

Inequality, Democracy and Redistribution

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Expert group meeting
New research on inequality and its impacts
World Social Situation 2019

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Goals of the talk

- Explore the impact of ***economic conditions*** on ***attitudes related to democracy***
 - *Individual-level: Household income and social class*
 - *National-level: Economic prosperity and income inequality*
- Use *Word Values Survey* data from 193 surveys nested within 66 countries collected between 1990 and 2014
 - Start with some published findings; end with some new results
- ***Conclusions:*** Excessive inequality has a profound effect on democratic values
 - Strong class and income effects that differ by both national-level income inequality and economic prosperity

Why care about rising inequality? (1)

1. Implications for democracy

- Excessive inequality has negative implications for values and behaviours, which are also important for democracy and business
- Wide array of societal ills are related to social trust, which in turn is affected by inequality (Wilkinson and Pickett, 2009; Uslaner 2007; Uslaner and Brown 2005)
- Evidence that inequality is associated with distrust of business (Stiglitz 2012)

2. Market failure

- Excessive 'rent' extraction at top (esp. CEOs) (Bebchuk, Cremers and Peyer, 2011)
- Poor match between education (esp. skills training) and labour market outcomes (Andersen and Van de Werfhorst 2010), resulting in less efficient markets

Slide 3

BA1

Bob Andersen, 10/09/2018

Why care about rising inequality? (2)

Inequality and Democracy

- Excessive inequality has implications for a wide array of attitudes and behaviours related to democracy
 - Civic involvement (Andersen, Curtis and Grabb 2006)
 - Social trust and tolerance (Andersen and Fetner 2008; Milligan, Andersen and Brym 2013)
 - Trust in institutions (Grabb, Andersen, Hwang and Milligan 2009)
 - Attitudes toward redistribution/government responsibility (Andersen and Curtis 2013; Andersen, Curtis and Brym 2018)
 - Support for democracy (Andersen 2013)
- An over-emphasis on economic growth is unlikely to achieve the goal of a cooperative and inclusive democracy ***unless how that growth is distributed is also considered***

