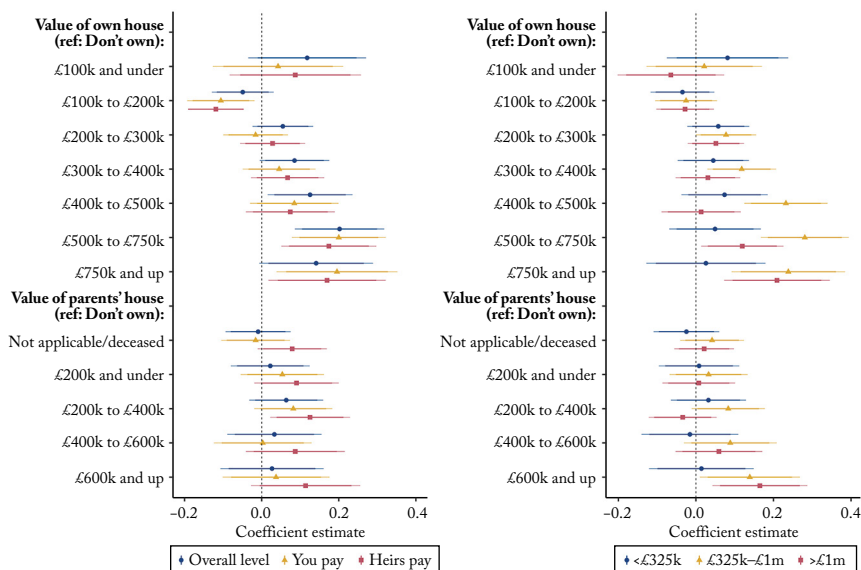


FIGURE 4

THE RELATIONSHIP BETWEEN CURRENT/FUTURE HOUSING WEALTH AND VIEWS THAT INHERITANCE TAXATION IS TOO HIGH^a

^a The figure shows estimates from linear probability models of whether the respondent thinks that taxes are (much) too high, with 90 percent and 95 percent confidence intervals (thick and thin lines). The models include controls for household income, age, gender, and level of education. N = 1,559 (overall level), 1,361 (you might pay), 1,370 (your heirs might pay), 1,545 (<£325k), 1,565 (£325k–£1m), and 1,557 (>£1m). For the full set of results, see Appendix F in the supplementary material.

large effect on inheritance tax preferences. Homeowners who own a house valued at more than £400k are between thirteen and twenty percentage points more likely than nonowners to think the overall tax level is too high. And homeowners owning a house valued at more than £500k are seventeen to twenty percentage points more likely than nonowners to think taxes that they or their heirs might pay in the future are too high. For the children of homeowners, we generally see a similar pattern as for homeowners themselves, but the effects are weaker and only occasionally statistically significant.

In the right panel of Figure 4, we show the results for the set of questions about taxes on inheritances of a specific size. For inheritances below the exemption threshold of £325k, housing wealth has no impact on inheritance tax preferences, but for inheritances above the threshold, housing wealth is (again) an important predictor of tax preferences. Individuals who own a house worth more than £300k are significantly more

likely to say that taxes on inheritances between £325k and £1m are too high, and again the effects are substantial. Compared to renters, the predicted probability of supporting lower taxes is about twelve percentage points higher for homeowners with a house valued between £300k and £400k and up to twenty-eight percentage points higher for homeowners who own a property worth more than £400k. For children of homeowners, we see a similar, though slightly weaker, pattern. Compared to people whose parents do not own a property, individuals whose parents own a house worth more than £600k are fourteen percentage points more likely to think that taxes on inheritances between £325k and £1m are too high.

For taxes on inheritances above £1m, we see a sharp discontinuous spike in support for lower taxes among people owning a house worth more than £500k. These homeowners are the ones in our sample who are most likely to be exposed to taxes on inheritances above £1m, and it is therefore unsurprising that they are the ones most in favor of lower taxes on these large inheritances. Indeed, the predicted probability of saying that taxes are too high on inheritances over £1m is twenty-one percentage points higher for homeowners owning a house worth more than £750k than it is for homeowners owning a house worth less than £500k and for renters. For future real estate inheritors, we see a similar pattern. Those whose parents own a property valued at more than £600k are seventeen percentage points more likely to think that taxes on inheritances above £1m are too high, compared to individuals whose parents are not on the housing ladder or own a house worth less than £400k.

Overall, these results suggest that owning a more expensive house or having parents who do so is associated with stronger opposition to higher inheritance taxes. The results also indicate that homeowners are highly aware of their family's exposure to the inheritance tax and are especially concerned about the tax burden on inheritances equal to the value of their home. These findings are consistent with Hypothesis 2b and indicate that opposition to inheritance taxation is driven particularly by homeowners who own relatively expensive houses.

PREFERRED INHERITANCE TAX RATES: RESULTS FROM A CONJOINT EXPERIMENT

The evidence so far demonstrates that owners (or inheritors) of expensive houses drive public opinion in opposition to higher inheritance taxes. However, it says little about which marginal tax rates the public would prefer. Following Cameron Ballard-Rosa, Lucy Martin, and Kenneth

Scheve,⁶⁸ in this section we present the results of a forced-choice conjoint experiment about support for different inheritance tax schedules.

The conjoint experiment complements the previous analysis in several ways. First, it enables us to make more detailed inferences than simply stating whether the public wants higher or lower taxes. More precisely, because respondents are asked to choose between two hypothetical inheritance tax schedules, the conjoint allows us to elicit people's preferred marginal tax rates on different-sized inheritances. Second, we are able to examine the robustness of our initial set of results to using a different survey technique, which does not presuppose that respondents have any information about either how much inheritors pay in taxes or the current inheritance tax thresholds and rates. Finally, because the conjoint forces respondents to choose the tax system they preferred the most,⁶⁹ it allows us to directly estimate the opinions of respondents who did not voluntarily offer an opinion on our other inheritance tax questions. This approach contrasts with Adam Berinsky, who examines the "silent voices" by imputing responses based on the sociodemographic background of respondents.⁷⁰

The conjoint experiment showed each respondent five comparisons of two hypothetical tax systems and asked them to pick the one they favored the most. Table 2 shows the attributes and tax rates of the potential tax systems. Because we wanted to allow for the possibility that the public may favor a more complex inheritance tax schedule, we did not mimic the simple British inheritance tax schedule, which exempts inheritances below £325k and taxes the rest at 40 percent. Instead, we asked respondents to pick between two tax systems that each had four different tax brackets. We selected these tax brackets so that we could distinguish between preferred marginal rates on small, medium, large, and very large inheritances.

