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Are there limits to wealth according to the Dutch?

INGRID ROBEYNS *Professor of Ethics at Utrecht University (UU)*

TANJA VAN DER LIPPE *Professor of Sociology at Utrecht University*

VINCENT BUSKENS *Professor of Sociology at Utrecht University*

NINA VERGELDT *Researcher at Utrecht University*

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[abstract:] *The Dutch make a distinction between 'rich' and 'extremely 'rich''. Extreme riches itself is not seen as a problem, but its negative consequences are. There is widespread support for the greater taxation of riches, if this would improve the situation of the least well-off in society.*

Recent years have seen much debate about inequality. When Thomas Piketty (2014) published his book on the rise in inequality and, in particular, the strengthened position of the wealthiest, it remained in the public eye for months. In recent years, much has been published about inequality in the Netherlands as well. One example is what Van Bavel (2014) wrote in *Hoe ongelijk is Nederland*, ('How Unequal is the Netherlands'), published by the Scientific Council for Government Policy (WRR), which showed, for instance, that 60 per cent of the wealth is held by the richest 10 per cent of households. More recent research shows that 27.3 per cent of wealth is held by the richest one per cent of households (Schulenberg, 2018).

These studies focus on trends and on the degree of inequality in income and wealth and their possible explanations. People's normative judgements about inequality, however, have received far less attention. We decided, therefore, to initiate a study into how the Dutch feel about economic inequality. Our focus is on what people think about the upper echelon: the super-rich.

Our aim is to find answers to two questions. The first is whether we can draw a wealth line, just like there is a poverty line, and where to draw it. We have argued in previous work that such a wealth line can, in theory, be drawn (Robeyns, 2017). The second question is whether people believe that such a wealth line should be enforced by the government. In other words, that this is a limit which no one should be allowed to exceed and that it should therefore be enforced. From a fiscal perspective, this would mean levying a 100 per cent tax on wealth or inheritances exceeding a particular amount. And from a 'pre-distribution' perspective, this would mean taking measures to prevent large pre-taxation differences in wealth from arising, such as by introducing maximum wages or applying highly progressive tax rates to profits.

APPROACH

In order to answer these questions, a survey was conducted consisting of a vignette study and a series of statements (Robeyns et al., 2018). The survey was designed on the basis of information obtained from existing literature on wealth and wealth inequality, and discussions with colleagues in the Netherlands and beyond. We also tested the different ways of phrasing the questions with colleagues, discussing and refining them together.

The survey was conducted among members of the LISSPanel (Longitudinal Internet Studies for the Social Sciences). The households which took part in the panel were selected by CentERdata and Statistics Netherlands as a representative sample of the Dutch population. The survey was sent to 3,350 panel members. A total of 2,561 respondents (76 per cent) completed the questionnaire.

Specific situations – ‘vignettes’ – were presented to the respondents to determine whether they distinguished between a person who is rich and a person who is extremely rich. Ten vignettes were designed, each describing a particular family's standard of living; they contained information about their home, second home (if any), cars, holidays and capital. With each successive vignette, one or more of these parameters [p. 400] increased in value or luxury standard, thus reflecting families with progressively more wealth. Respondents comment on the family's wealth, ranging from ‘just enough to get by’ to ‘extremely rich’ (box 1).

THE LIMIT

Nearly all Dutch people draw a line between a family that is ‘rich’ and a family that is ‘extremely rich’. Table 1 gives the description of the families and the percentage of respondents who judge the family as ‘extremely rich’. Less than four per cent of the respondents decide that none out of the ten families can be labelled ‘extremely rich’. What is clear, however, is that respondents draw the line in different places.

Assessment of standard of living

BOX 1

Respondents are asked to assess the standard of living of each family on the basis of the options below. The vignettes are presented in ascending order in terms of standard of living, so it is logical for the respondents to rate wealth in each successive vignette at least as high as in the preceding vignette. This is true for 95 per cent of the respondents.

Just enough: This family has just enough to get by. They can never permit themselves any luxury.

Reasonable: This family has enough to live on. They can afford some luxury now and then, but they could certainly lead a better life if they had some extra money.

Good: This family is not lacking anything. They have a good life and can afford to do plenty of nice things, but they have to consider carefully before spending larger amounts on luxury.