Some Theoretical Background

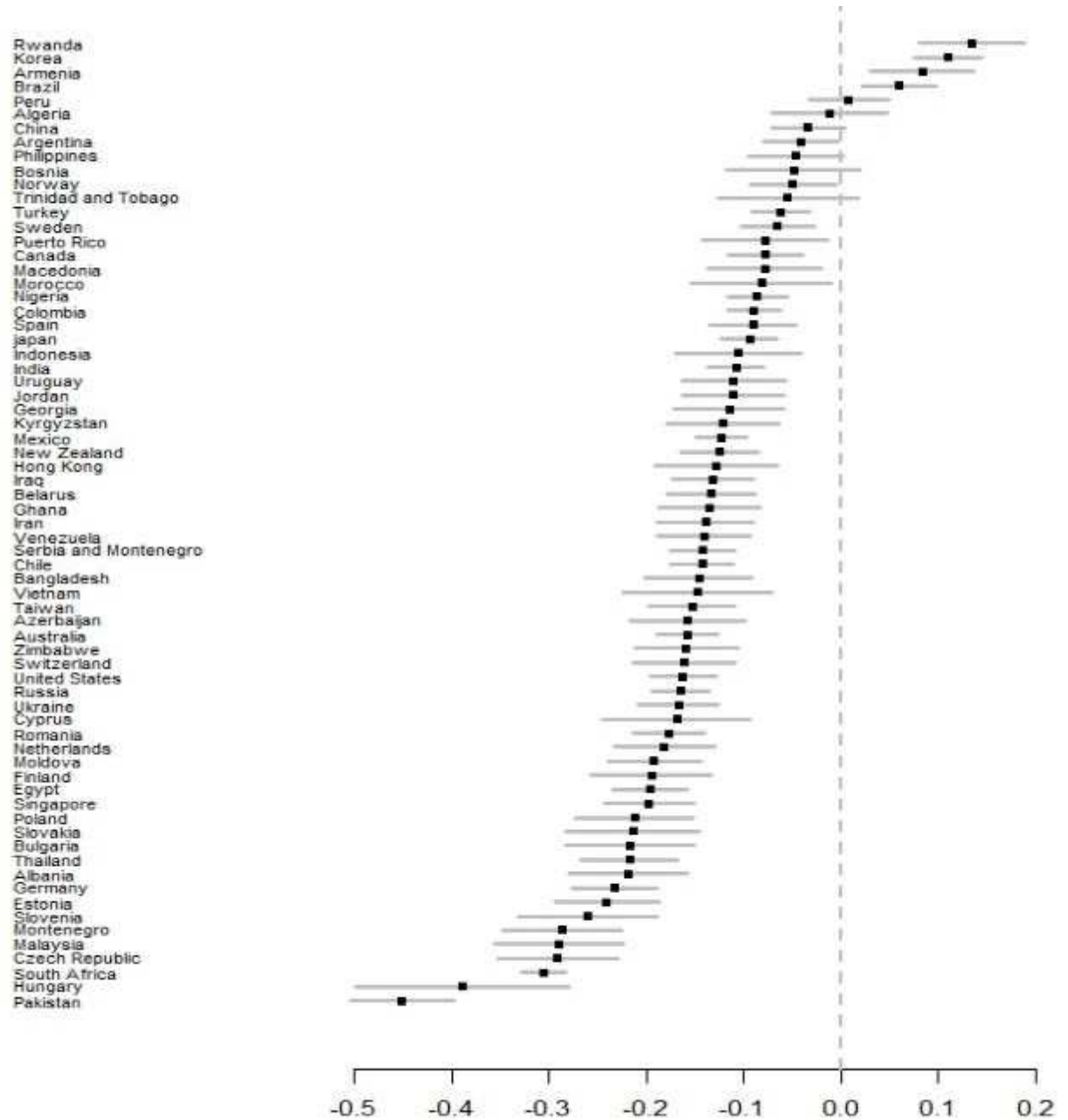
Role of self-interest

- Individual economic position is **negatively** related to support (Blekesuane 2007, Durr 1993, Derks 2004, Fraile and Ferrer 2005, Svallfors 1995, 1997, 2008).
- *Near consensus* that public support **decreases** with economic prosperity (Blekasuane 2007, Dion and Jaeger 2013, Jaeger 2013).
 - Assumed mechanism: smaller proportion benefits when society is affluent, thus average public opinion is less supportive
- Other research suggests that public opinion is **more supportive** when inequality is high (Meltzer and Richard 1981, Finserass 2009, Joakim and Svallfors 2013, Kelly and Enns 2010, Lupu and Pontusson 2011, Shaw and Gaffef 2012)

Figure 1

Effect of Household Income on Opinions on Government Intervention

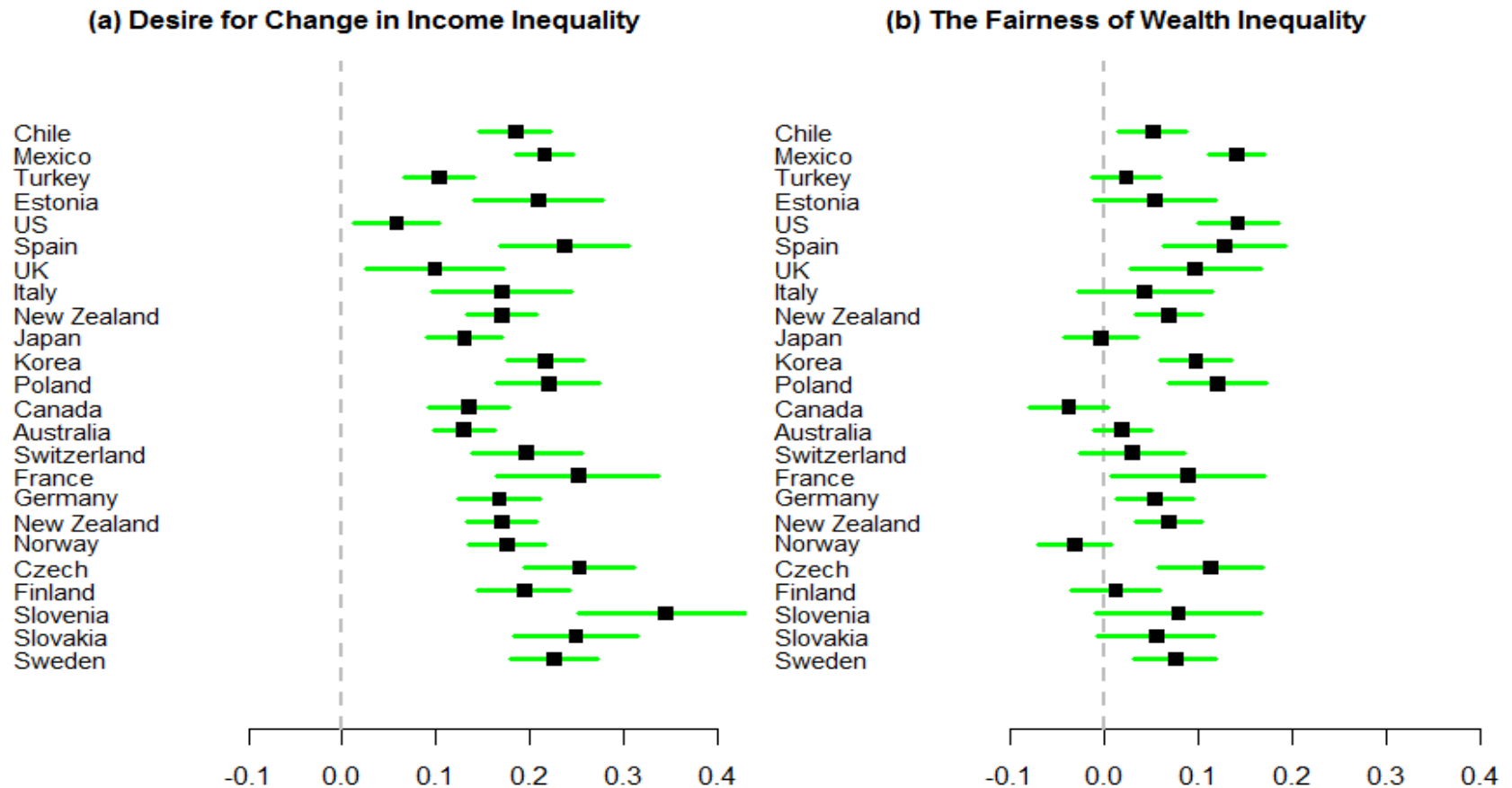
“The government should take more responsibility to ensure that everyone is provided for”



Source: WVS data on 2111,748 respondents nested with 193 surveys collected from 66 countries (all those with 2 or more survey) between 1990 and 2014