In the interest of realism, we chose the tax rates to minimize the number of regressive inheritance tax systems shown. Therefore, the rates are generally higher for larger inheritances, but we did allow for the possibility that respondents may prefer a flat tax schedule, in that a 20 percent marginal tax rate is included in all four tax brackets. We also included a 40 percent marginal tax rate in all brackets except the lowest one, allowing for the possibility that the public supports an inheritance tax system similar to the status quo. At the same time, since the tax rates

⁶⁸ Ballard-Rosa, Martin, and Scheve 2017.

⁶⁹ Hainmueller, Hopkins, and Yamamoto 2014.

⁷⁰ Berinsky 2002.

TABLE 2
INHERITANCE CATEGORIES AND INHERITANCE TAX RATES
USED IN THE CONJOINT EXPERIMENT

<i>Inheritance Categories</i>	<i>Possible Tax Rates (Percent)</i>
Inheritances valued up to £125,000	0, 10, 20
£125,000 to £500,000	0, 10, 20, 40
£500,000 to £1,000,000	20, 40, 60, 80
Inheritances valued over £1,000,000	20, 40, 60, 80, 90

were independently randomized across tax brackets, respondents saw a mixture of progressive and nonprogressive tax systems.⁷¹

Figure 5 shows the results of the conjoint experiment. The results indicate that the public strongly supports exempting small inheritances under £125k from taxation. For inheritances between £125k and £500k, the public is marginally more supportive of a tax rate of 10 percent than one of 0 percent or 20 percent, yet they are strongly opposed to a higher tax rate of 40 percent. For larger inheritances between £500k and £1m, a marginal rate of either 20 or 40 percent appears most popular; higher rates of 60 percent and especially 80 percent receive much less support. For the top category, describing the marginal tax rate on inheritances exceeding £1m, the public is significantly more supportive of a marginal rate falling somewhere between 40 and 80 percent than of a lower one of 20 percent or an even higher one of 90 percent.

Consistent with the initial set of results and with Hypothesis 2a, these findings indicate that not much support exists for higher taxes on inherited wealth than those in place today. For the three lower tax brackets, the public appears unsupportive of higher taxes, preferring either a similar or lower tax rate than is currently in place. On bequests over £1m, a quasi-confiscatory marginal tax rate of 90 percent is about as (un)popular as a low marginal tax rate of 20 percent, and the public is about as happy with the current tax rate of 40 percent as with a higher one of 60 or 80 percent (public support for these three tax rates fall within 2.8 percentage points of one another).

HOUSING WEALTH PREDICTS PREFERRED MARGINAL INHERITANCE TAX RATES

To examine Hypothesis 2b and how preferences over marginal tax rates depend on housing wealth, we disaggregate the results by the value of one's own and one's parents' house in Figure 6. Following the recommendations

⁷¹ Of the 240 possible tax schedules, 110 (45.8 percent) were progressive; 1 was a flat rate system (0.4 percent); 3 (1.3 percent) were regressive; and the remaining 126 were mixed (52.5 percent).

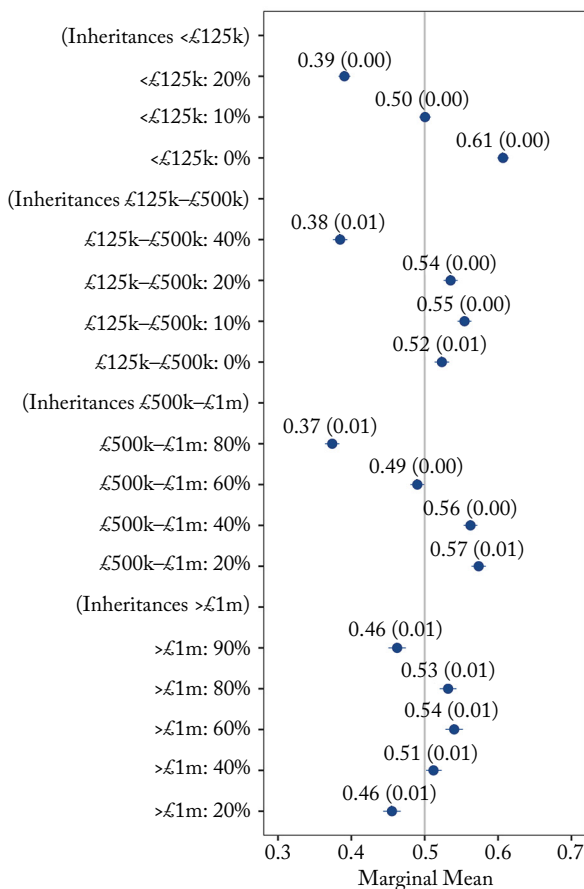


FIGURE 5
PREFERRED TAX RATES ON DIFFERENT-SIZED INHERITANCES

of Thomas Leeper, Sara Hobolt, and James Tilley,⁷² we (again) show the results in terms of marginal means, and we evaluate whether preferences differ significantly across subgroups using omnibus F-tests. Note also that we break the estimated house price variables differently here than we did above, so that they concord with the inheritance tax brackets used in the conjoint. However, because very few respondents in our survey own a house or have parents who own a house worth more than £1m, the top category starts at £500k.