Rich: This family has more than they need to lead a good life. They rarely have to consider whether they can afford larger luxury spending.

Extremely rich: This family has much more than they need to lead an affluent life. They never have to consider whether they can afford certain luxury spending, and even then, they still have plenty of money left to do extraordinary things that almost no one can afford. No one needs that much luxury.

Sample family

BOX 2

Family 1 is described as follows, for example:

Home *Semi-detached/ 120 m² / Randstad conurbation / garden: 45 m²*

Second home *No*

Car(s) *1 second-hand Ford Fiesta*

Holiday *2 times a year, of which: 1 x week of holiday park in the Netherlands, 1 x two weeks in Southern France*

Savings/capital *10,000 euros*

Vignettes

TABLE1

Family	Home	Second home	Car		Number of holidays	Savings [in Euro]	Percentage that considers household to be extremely rich
1	SDH	No	Ford		2	1,000	0.2
2	SDH	No	VW		2	5,000	0.9
3	Villa	No	VW	Audi	3	100,000	15.3
4	Villa	Yes	VW	Audi	3	150,000	34.0
5	Villa	Yes	Mercedes	Audi	3	200,000	47.5
6	Villa + SP	Yes	Mercedes	Audi	5	500,000	66.6
7	Villa + SP	Yes	Mercedes	Porsche	5	1 million	82.6
8	Villa + SP	Yes	Mercedes	Porsche	5	2.5 million	88.9
9	Villa + SP	Yes	Mercedes	Porsche	5	10 million	94.1
10	Villa + SP	Yes	Mercedes	Porsche	5	70 million	96.5

Home:

SDH = Semi-detached house

Villa = villa

Villa + SP = Villa with private swimming pool

Second home:

Yes = second home in Southern France

No = no second home.

In addition, the vignettes show that the population envisages an upper limit for individual riches. We describe this upper limit as the point where someone has more money and wealth than is required to lead a good life. If a respondent labels a household as 'extremely rich', they believe that no one needs so much luxury. The vignettes also show instances where more than half of the population describes a certain standard of living as 'extremely rich': the percentages are given in table 1 below the red line.

Therefore, a riches line can be drawn, just like a poverty line; but this does not automatically imply that the respondents believe that such a line should also be taken as the *norm or ideal*. We may be able to draw a line between ‘rich’ and ‘extremely rich’, but we do not necessarily find that the government has a legitimate task to reform economic institutions to keep people below the riches line. [p. 401]

NORMATIVE RICHES LINE

Based on a number of statements, we examined the question whether the riches line is also considered to be normative. The respondents were asked whether they wanted to see limits placed on income, wealth and inheritances, and what they thought of the different instruments that the government could use to limit inequality at the top of the income and wealth scale. Table 2 contains the answers to four abstract statements.

Abstract statements about riches line

TABLE 2

	Percentage Agree/strongly	Percentage Disagree/strongly
It is not a problem if people become extremely rich, as long as they earn their money fairly according to the rules and do not evade tax.	82	7
There's nothing wrong with major income inequality as long as there is no discrimination in the labour market and the government ensures that everyone has access to high-quality education.	59	16
	Percentage Yes	Percentage No
Do you think a maximum or upper limit should be imposed on disposable monthly income per person in the Netherlands?	11	67
Do you think that there should be an upper limit for a person's total wealth?	5	80

Source: Robeyns et al. (2018)

Specific statements

TABLE 3

	Percentage (strongly) agree.	Percentage (strongly) disagree
The richest man in the world, Amazon founder Jeff Bezos, is worth an estimated 98,000,000,000 US dollars (98 billion dollars). It is undesirable for one person to have so much money.	50	25
It is a problem for society if extremely rich people have more influence over politicians than people who are not rich.	83	4
If the Rutte III government had to choose between cutting services for the most vulnerable people in society and increasing taxes on the income of the rich and super-rich, they should choose a tax increase.	69	12

Source: Robeyns et al. (2018)

The answers to these statements show that people in the Netherlands do not see extreme riches as a problem. One can wonder whether the same outcomes would be produced if the riches question were presented using specific cases. We therefore also presented the respondents with specific statements divided into three categories: firstly, a statement that more specifically describes the life of a very rich person; secondly, a statement about what is generally seen as an undesirable societal phenomenon that could be the consequence of extreme riches; and thirdly, a statement about government interventions to reduce the occurrence of extreme wealth via redistribution (table 3).