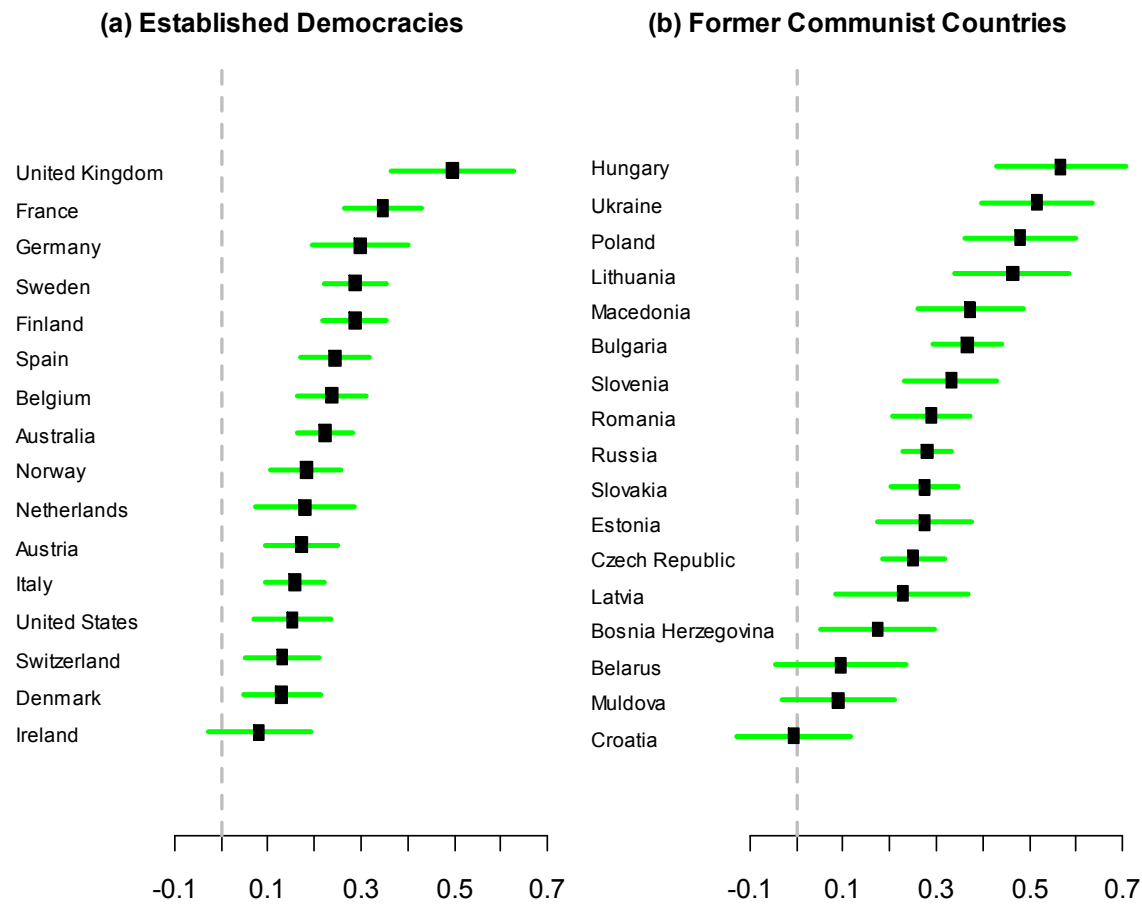
Figure 2

Effect of Household Income on attitudes towards (a) desire for more income inequality and (b) the fairness of wealth inequality



Source: Fixed effects regressions using 2001 *World Values Survey* data from 38,683 respondents nested within 35 countries (Andersen 2012)

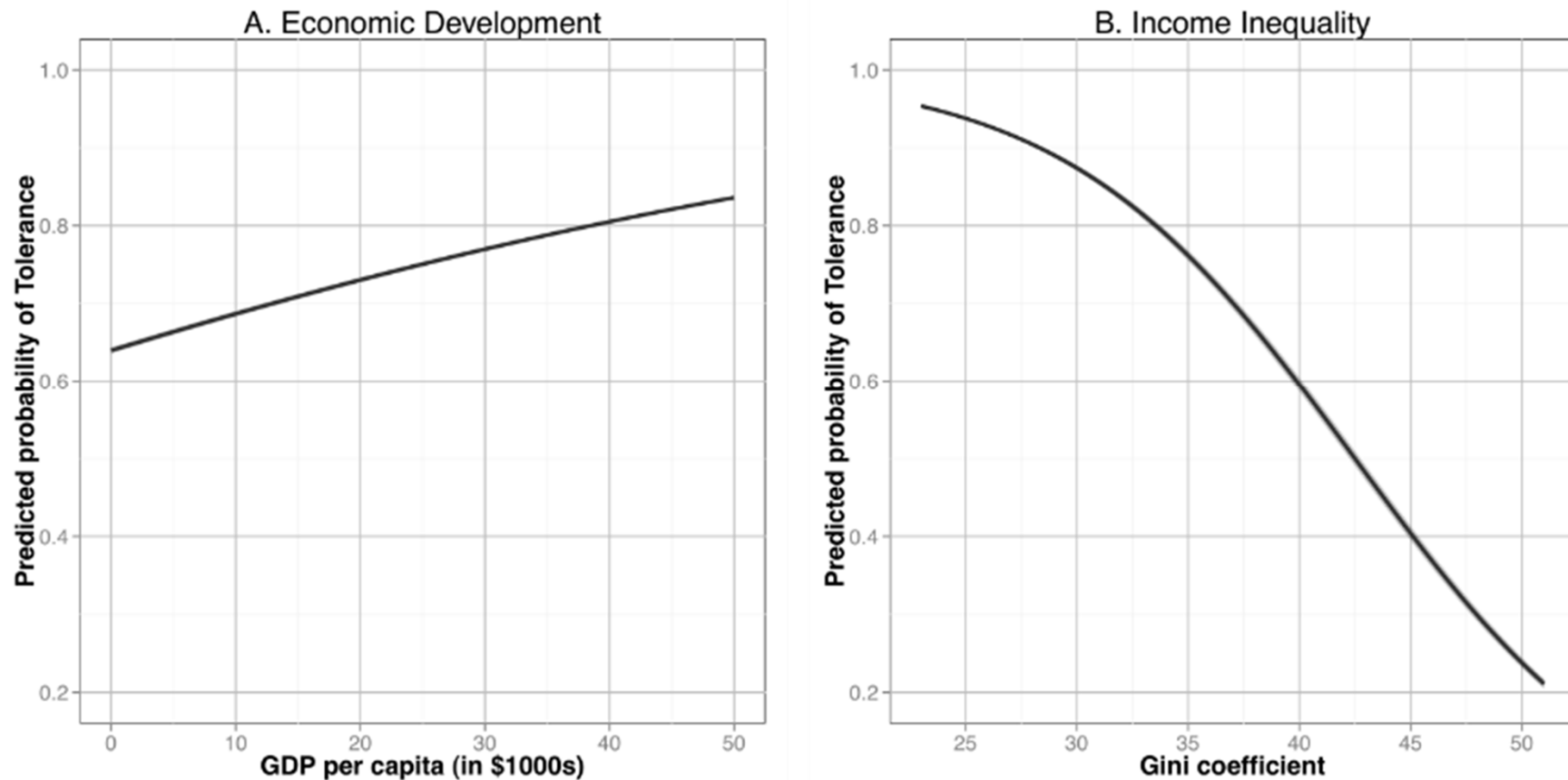
Figure 3 Effect of Household Income on Support for Democracy