Consistent with Hypothesis 2b, the left panel of Figure 6 shows considerable heterogeneity in preferred marginal tax rates across housing wealth groups, and an omnibus F-test confirms that the differences are

⁷² Leeper, Hobolt, and Tilley 2020.

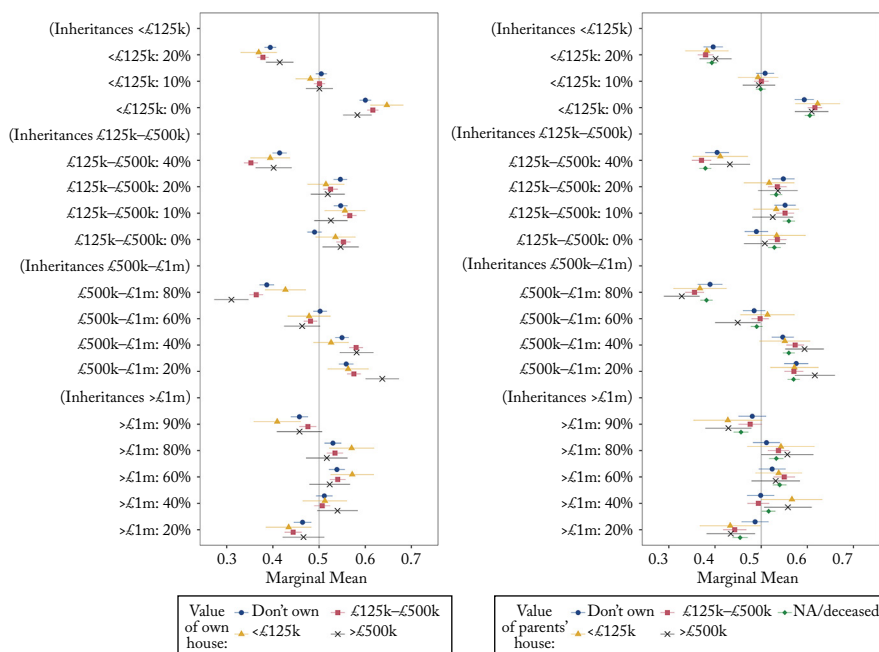


FIGURE 6

PREFERRED TAX RATES ON DIFFERENT-SIZED INHERITANCES, BY VALUE OF OWN AND PARENTS' PROPERTY

statistically significant ($F(39; 29,607) = 3.72, p = 0.000$). Specifically, the preferences of homeowners depend highly on their own tax exposure. For example, homeowners who own a property worth less than £125k are the strongest supporters of exempting inheritances under £125k from taxation; at the same time, they are the strongest opponents of taxing inheritances of this size at 20 percent. We observe a similar pattern for inheritances between £125k and £500k: Homeowners owning a house worth between £125k and £500k are by far the strongest opponents of a marginal tax rate of 40 percent, and those most in favor of low tax rates of 0 or 10 percent. And again, the story is broadly similar for larger inheritances between £500k and £1m. This time, homeowners who own a house valued above £500k are the strongest opponents of an 80 percent marginal tax rate and the strongest proponents of a 20 percent tax rate. Finally, for very large inheritances above £1m, we see smaller differences between the house price groups, likely due to the low number of respondents in the survey who own a house worth more than £1m.

In the right panel of Figure 6, we break down preferred tax rates by the value of one's parents' house. Although an omnibus test of whether

preferences differ by the value of the parents' house is statistically insignificant ($F(52; 31,847) = 1.22, p = 0.13$), the figure shows similar, though weaker, patterns to those for homeowners on the two middle tax brackets.

For non-homeowners and their children, we see that, despite having a material interest in higher taxes on inherited wealth, they do not consistently support higher inheritance taxes than do members of families of homeowners. In fact, individuals in non-homeowning families generally tend to hold more moderate preferences, which can be seen from the many marginal means that are relatively closer to the neutral value of 0.5 in both panels of Figure 6.

Figure 7 displays the marginal means, split by whether the respondent answered “Don’t know” to the inheritance tax questions analyzed above. On small inheritances below £125k and on large inheritances

