The Politics of Inequality, Opportunity & Redistribution
(mostly, but not only, in the U.S.)

New Research on Inequality and Its Impacts
UN Department of Social and Economic Affairs
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Leslie McCall
Departments of Sociology and Political Science
Stone Center on Socio-Economic Inequality
The Graduate Center, City University of New York (CUNY)
Two Objectives

(1) Question American "exceptionalism" with data: inconsistencies in the public's positions on multiple issues related to American dream ideology (i.e., redistribution, inequality, opportunity).

(2) Propose a more integrated framework for understanding public views of inequality, opportunity, and redistribution; and generate new data to test it. Perhaps applicable to other countries?
Support for Government Redistribution, Various Countries

Government's responsibility to reduce gap between high and low incomes

<table>
<thead>
<tr>
<th>Country</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>59</td>
</tr>
<tr>
<td>US</td>
<td>35</td>
</tr>
<tr>
<td>Canada</td>
<td>47</td>
</tr>
<tr>
<td>GB</td>
<td>69</td>
</tr>
<tr>
<td>Sweden</td>
<td>59</td>
</tr>
<tr>
<td>Norway</td>
<td>62</td>
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<tr>
<td>W. Germ.</td>
<td>52</td>
</tr>
<tr>
<td>France</td>
<td>68</td>
</tr>
</tbody>
</table>
US: No Increase in Support for Government Redistribution

(McCall and Kenworthy 2009; McCall 2013, updated to include 2012 data)
Opposition to Inequality: "Income Differences are Too Large"
(ISSP 2000)
US Public (GSS)

Estimated pay & ratio
2000: 13/1 2010: 32/1
Desired pay & ratio
2000: 4/1 2010: 7/1

Top 1% (SESA)

Estimated 2011: 93/1
Desired 2011: 50/1
Opportunity: Individual/Structural Factors in Getting Ahead
(ISSP 2010)

Hard work is essential/very important for getting ahead
[median = 73%]

Parent's education is essential/very important for getting ahead
[median = 31%]
Opportunity: Individual/Structural Factors in Getting Ahead

(1987) Knowing the right people is essential/very important for getting ahead [median = 39%]

(1999) Coming from a wealthy family is essential/very important for getting ahead [median = 13%]

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<thead>
<tr>
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<tbody>
<tr>
<td>US</td>
<td>45</td>
<td>22</td>
</tr>
<tr>
<td>GB</td>
<td>34</td>
<td>15</td>
</tr>
<tr>
<td>Sweden</td>
<td>40</td>
<td>13</td>
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<tr>
<td>Norway</td>
<td>36</td>
<td>11</td>
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<tr>
<td>W. Germ.</td>
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<tr>
<td>France</td>
<td></td>
<td>28</td>
</tr>
<tr>
<td></td>
<td></td>
<td>9</td>
</tr>
</tbody>
</table>
Nonlinear Trends in Optimism about Upward Mobility

"The way things are in America, people like me and my family have a good chance of improving our standard of living."

(McCall 2013, updated to include recent data)
Opportunity (US): Increase in Desire for Education Spending

(McCall and Kenworthy 2009; McCall 2013, updated to include 2012 data)
Expanding Educational Opportunities: Anecdotal Evidence

“Raises tax on household income at and above $250,000 (and $125,000 for individual filers). Reduces income taxes on unemployment benefits in 2009. Provides funds currently budgeted for education, health care, public safety, other services.”

Oregon Ballot Measure 66/67
Passed, 54% of vote, January, 2010

“Temporary Taxes to Fund Education. Guaranteed Local Public Safety Funding. Initiative Constitutional Amendment.”