Source: Fixed effects regressions using 2001 *World Values Survey* data from 38,683 respondents nested within 35 countries (Andersen 2012)

Figure 4 Ethnic Tolerance

Economic Prosperity and Income Inequality

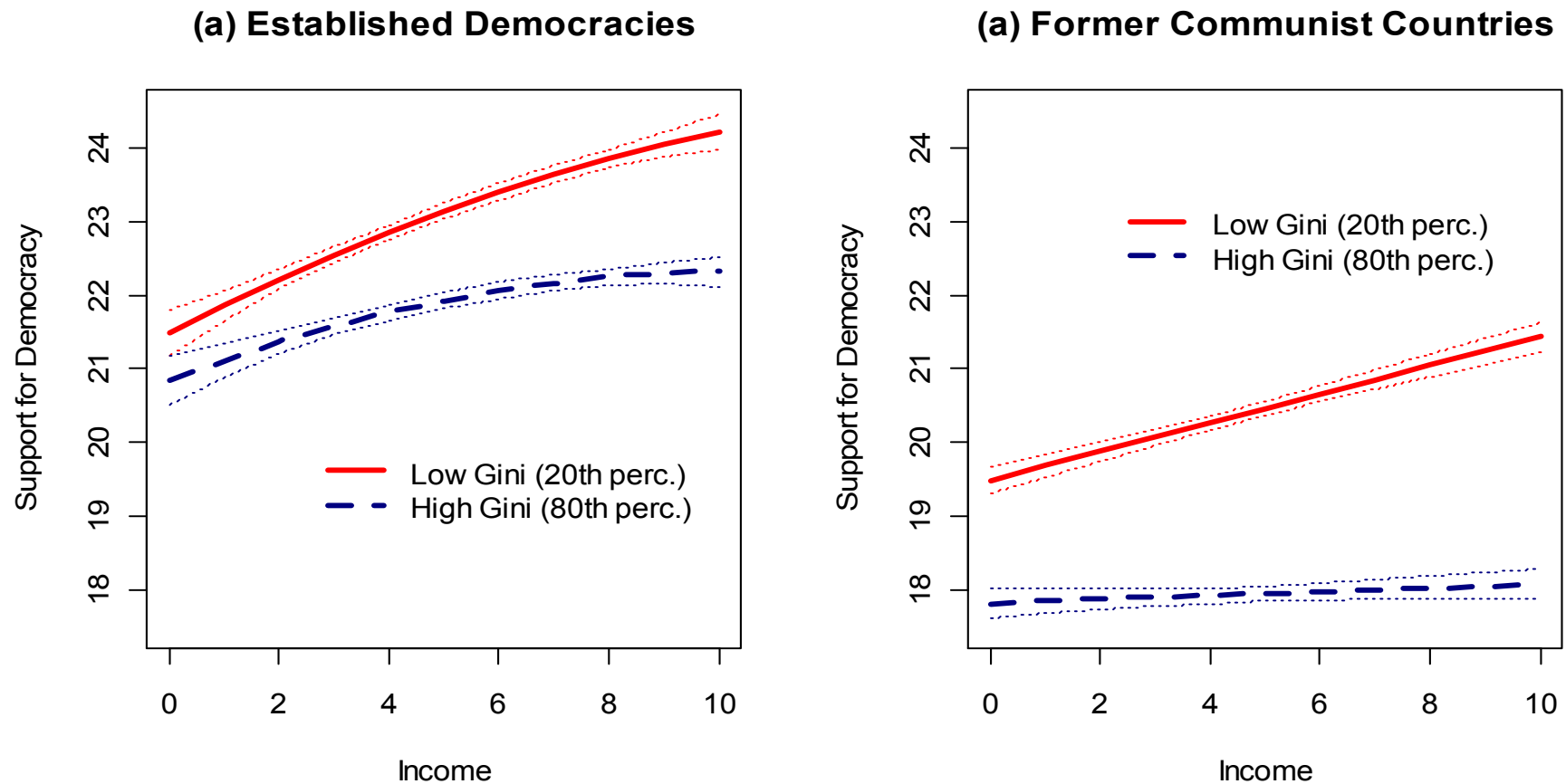


Source: Fixed effects model predicting ethnic tolerance from *World Values Survey* data between 1999 and 2008 from 25,507 respondents nested within 31 surveys, 23 countries (Milligan, Andersen and Brym, 2013)