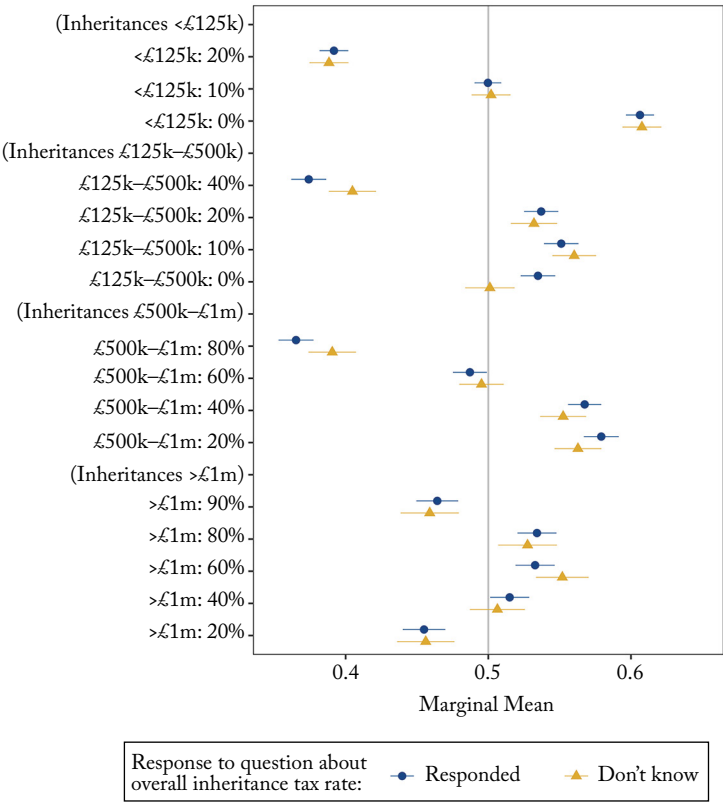


FIGURE 7
PREFERRED TAX RATES ON DIFFERENT-SIZED INHERITANCES,
BY DON'T KNOW STATUS

above £1m, we see no difference in answers among the groups, but in the two middle tax brackets, respondents who answered “Don’t know” to our other inheritance tax questions hold weaker, more moderate preferences, which is confirmed by the omnibus F-test ($F(13; 31,847) = 2.13$, $p = 0.01$). This result is important for two reasons. First, it demonstrates that the mismatch between the expressed preferences of low-wealth individuals and their material interest is not caused simply by a lack of information about the current inheritance tax system. Had these respondents been able to formulate clear preferences consistent with their material interest but answered “Don’t know” to our initial set of questions only because they did not know the actual inheritance tax rates and thresholds, we would have expected them to express stronger support for a more progressive tax system in the conjoint experiment. Instead the result suggests that at a very fundamental level, low-wealth respondents struggle to recognize their material interest in inheritance taxation, which highlights the potential value of information that clearly outlines its effects.

TWO SURVEY EXPERIMENTS

The above analysis shows that the public, and in particular members of families of homeowners, is opposed to high taxes on inherited wealth. Many non-homeowners appear unable to articulate a preference, and if forced to do so, it tends to be rather vague. In this section, we examine whether providing (low-wealth) respondents with different types of information can help them to formulate preferences consistent with their material interest. Specifically, we provided respondents with two distinct but related types of information. The first experiment builds on experimental studies that examine the impact of information about the distribution of income on tax and redistributive preferences and tests the impact of *statistical information* about the distribution of housing wealth on inheritance tax preferences.⁷³ The second experiment investigates the effect of *explanatory information*—whether arguments for and against inheritance taxation, designed to increase clarity about people’s material interest, affect support for the tax.⁷⁴

⁷³ See, e.g., Kuziemko et al. 2015; McCall et al. 2017.

⁷⁴ Critics might argue that non-homeowners hold ambivalent preferences because they do not know what the current tax system looks like, and that if we were to inform them, they would be able to express a preference for higher taxes based on their own exposure to the tax. Yet this theory overlooks two important factors. First, since most non-homeowners have little-to-no wealth to transfer at death (OECD 2021), they are unlikely to have much exposure to the tax, regardless of the prevailing inheritance tax policies. Second, while our first set of questions require respondents to have a general sense

STATISTICAL INFORMATION ABOUT HOUSE PRICES

In the first experiment, we divided respondents into three groups: i) a national treatment group, which received information about the distribution of house prices in England and Wales; ii) a national + local treatment group, which in addition to information about the national distribution saw the distribution of house prices in their local authority; and iii) a control group, which did not receive any information.

The treatments consisted of an image of a “housing ladder” containing house prices ranging from £0 to £1m. In the national treatment, we showed percentiles of the distribution of house prices in England and Wales on one side of the ladder, and in the national + local treatment, we additionally showed percentiles of the distribution of house prices in the respondent’s local authority on the other. As part of the treatments, we informed respondents that the image showed the cost of houses in England and Wales and in their local authority (for the national + local treatment only) in 2019 and that the percentiles on the sides represented the percentage of houses sold either locally or nationally that were cheaper than the corresponding price shown on the ladder. To ensure comprehension of the treatment, we provided specific examples explaining the percentile numbers. For instance, we explained that the numbers 20 and 95 indicate that 20 and 95 percent of houses sold for less than the respective value on the ladder, and that 50 represents the average (median) price of a house sold locally or nationally. Finally, we asked respondents two factual questions related to the information shown in the image, which was meant both to enhance understanding and to check the comprehension of the treatment. In supplementary material Appendix G, we provide detailed information about the treatment.

Because of widespread unawareness about the level of inequality in society, we anticipated that providing information about the unequal distribution of housing wealth would increase support for inheritance taxation (H3a)—especially among individuals who are not on the housing ladder (H3b). Contrary to expectations, however, Figure 8 shows that the treatments did not influence responses to our inheritance tax questions. In Appendix G, we further examine Hypothesis 3a by assessing whether responses in the conjoint experiment differ by treatment group; here we are also unable to detect any effect.

of how much inheritors pay in taxes, the conjoint experiment does not presuppose that respondents have any information about the current tax policies. Yet in the conjoint, we also find that low-wealth individuals hold weaker preferences. Combined, these facts suggest that information about the British inheritance tax rules is not the pertinent information that non-homeowners need to formulate preferences consistent with their material interest.

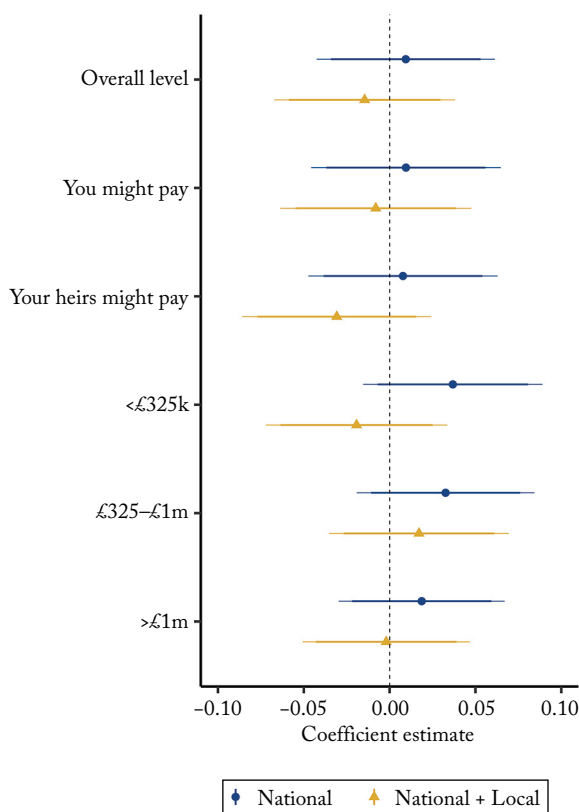


FIGURE 8
THE EFFECT OF THE INFORMATION TREATMENT ON INHERITANCE TAX
PREFERENCES^a

^a The figure shows the difference in the proportion of respondents who say that inheritance taxes are (much) too high between the control group and the treatment groups, with 90 percent and 95 percent confidence intervals (thick and thin lines). $N = 2,090$ (overall level), 1,819 (you might pay), 1,848 (your heirs might pay), 2,077 (<£325k), 2,102 (£325k–£1m), and 2,104 (>£1m). The corresponding table is shown in Appendix G in the supplementary material.