One striking outcome is that there is a discrepancy between the answers given to an abstract statement about the desirability of extreme riches and the answers given to a specific case. In the case of an abstract statement, a vast majority has no problem with extreme wealth, as long as it was earned in a fair way. In the specific case of the wealth of Jeff Bezos, however, twice as many people see this as a problem for society, compared to the number that do not see this as a societal problem. Perhaps this is because the respondents believe that Jeff Bezos did not earn his money in a fair way, or because they think that it is impossible to amass so much wealth in a fair way, or because many more of them – now that this concerns a case from real life – judge that extreme wealth, in itself, is not good for society.

Many respondents say they do not think the extremely rich should be able to exert such great influence on politicians. Political philosophy presents this greater influence as a reason to keep extreme wealth within limits (Christiano, 2012; Robeyns, 2017). If a vast majority of people in the Netherlands are against the rich having more political influence, and these views are backed up by arguments from ethics and philosophy, then people will be more likely to identify this problem in practice.

It is also interesting to see that only a small percentage of the respondents are in favour of measures to cap income, inheritances or wealth. But if they have to choose between policies that impose higher taxes on the rich and policies that cut services for the most vulnerable in society, then more than two-thirds of the population would support increasing taxes on the rich. This again shows that the context, sketching all aspects of a measure and providing a specific example of the measure, is important for this subject.

CONCLUSIONS

What can we conclude about the riches line? Not only can a riches line be established in theory; the vignette study shows that a riches line can also be established empirically. In addition, the answers to the statements show that, in the abstract, people don't feel strongly about establishing an upper limit, but if a specific example is given of how people live, then the Dutch do draw a distinction between the 'rich' and the 'extremely rich'.

In essence, the riches line, just like the poverty line, is a social construct: something that politics should agree on, based also on input from researchers for that matter. We know from the literature on poverty lines that these can be constructed in different ways (Vrooman, 2009). The same goes for a riches line. For instance, when constructing a riches line on the basis of public opinion, we must decide whether it is enough for two-thirds of the population to see a certain standard of living as 'extremely rich', or that this example should be [\[p. 402\]](#) ninety per cent of the population. The information from our vignette study must therefore be combined with such a judgement on how large of a majority is required to subscribe to a certain riches line.

The results also show that when the statement is presented in the abstract, not many people are in support of driving back extreme riches. By the same token, we can also conclude

that a larger percentage of the population has a problem with riches if it is framed in a real-life situation. People are therefore in support of measures to limit riches when presented with specific cases, and also in the event that wealth has negative consequences. For instance, most people are in support of a tax on the rich if they are also told what that money will be used for – and when that money would benefit the most vulnerable people in society.

Broadly speaking, our results confirm the research in *Verschil in Nederland* ('Difference in the Netherlands') carried out by the Netherlands Institute for Social Research, which surveyed the opinion of the people of the Netherlands about wealth inequality (SCP, 2014). Their study shows that people are not against a certain degree of wealth inequality, but that it is seen as unfair if wealth inequality leads to differences in access to healthcare, education or political influence. Future studies should make a clearer distinction between inequality caused by processes that people see as unfair or processes that are experienced as fair, such as the fact that income from employment is taxed differently than income from business activity (profit). People find 'fairness' important, which is not always the same as 'equality' (Starmans et al., 2017).

Future research should take further steps towards refining the methodology for constructing and measuring the riches line, and in addition the relationship between descriptive judgements and normative judgements will require further research. This is a good opportunity for the CPB Netherlands Bureau for Economic Policy Analysis and the Netherlands Institute for Social Research to further look at the measurement of riches based on a riches line, thereby also including the attitudes or judgements of the people of the Netherlands about riches.

LITERATURE

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To summarise:

- ▶ Just like a poverty line, a riches line can be drawn.
- ▶ A larger percentage of the population sees wealth as a problem if the situation is explained using a specific case.
- ▶ Only a small part of the respondents is in favour of measures that place a cap on income, inheritances or wealth.