Figure 5

Support for Democracy

Household Income x Income Inequality

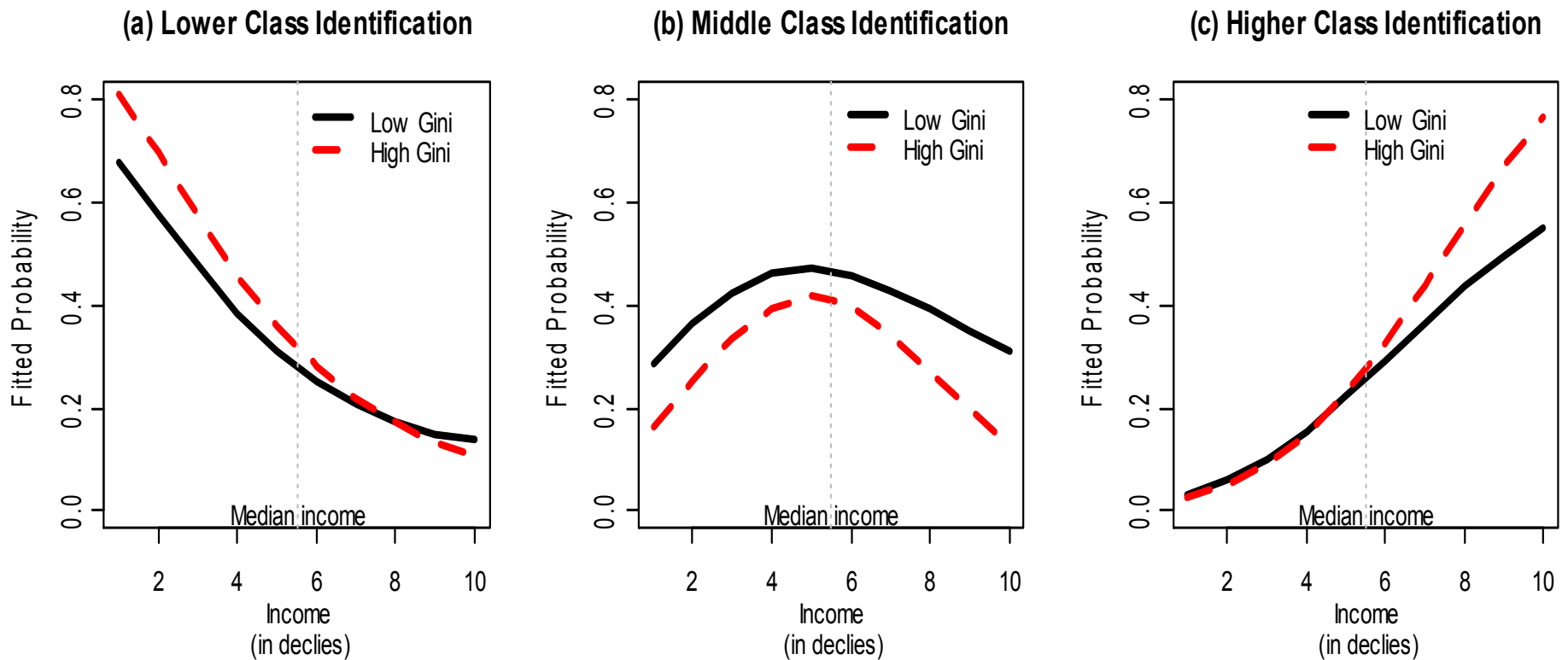


Source: Fixed effects regressions using 2001 *World Values Survey* data from 38,683 respondents nested within 35 countries (Andersen 2012)

Figure 6

Government Intervention

Class Polarization and Income Inequality



Source: Mixed cumulative logit models fitted to 2001 *World Values Survey* data from 11,470 respondents nested in 44 countries (from Andersen and Curtis, 2012)

Some new results:

How inequality and prosperity interact to effect attitudes toward government intervention

- **World Values Survey** (Inglehart et al. 2006)
 - Limited to surveys collected between 1990 and 2014 because the surveys of interest were collected during this period, and respondents over 18
 - To account for the diversity of national contexts, we include all 66 countries (193 surveys) for which relevant data are available
 - Limit countries to those with 2 or more survey; sample sizes above 300
- Final *N* of 211,748 people nested within 193 surveys within 66 countries
- Use both **mixed models** and **country fixed effect** models to predict attitudes

Some new hypotheses (1)

- **Hypothesis 1** Effect of prosperity on attitudes depends on a country's level of income inequality
 - Specifically, prosperity has little effect on attitudes in very unequal countries, but its influence is increasingly negative as inequality grows.
- **Hypothesis 2** The effect of income inequality on attitudes depends on a country's level of prosperity
 - In comparatively poor countries, income inequality matters little.
 - As prosperity grows, however, the impact of income inequality on attitudes toward government intervention becomes increasingly positive.

Some new hypotheses (2)

- **Hypothesis 3** Although we expect a negative relationship between household income and attitudes in all societies, the strength of this relationship will vary by economic prosperity and income inequality.
 - It will be ***weakest in poor countries***, where many low-income earners become inured to the incapacity and/or unwillingness of their governments to mitigate economic conditions and most people understand that wealthy citizens are lightly taxed.
 - In poor countries, the ***effect of income will be similar regardless of the level of inequality***.
 - In richer countries, however, the ***negative effect of household income will be more pronounced in countries with high income inequality***.