To assess whether low-wealth individuals respond more strongly to the treatment (H3b), we examine heterogeneity in the treatment effect across families of homeowners and non-homeowners in Figure 9. As the figure shows, we do not find any consistent effects of either treatment for any subgroup. Similarly, in the conjoint experiment, we do not find any evidence that the treatment is conditioned by one's own or one's parents' housing wealth. Overall, therefore, the results cannot corroborate either Hypothesis 3a or Hypothesis 3b.

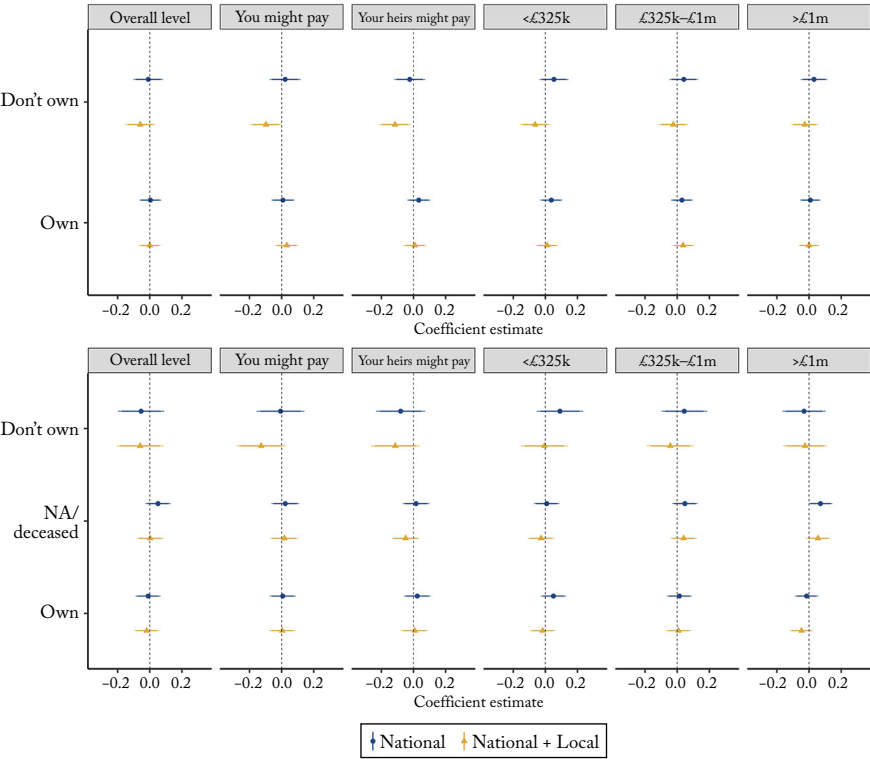


FIGURE 9
THE EFFECT OF THE INFORMATION TREATMENT ON INHERITANCE TAX
PREFERENCES, BY OWN AND PARENTS' HOMEOWNERSHIP STATUS^a

^a Own homeownership status on top panel; parents' homeownership status on bottom panel. The figure shows the difference in the proportion of respondents who say that inheritance taxes are (much) too high between the control group and the treatment groups, with 90 percent and 95 percent confidence intervals (thick and thin lines). N = 2,090 (overall level), 1,819 (you might pay), 1,848 (your heirs might pay), 2,077 (<£325k), 2,102 (£325k–£1m), and 2,104 (>£1m). The corresponding tables are shown in Appendix G in the supplementary material.

The lack of any systematic treatment effect could be due to several factors. Statistical distributions and percentiles are complicated for many people to understand, and not all respondents may have been able to fully understand the treatment. This explanation receives some support in the data since 35 percent and 54 percent of respondents in the national and national + local treatment groups, respectively, were unable to answer both of our comprehension questions correctly. On the other hand, even when we restrict the sample to respondents who gave correct answers

to both questions, we do not find any systematic effects.⁷⁵ Alternatively, while homeowners might not respond to information about house price distributions directly, they might respond to learning the actual position of their house in the distribution, as has been documented in the case of income.⁷⁶ Because we asked homeowners to situate their house in the national house price distribution pretreatment, we can assess the extent to which homeowners update their preferences when learning that their house is placed lower (higher) in the national house price distribution than they initially believed. Consistent with studies of income inequality, we find that homeowners who learn that they have overestimated the position of their house in the national house price distribution tend to become less likely to say that inheritance taxes are too high.⁷⁷ Yet the effects are substantively small (only 1.5–5.9 percentage points larger compared to homeowners in the control group, who overestimate the value of their house and are not corrected) and statistically significant in only one case. Finally, existing research points to the possibility that respondents might have been unable to make the necessary mental links among house prices, inherited wealth, and their material interest in inheritance taxes.⁷⁸

Although this specific type of statistical information about house price distributions proved unhelpful for respondents, other forms of information that more clearly connect inheritance taxes to the participants' material interest may still help respondents in formulating preferences over inheritance taxation. The motivation to conduct a follow-up experiment was to assess the impact of more direct types of information, which make the effects of inheritance taxation visible for respondents. As we see in the next section, such information did help, especially low-wealth, respondents to formulate a preference over inheritance taxation.

ARGUMENTS FOR OR AGAINST INHERITANCE TAXATION

Informed by research suggesting that people struggle to understand the consequences of tax reform,⁷⁹ as well as the results from our first survey indicating that many low-wealth respondents appear unable to recognize their material interest in inheritance taxation, we implemented much more direct treatments in our follow-up survey. Here, we randomly exposed respondents to explanatory information about the ef-

⁷⁵ See Appendix G.