California Proposition 30
Passed, 55% of vote, November, 2012

Mayor Di Blasio’s 2013 campaign to raise taxes on rich to fund universal pre-K; recent teachers’ strikes in red states.
Reducing Labor Market Inequalities: Anecdotal Evidence

Efforts to reduce top-end pay:
- Say-on-pay laws (Switzerland, Dodd-Frank)
- EU caps on banker bonuses
- B Corp, CSR, and Inclusive Capitalism movements

Efforts to lift bottom-end pay:
- Minimum/living wage/wage theft campaigns/Fight for $15
- Fast food worker strikes for higher pay
- Anti-Wal-Mart campaigns (Ingram, Qingyuan & Rao)
- State anti-de-unionization battles (Ohio, Wisconsin)
- Wage targeting: A Triple Mandate for the Fed
- Employee Stock Ownership Plans (Blasi, Kruse & Freeman)

Efforts to expand employment opportunities:
- Predictable scheduling campaigns
- Family leave campaigns (Milkman & Appelbaum)
- Ban-the-box and other anti-discrimination efforts
Opportunity Model of Beliefs about Inequality / Redistribution

(1)  Rising/high levels of inequality are salient when they are perceived as restricting economic opportunity (shared prosperity; good jobs/benefits/pay; educational access):

   **H1:** Inequality should reduce belief in equal opportunity.
   **H1A:** Inequality should motivate hard work (AD/SJT/BJW).

(2)  Concerns about restricted opportunities in turn prompt demands for opportunity-enhancing policies:

   **H2:** Support of educational and employment policies that promote *labor market redistribution*.
   **H2A:** Support of *social redistribution* alone; free-market ideology dismisses social interventions in the market.
Evidence from Two Papers


**Data:** Survey experiments, Time-Sharing Experiments in the Social Sciences (TESS) in 2015-2016 and MTurk in 2014-2015.


**Data:** Special modules of the 2014 GSS in the U.S. and the 2014 ISSP in Sweden (also fielded in Denmark with Christian Larsen).
Survey Experiments to Test the Opportunity Model

(1) Manipulations:

**Treatment:** Short, descriptive, realistic article on trends in inequality, taken from CBO

**Control:** Similar format on unrelated topic (trends in MLB All-Star game wins)

(2) **First set of DVs:** multidimensional battery of questions on perceptions of economic opportunity (i.e., individual and structural factors in “getting ahead”)

(3) **Second set of DVs:** policy questions about social redistribution and labor market redistribution
Graph Accompanying Inequality Treatment Article (CBO)

Growth in Real After-Tax Income, 1979-2015

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Lowest Quintile</th>
<th>Second Quintile</th>
<th>Middle Quintile</th>
<th>Fourth Quintile</th>
<th>81st-99th Percentiles</th>
<th>Top 1 Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>18%</td>
<td>28%</td>
<td>35%</td>
<td>43%</td>
<td>65%</td>
<td>278%</td>
</tr>
</tbody>
</table>

Percent Change
Income Inequality
August 5, 2014

In the 1990s, economists began producing a string of studies documenting rising income inequality in the United States.

But the idea did not take a central place on the national stage until the fall of 2011, when it was championed by members of both political parties in the lead-up to the 2012 Presidential election. Democrats and Republicans alike seized on the momentum for some of their agenda items.

A report was released in October 2011 by the nonpartisan Congressional Budget Office confirming that income inequality had grown in the United States.

According to the report, the budget office found that from 1979 to 2007, average income grew by 278% for the 1% of the population with the highest total household income, after taking taxes and inflation into account.

For others in the top 20% of the population, average income grew by 65%.

For the 60% of people in the middle of the income scale, the growth in income was just under 40%.

And, for the poorest 20% of the population, average income rose 18%.

The findings, based on a rigorous analysis of data from the Internal Revenue Service and the Census Bureau, are generally consistent with studies by private researchers and academic economists.

Underlying these large differences in total household income are equally large differences in individual earnings.

The median earnings of a full-time worker, who makes more than the bottom half of workers and less than the top half, rose by 2.5% from 1979 to 2012, according to the Bureau of Labor Statistics.

At the same time, the median compensation of CEO’s increased by over 600% according to the best available data from economists at the Massachusetts Institute of Technology.