Table 1

Mixed and Fixed-effects models predicting attitudes

| | Model 1 (Mixed effects) |
|--------------------------------|------------------------------------|
| Income | -0.138*** |
| Survey year | 0.035*** |
| Continent | |
| North America | 0 |
| South America | -0.469 |
| Europe | -0.039 |
| Asia | -1.156** |
| Africa | -0.536 |
| Oceania | -1.025 |
| Country-level variables | |
| Ethnic diversity | -0.026 |
| Communist legacy | 0.047 |
| Democracy | -0.035 |
| GDP PPP per capita | -0.168*** |
| GINI coefficient | 0.137*** |
| Interaction terms | |
| GDP x GINI | |
| Income x GDP | |
| Income x GINI | |
| Income x GDP x GINI | |

*p-value <0.05; **p-value <0.01; ***p-value <0.001. Country-level variables have been standardized in order to facilitate comparison of their effects.

Table 1

Mixed and Fixed-effects models predicting attitudes

| | Model 1 (Mixed effects) | Model 2 (Mixed effects) |
|--------------------------------|----------------------------|----------------------------|
| Income | -0.138*** | -0.138*** |
| Survey year | 0.035*** | 0.033*** |
| Continent | | |
| North America | 0 | 0 |
| South America | -0.469 | -0.513 |
| Europe | -0.039 | 0.049 |
| Asia | -1.156** | -1.223** |
| Africa | -0.536 | -0.614 |
| Oceania | -1.025 | -1.071 |
| Country-level variables | | |
| Ethnic diversity | -0.026 | -0.053 |
| Communist legacy | 0.047 | 0.372 |
| Democracy | -0.035 | -0.039 |
| GDP PPP per capita | -0.168*** | -0.107** |
| GINI coefficient | 0.137*** | -1.425 |
| Interaction terms | | |
| GDP x GINI | | 0.132*** |
| Income x GDP | | -- |
| Income x GINI | | -- |
| Income x GDP x GINI | | -- |

*p-value <0.05; **p-value <0.01; ***p-value <0.001. Country-level variables have been standardized in order to facilitate comparison of their effects.

Table 1

Mixed and Fixed-effects models predicting attitudes

| | Model 1 (Mixed effects) | Model 2 (Mixed effects) | Model 3 (Mixed effects) |
|--------------------------------|----------------------------|----------------------------|----------------------------|
| Income | -0.138*** | -0.138*** | -0.156*** |
| Survey year | 0.035*** | 0.033*** | 0.032*** |
| Continent | | | |
| North America | 0 | 0 | 0 |
| South America | -0.469 | -0.513 | -0.642* |
| Europe | -0.039 | 0.049 | -0.137 |
| Asia | -1.156** | -1.223** | -1.501*** |
| Africa | -0.536 | -0.614 | -0.673 |
| Oceania | -1.025 | -1.071 | -1.303* |
| Country-level variables | | | |
| Ethnic diversity | -0.026 | -0.053 | -0.353 |
| Communist legacy | 0.047 | 0.372 | 0.492* |
| Democracy | -0.035 | -0.039 | -0.486* |
| GDP PPP per capita | -0.168*** | -0.107** | 0.371*** |
| GINI coefficient | 0.137*** | -1.425 | 0.236*** |
| Interaction terms | | | |
| GDP x GINI | | 0.132*** | 0.327*** |
| Income x GDP | | -- | -0.095*** |
| Income x GINI | | -- | -0.008 |
| Income x GDP x GINI | | -- | -0.040*** |

*p-value <0.05; **p-value <0.01; ***p-value <0.001. Country-level variables have been standardized in order to facilitate comparison of their effects.

Table 1

Mixed and Fixed-effects models predicting attitudes

| | Model 1 (Mixed effects) | Model 2 (Mixed effects) | Model 3 (Mixed effects) | Model 4 (Country fixed effects) |
|--------------------------------|----------------------------|----------------------------|----------------------------|---------------------------------------|
| Income | -0.138*** | -0.138*** | -0.156*** | -0.144*** |
| Survey year | 0.035*** | 0.033*** | 0.032*** | 0.030*** |
| Continent | | | | |
| North America | 0 | 0 | 0 | -- |
| South America | -0.469 | -0.513 | -0.642* | -- |
| Europe | -0.039 | 0.049 | -0.137 | -- |
| Asia | -1.156** | -1.223** | -1.501*** | -- |
| Africa | -0.536 | -0.614 | -0.673 | -- |
| Oceania | -1.025 | -1.071 | -1.303* | -- |
| Country-level variables | | | | |
| Ethnic diversity | -0.026 | -0.053 | -0.353 | -- |
| Communist legacy | 0.047 | 0.372 | 0.492* | -- |
| Democracy | -0.035 | -0.039 | -0.486* | -0.010 |
| GDP PPP per capita | -0.168*** | -0.107** | 0.371*** | -0.097 |
| GINI coefficient | 0.137*** | -1.425 | 0.236*** | 0.251*** |
| Interaction terms | | | | |
| GDP x GINI | | 0.132*** | 0.327*** | 0.283*** |
| Income x GDP | | -- | -0.095*** | -0.028*** |
| Income x GINI | | -- | -0.008 | -0.015*** |
| Income x GDP x GINI | | -- | -0.040*** | -0.030*** |

*p-value <0.05; **p-value <0.01; ***p-value <0.001. Country-level variables have been standardized in order to facilitate comparison of their effects.