⁷⁶ Cruces, Perez-Truglia, and Tetaz 2013; Kuziemko et al. 2015.

⁷⁷ See Appendix G.

⁷⁸ See, e.g., Bartels 2008; Kuziemko et al. 2015.

⁷⁹ Bartels 2008; Kuziemko et al. 2015.

fects of inheritance taxation before asking about their preferences. This experiment had three treatment groups and a control group. All groups saw a simple prompt stating that we were now going to ask them a series of questions about their views on inheritance taxation, and in addition to the simple prompt, respondents in the treatment groups were presented with arguments for or against inheritance taxation.

In the death/double tax treatment, we added that “[t]he inheritance tax is sometimes viewed as a ‘death tax’ or ‘double taxation’ because it taxes money again that was already taxed when it was originally earned”; in the “equality of opportunity” treatment, we added that “[p]eople who receive an inheritance gain an advantage in life. Taxing inheritances can contribute to levelling the playing field, ensuring that people with similar abilities and levels of effort face similar prospects in life”; and in the final “taxes and public goods” treatment, we added that “[t]axes on inheritances contribute to government revenues. By raising inheritance taxes, the government could lower income taxes or increase investments in vital infrastructure such as the NHS, schools, elderly care, and roads and railways.”

Before analyzing the effects of these treatments on preferences, we note that the results from the first survey are replicated closely in the second survey,⁸⁰ which adds validity to testing the effectiveness of new treatments using a new sample (it also speaks to the robustness of our initial set of results). Second, and in line with our theoretical argument, we preregistered the expectation that the treatments would lower the number of don’t know responses on our inheritance tax questions, especially among low-wealth individuals, and indeed they did. The proportion of respondents who stated a preference in the death/double tax treatment group was, on average across the six questions, about seven percentage points ($SE = 1.9, p < 0.01$) higher than in the control group, whereas it was about five percentage points ($SE = 1.9, p < 0.01$) higher in the taxes and public goods group. In the equality of opportunity group, however, the average treatment effect was only 1.7 percentage points ($SE = 1.9, p = 0.37$). Moreover, the observed treatment effects are all driven notably by low-wealth individuals: In all three treatment conditions, we observed increases in answers among non-homeowners: from five percentage points ($SE = 0.03, p < 0.1$) in the equality of opportunity treatment to eleven percentage points ($SE = 0.03, p < 0.01$) in the taxes and public goods treatment. For homeowners, by contrast, all effects are statistically insignificant and lie in the range of a one percentage point

⁸⁰ See Appendix H.

decrease (equality of opportunity treatment) to a four percentage point increase (death/double tax treatment). In other words, the treatments helped the respondents who are most likely to answer “Don’t know” to express an opinion.⁸¹

We now turn to analyzing the effects of the treatments on preferences. Figure 10 shows that while the taxes and public goods treatment made respondents less skeptical of inheritance taxation—by seven percentage points ($SE = 2.1, p < 0.01$) on average across the six questions—the equality of opportunity treatment did not influence aggregate public opinion ($\Delta = 0.0, SE = 2.2, p = 0.88$). The results, therefore, only partly corroborate Hypothesis 4a. By contrast, the results are fully consistent with Hypothesis 5, since the death/double tax treatment made participants more

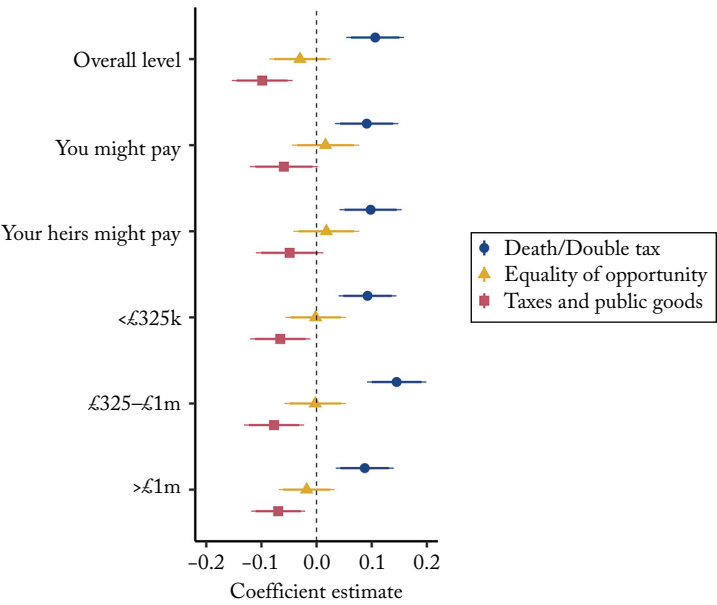


FIGURE 10
THE EFFECT OF ARGUMENTS FOR OR AGAINST INHERITANCE TAXATION ON
INHERITANCE TAX PREFERENCES^a

^a The figure shows the difference in the proportion of respondents who say that inheritance taxes are (much) too high between the control group and the treatment groups, with 90 percent and 95 percent confidence intervals (thick and thin lines). $N = 2,559$ (overall level), 2,019 (you might pay), 2,037 (your heirs might pay), 2,572 (<£325k), 2,569 (£325k–£1m), and 2,533 (>£1m). The corresponding table is found in Appendix I in the supplementary material.

⁸¹ Detailed results are reported in Appendix I.

likely to think that taxes are too high—by an average eleven percentage points ($SE = 2.1, p < 0.01$) across all questions.