Thus, from 1979 to the present, there has been a significant increase in household income and individual earnings.
Treatment Effect on Perceptions of Factors in Getting Ahead

(TESS 2015)

Importance for getting ahead (1=not at all important to 5=essential)

<table>
<thead>
<tr>
<th>Factor</th>
<th>Control</th>
<th>Inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural</td>
<td>3.18</td>
<td>3.45</td>
</tr>
<tr>
<td>Individual</td>
<td>4.44</td>
<td>4.25</td>
</tr>
</tbody>
</table>
Traditional GSS Question on Social Redistribution

Fielded on the 2014 GSS, 2014 Swedish ISSP, and 2015 TESS

“All people think that the government ought to reduce income differences between the rich and the poor, perhaps by raising the taxes of wealthy families or by giving income assistance to the poor. Others think the government should not concern itself with reducing this income difference between the rich and poor... What comes closest to the way you feel?”

7= Government should do something to reduce differences

1= Government should not concern itself with such differences
New Parallel Question on Labor Market Redistribution

Fielded on the 2014 GSS, 2014 Swedish ISSP, and 2015 TESS

“Some people think that major companies ought to reduce pay differences between employees with high pay and those with low pay, perhaps by reducing the pay of executives or by increasing the pay of unskilled workers. Others think that major companies should not concern themselves with reducing this pay difference … What comes closest to the way you feel?”

7= Major companies should do something to reduce differences

1= Major companies should not concern themselves with such differences
Treatment Effects on Preferences for Redistribution (TESS 2015)

Responsibility (1=should not have to 7=should have)

Government Responsibility
- Control: 4.05
- Inequality: 4.43

Business Responsibility
- Control: 4.50
- Inequality: 4.85
## Comparing Support for Different Kinds of Redistribution
(GSS and ISSP 2014; TESS control group 2015)

<table>
<thead>
<tr>
<th>Category</th>
<th>US</th>
<th>Sweden</th>
<th>Diff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government Responsible:</td>
<td>47%</td>
<td>67%</td>
<td>20 pts</td>
</tr>
<tr>
<td>(top 3 of 7 categories)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major Companies Responsible:</td>
<td>56%</td>
<td>57%</td>
<td>1 pt</td>
</tr>
<tr>
<td>(top 3 of 7 categories)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government or Major Companies Responsible:</td>
<td>66%</td>
<td>75%</td>
<td>9 pts</td>
</tr>
<tr>
<td>(top 3 of 7 categories)</td>
<td></td>
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</tbody>
</table>
Summary

Widespread assumption of Americans as tolerant of inequality, free-market ideologues, and anti-redistribution is inconsistent with:

• causal effect of rising inequality on perceptions of restricted opportunities and support for redistribution

• majority support for labor market redistribution, and strong majority support for educational spending and combined social and labor market redistribution (from 47 percent for social alone to 66 percent for both social and labor market)

• “default” support for growth and equity in the market (i.e., anti-government does not equal anti-market reform/intervention)

• potentially less political polarization around labor market redistribution.
Conclusions and Questions (US & Beyond)

No elite discourse to match public preferences. Economic inequality is a relatively new economic and political issue **among elites** and political-economic discourses and solutions are still fragmented (e.g., Trump AND Sanders).

Civil rights model of redistribution could fill that void. Focus on equalizing outcomes in order to equalize opportunities, in education and in the labor market.

Are public preferences viable or is new paradigm needed? For instance: (1) via government regulation of business or norms to alter pay setting practices (Atkinson 2015); (2) social investment model of the welfare state, which prioritizes access to human capital development rather than redistributive transfers; (3) ditch inclusive capitalism and invest in basic income grants.
Opposition to Inequality Trend Affected by Mobility Pessimism
(GSS; outcome = average of three inequality questions scaled from 0 to 1)

Avg. discrete change from 1987 with 95% CI

- Model includes all controls except focal variable(s)
- plus focal variable: mobility optimism
- plus focal variables: political ideology, partisanship
Public/Elite Discourses of Inequality and Opportunity

News Coverage Implicitly Connects Inequality and Opportunity

USNWR, 1988

Mortimer Zuckerman, “Dreams, Myths, and Realities”

Refers to a CBO study that “stunningly documents the growing inequality in American life...[in which] most of our citizens have not benefited from recent U.S. prosperity, [I]n this election, the crucial judgment is who can reverse the trends toward inequality and bring more of our people closer to the American dream.”