Figure 7

Effect of Economic Prosperity by Income Inequality (Model 4)

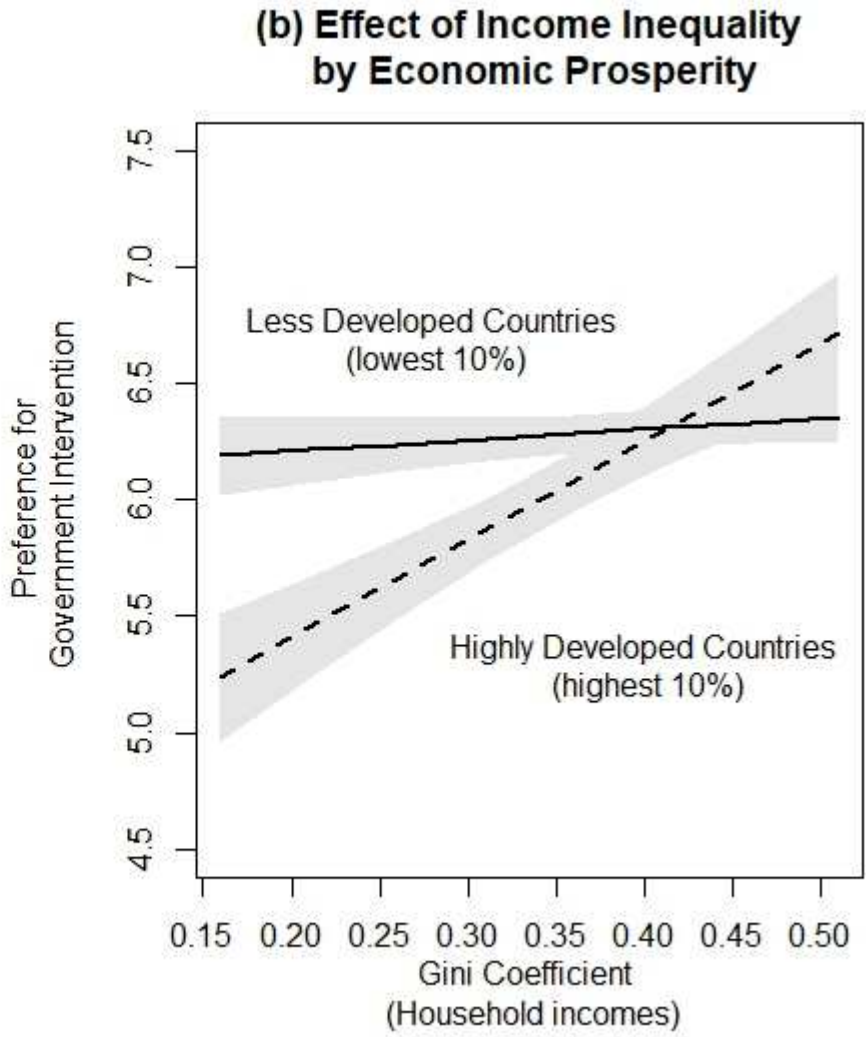
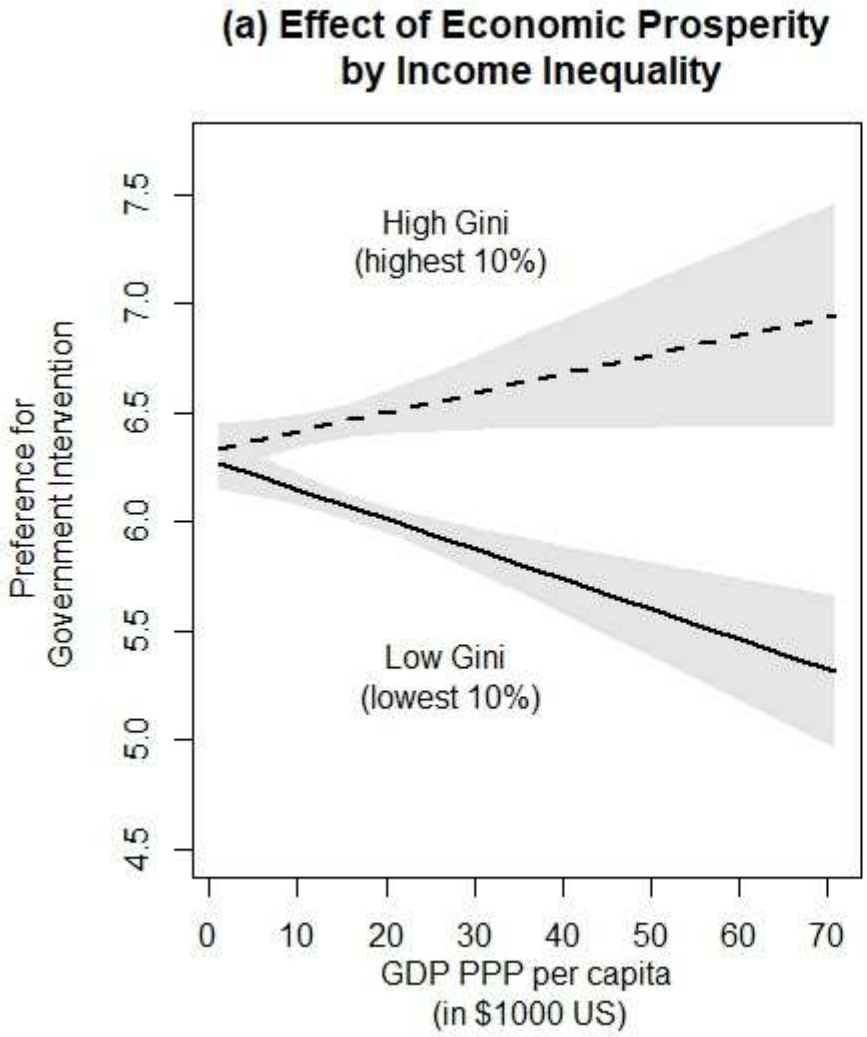
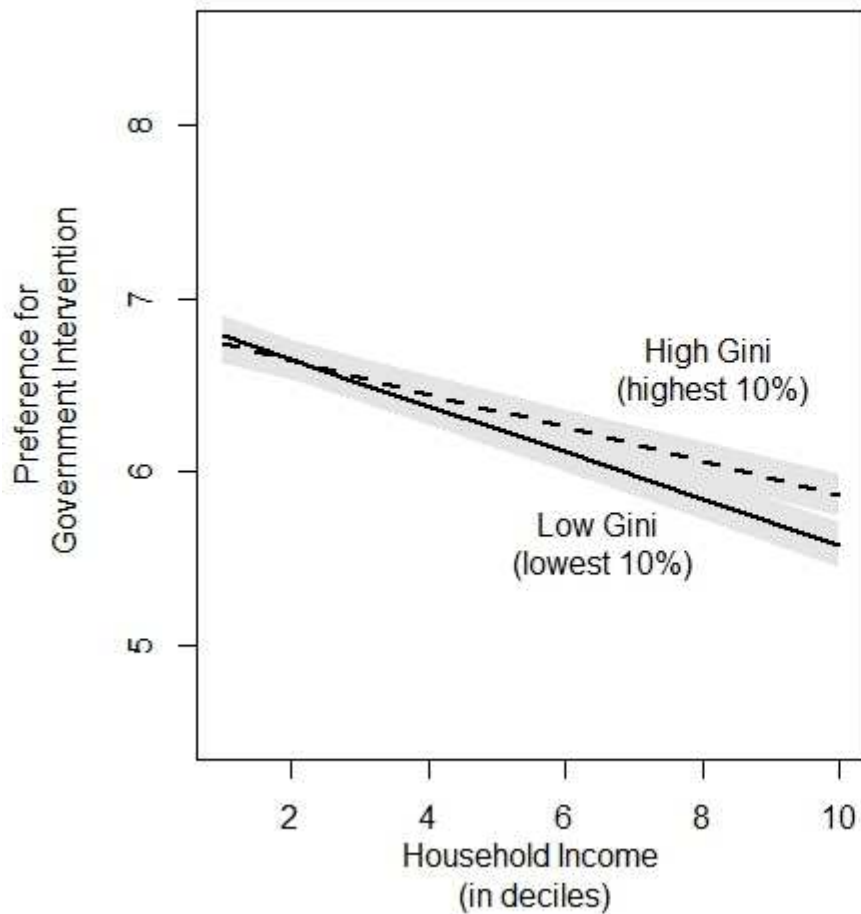