In Figure 11, we interact the treatment dummies with the respondent's own and their parents' housing tenure.⁸² For the equality of opportunity treatment, the top panel of the figure shows that the treatment had no effect on preferences either among renters or among homeowners. But in the bottom panel, we see that the effect differs notably between children of non-homeowners and homeowners. On average across the six questions, the treatment expanded the gap in preferences between these groups by fifteen percentage points ($SE = 6.9, p = 0.03$)—from an even 57 percent/57 percent split in the control group to a 48 percent/63 percent split in the equality of opportunity treatment group. That gap is consistent with Hypothesis 4b, indicating that the treatment made respondents express preferences more in line with their material self-interest. It also helps to explain the lack of an overall effect of the equality of opportunity treatment, since in the aggregate the polarizing effect of the treatment on the opinions of those who stand to inherit and those who do not cancels out.

In the taxes and public goods treatment, the treatment effect did not differ much between either homeowners and non-homeowners ($\Delta = -2.3, SE = 4.6, p = 0.61$) or among these groups' children ($\Delta = 2.1, SE = 6.3, p = 0.73$), which goes against Hypothesis 4b. The lack of a differential effect in this treatment may be because the benefits of receiving tax cuts or public goods are viewed similarly across the groups. It may also be that (some) homeowners have a sufficiently high time discounting factor to prefer lower income taxes (higher consumption) today rather than lower inheritance taxes for their children at death. A third alternative is that the group of homeowners is heterogeneous, with homeowners owning relatively inexpensive houses looking more like renters than those owning expensive houses. On the whole, we consequently find mixed support for Hypothesis 4. While the taxes and public goods treatment on aggregate appears stronger than the equality of opportunity treatment, the effects of the former do not vary as much by housing wealth groups.

Finally, and consistent with Hypothesis 5, Figure 11 shows that regardless of their own or parents' housing wealth, the death/double tax treatment consistently made respondents more skeptical of inheritance taxation. This finding suggests that negative arguments about the inheritance tax,

⁸² In the preanalysis plan, we stated that we would disaggregate the groups of homeowners and children of homeowners according to the value of their houses, as we did above. However, to maximize power we do not disaggregate these groups here.

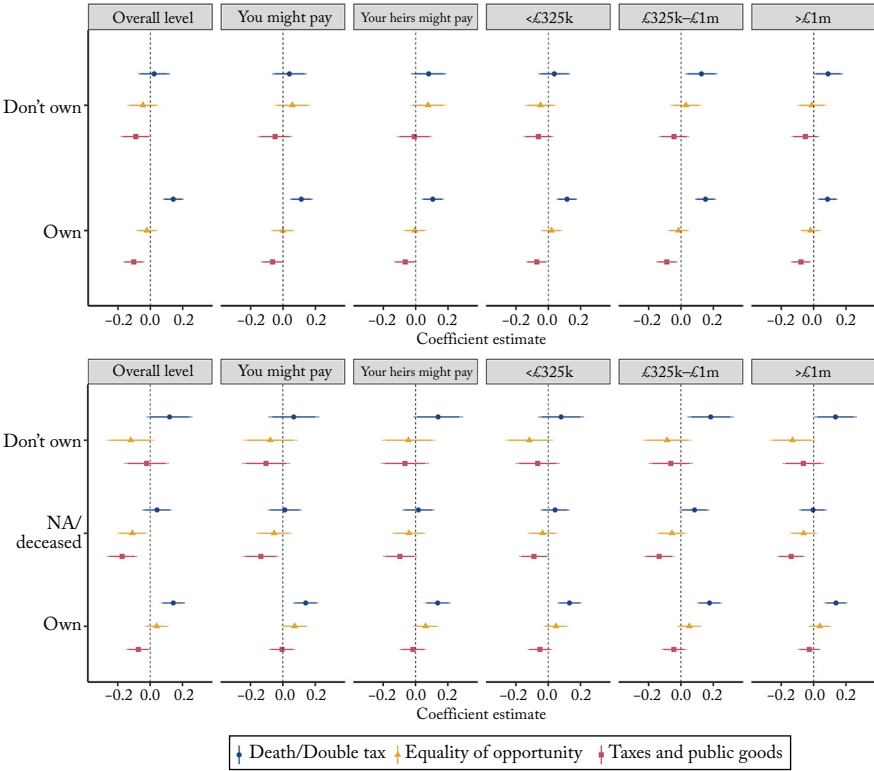


FIGURE 11
THE EFFECT OF ARGUMENTS FOR OR AGAINST INHERITANCE
TAXATION ON INHERITANCE TAX PREFERENCES, BY OWN AND
PARENTS' HOMEOWNERSHIP STATUS^a

^a Own homeownership status on top panel; parents' homeownership status on bottom panel. The figure shows the difference in the proportion of respondents who say that inheritance taxes are (much) too high between the control group and the treatment groups, with 90 percent and 95 percent confidence intervals (thick and thin lines). N = 2,559 (overall level), 2,019 (you might pay), 2,037 (your heirs might pay), 2,572 (<£325k), 2,659 (£325k–£1m), and 2,533 (>£1m). The corresponding table is found in Appendix I in the supplementary material.

which present it as a death or double tax, are highly effective in creating opposition to the tax among all groups.

One concern about the treatments is whether they inadvertently act as partisan cues, prompting divergent reactions based on respondents' political affiliations. If the respondents interpreted the treatments as partisan signals, we would expect Conservative voters to respond more strongly to the death/double tax treatment and Labour voters to respond more strongly to the taxes and public goods and equality of opportunity

treatments. Yet as Appendix I shows, Labour and Conservative voters responded similarly to all three treatments, indicating that the respondents were engaging with the content of the arguments presented, rather than reacting to inferred partisan cues.⁸³

In sum, the results suggest that information that clearly outlines the potential consequences of inheritance taxation can help individuals to formulate preferences over the tax. While this finding may be unsurprising to some, it is important because it suggests that people fundamentally struggle with recognizing their material interest in inequality-alleviating redistributive policies—perhaps especially in cases like inheritance taxation, in which the benefits are widely distributed and public awareness is generally low. Raising support for inheritance taxation requires emphasizing the merits of the tax and why even low-wealth individuals have a vested interest in the policy. At the same time, arguments that present inheritance taxation as a double or death tax are highly effective in triggering negative views about the tax. A second implication of these findings, therefore, is that the type of information and arguments that predominate in the public sphere profoundly shapes the political feasibility of inheritance taxation. In the next, concluding section, we discuss the implications of the experimental results for our overall argument in more detail.