Newsweek, 2006

Robert Samuelson, “Trickle-up Economics”

“Although Americans do not regard rich people with much envy, they believe that wealth should be broad-based, and trickle-up economics, with most benefits flowing to the top, seems un-American...no one should be happy with today’s growing economic inequality. It threatens America’s social compact, which depends on a shared sense of well-being.”
“The basic American promise [is] that if you worked hard, you could do well enough to raise a family, own a home, send your kids to college, and put a little away for retirement.

The defining issue of our time is how to keep that promise alive...

We can either settle for a country where a shrinking number of people do really well, while a growing number of Americans barely get by.

Or we can restore an economy where everyone gets a fair shot, everyone does their fair share, and everyone plays by the same set of rules.”

*President Obama, 2012 SOTU*
Expanding Educational Opportunities

Other Examples:

(1) Mayor Di Blasio: Raise taxes on rich to fund universal pre-K
(3) Social Investment and Inclusion strategies in Europe e.g., UK Commission on Social Mobility and Child Poverty (Reeves; Morel, Palier & Palme; Larsen)
(4) Focus on “IGM” definition of opportunity in US (Chetty et al.)
(5) Apprenticeships and Training Partnerships (e.g., Lerman; Center on Wisconsin Strategy)
Trends in Optimism about Upward Mobility by Race/Ethnicity

1987:
Whites 74%
Blacks 69%
Latinos 72%

"The way things are in America, people like me and my family have a good chance of improving our standard of living." (Agree and strongly agree responses shown.)
Nonlinear Trends in Optimism about Upward Mobility

How satisfied are you with "the opportunity for a person in this nation to get ahead by working hard"?

% very/somewhat satisfied
Treatment Effect on Perceptions of Factors in Getting Ahead (MTurk 2015)

Importance for getting ahead (1=not at all important to 5=essential)

<table>
<thead>
<tr>
<th></th>
<th>Control</th>
<th>Inequality</th>
<th>American Dream</th>
</tr>
</thead>
<tbody>
<tr>
<td>Structural Factors</td>
<td>3.08</td>
<td>3.30</td>
<td>3.32</td>
</tr>
<tr>
<td>Individual Factors</td>
<td>4.30</td>
<td>4.22</td>
<td>4.44</td>
</tr>
</tbody>
</table>
Comparing Support for Different Kinds of Redistribution
(GSS 2014; by party identification)

Support for government and business to reduce income/pay differences (%)

<table>
<thead>
<tr>
<th></th>
<th>Republicans</th>
<th>Independents</th>
<th>Democrats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov, GSS, '14</td>
<td>24</td>
<td>50</td>
<td>62</td>
</tr>
<tr>
<td>Bus, GSS, '14</td>
<td>42</td>
<td>52</td>
<td>68</td>
</tr>
</tbody>
</table>
Comparing Support for Different Kinds of Redistribution
(GSS 2014; by race/ethnicity)

Support for government and business to reduce income/pay differences (%)

<table>
<thead>
<tr>
<th></th>
<th>Whites</th>
<th>Blacks</th>
<th>Latino/as</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gov, GSS, '14</td>
<td>41</td>
<td>64</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>Bus, GSS, '14</td>
<td>56</td>
<td>53</td>
<td>51</td>
<td>53</td>
</tr>
<tr>
<td></td>
<td>67</td>
<td></td>
<td>57</td>
<td></td>
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</tbody>
</table>
New Forced-Choice Question on Agents of Redistribution
(TESS control group, 2015)

Which of the following groups has the greatest responsibility for reducing differences in income between those with high and low incomes? (%)

<table>
<thead>
<tr>
<th>Republicans (2014 GSS: 33%)</th>
<th>Democrats (2014 GSS: 46% share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Don't Reduce</td>
<td>19</td>
</tr>
<tr>
<td>Low Income Ind</td>
<td>29</td>
</tr>
<tr>
<td>Charities</td>
<td>4</td>
</tr>
<tr>
<td>High Income Ind</td>
<td>7</td>
</tr>
<tr>
<td>Government</td>
<td>14</td>
</tr>
<tr>
<td>Major Companies</td>
<td>27</td>
</tr>
<tr>
<td>Major Companies</td>
<td>34</td>
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</table>