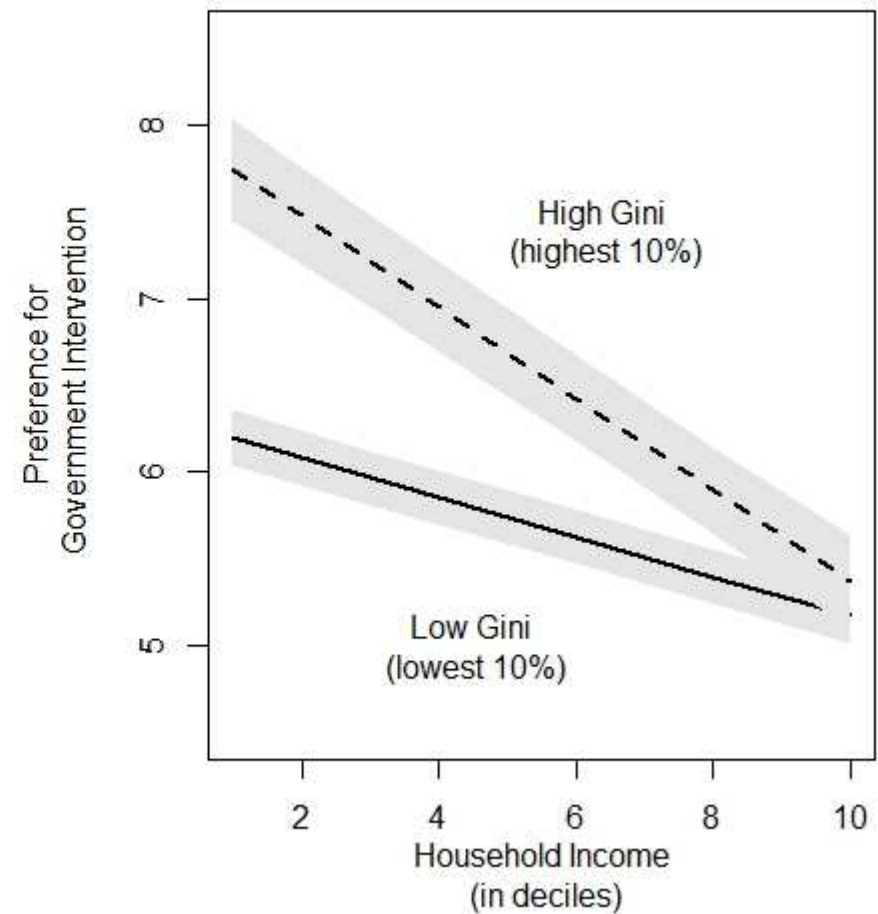
Figure 8

Economic Prosperity, Income Inequality, and Income

(a) Less Developed Countries
(lowest 10%)



(b) Highly Developed Countries
(highest 10%)



Conclusions

- Economic conditions have profound effect on attitudes considered important to democracy
 - Individual conditions and national conditions interact
- ***New Findings:***
 - ***Income inequality*** has little effect in poor countries, but large positive effect in rich countries
 - ***Economic prosperity*** has little effect in highly unequal countries, but strong negative effect in relatively equal countries
 - ***Income*** has strongest effect in relatively rich and unequal countries
 - Here lower classes tend to be most likely to want government intervention