CONCLUSION

Wealth is far more unequally distributed than income. Despite this reality, inheritance taxes are relatively low in most countries, exemption thresholds are often high, and average tax rates have declined significantly since the 1980s. We argue that one important cause of this disjuncture is that low-wealth individuals, notably renters and children of renters—who stand to benefit from inheritance taxation—generally have ambiguous or weak preferences about such taxes, whereas homeowners and their children—who stand to lose out—hold strong antagonistic views toward the tax. The key to understanding the lack of political appetite for using inheritance taxation to counteract wealth inequality, we argue, lies in the contrasting political behaviors of families of homeowners and those of nonowners.

⁸³ In Appendix I, we examine how other respondent characteristics might affect attitudes toward inheritance taxation. Unsurprisingly, Labour voters are less likely to think inheritance taxes are too high, while we find no robust association for other background characteristics.

Using a survey of more than 3,000 respondents in England and Wales, we provide a wide array of evidence to support this conjecture. Individuals who do not own real estate are far less likely to express an opinion on inheritance taxation—in general or for specific groups—than those who do. And among those who own real estate, strong connections exist between their estimated house price (or their estimation of their parents' house price) and their attitudes toward inheritance taxation, with those owning properties worth more than an estimated £500,000 particularly unsupportive of inheritance taxation. Using a forced-choice conjoint experiment, we find similar results, and confirm that the respondents who did not state an opinion on inheritance taxation in earlier questions have less clear-cut preferences than those who did. Using a second survey of more than 3,500 respondents living in the UK, we are able to replicate all these findings.

Consequently, inheritance taxation seems to face two obstacles: ambivalence and hostility. While few people's estates actually incur inheritance tax, many citizens, especially those with low wealth, appear unable to formulate an opinion about inheritance taxation, and if they do, it tends to be ambivalent. On the other side of the ledger, homeowners have strongly held and hostile views toward inheritance taxation, which largely match their material interest. The puzzling disconnect between high and rising wealth inequality and low wealth taxation thus ultimately arises because those who would be hurt by such taxation strongly oppose it and those who might benefit lack information and do not appear to care. This political asymmetry has made the inheritance tax far harder to expand than we might expect from a superficial account of wealth inequality, and it presents a real and thorny challenge for the advocates of taxing wealth.

In a second step, we examine whether exposure to relevant information can assist (low-wealth) individuals in articulating preferences that align with their material self-interest. Proponents of inheritance taxation often point to the vast inequalities in the distribution of wealth as an argument for expanding the tax. Our experimental results suggest that this is an ineffective way of galvanizing support. At a fundamental level, many people appear to struggle with recognizing their material interest at stake, and information about the level of wealth inequality does not seem to remedy that. Based on previous findings,⁸⁴ the lack of any treatment effect is likely caused by many people having a hard time connecting their concerns about inequality with the redistributive pol-

⁸⁴ Bartels 2008; Kuziemko et al. 2015.

icies meant to alleviate it. If this explanation is correct, it would suggest that our treatment was too weak, as it did not directly connect house price distributions with information on how this solidifies wealth inequality and how it can be alleviated. The absence of a systematic treatment effect, therefore, does not refute our overall argument; rather it suggests that to develop coherent preferences, many respondents need information that clearly outlines the consequences of the inheritance tax.

We provided such information as part of our follow-up experiment. Here, we find effects more consistent with our preregistered hypotheses. As expected, when informed about the positive impact of inheritance taxation on public goods provision and income taxes, renters become significantly more likely to express an opinion (by eleven percentage points on average across our questions). Among homeowners, by contrast, the information has a trivial, statistically insignificant effect of two percentage points. Moreover, the treatment raises support for higher inheritance taxes among renters, as expected. This effect is not stronger than that for homeowners, however, which goes against our expectations. As discussed, several reasons may exist for why homeowners also respond to this treatment: Homeowners owning relatively cheap houses do not have much exposure to inheritance taxation due to high exemption thresholds, implying that these homeowners—like renters—would stand to benefit from improved public goods provision and lower income taxes funded by higher inheritance taxes. Homeowners, even some with expensive houses, may also prefer lower personal income taxes today over lower inheritance taxes for their children at death. For these reasons, homeowners may have good reasons to trade off higher future inheritance taxes for lower current income taxes or better public goods provision. Consequently, we do not believe that the lack of a conditional treatment effect among homeowners and renters directly challenges our overall argument that information asymmetries between these groups lead renters to express ambivalent preferences, if any at all, and homeowners to express strong preferences against the tax.

In line with our argument, informing people about the impact of inheritance taxation on equality of opportunity increases the share of renters who expressed an opinion (by five percentage points), whereas it did not have an impact among homeowners. In the aggregate, it did not affect net support for the tax; however, it did have a nontrivial, polarizing effect on the opinions of children of renters and children of homeowners, whose opportunities in life are shaped very differently by inheritance taxation. This finding is consistent with our argument that information about the potential positive effects of inheritance taxation can help individuals to

express a preference consistent with their material interest. Last, common arguments against the inheritance tax—that it is an inefficient, unfair economic tool incurring death or double taxation—are highly effective in generating opposition toward the tax. And as hypothesized, this treatment did not differ significantly among different wealth groups, which may suggest that while providing arguments against the tax helps renters to express a preference, some self-serving homeowners receive additional arguments for opposing the tax. All in all, and consistent with our initial set of results, the experimental findings underscore the critical role that prevailing information and arguments in the public sphere play in shaping public opinion and, more broadly, the political feasibility of inheritance taxation.

SUPPLEMENTARY MATERIAL

Supplementary material for this article can be found at <http://muse.jhu.edu/resolve/297>.

DATA

Replication files for this article can be found at <https://doi.org/10.7910/DVN/L6HYCL>.

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