

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
September 12-13, 2018

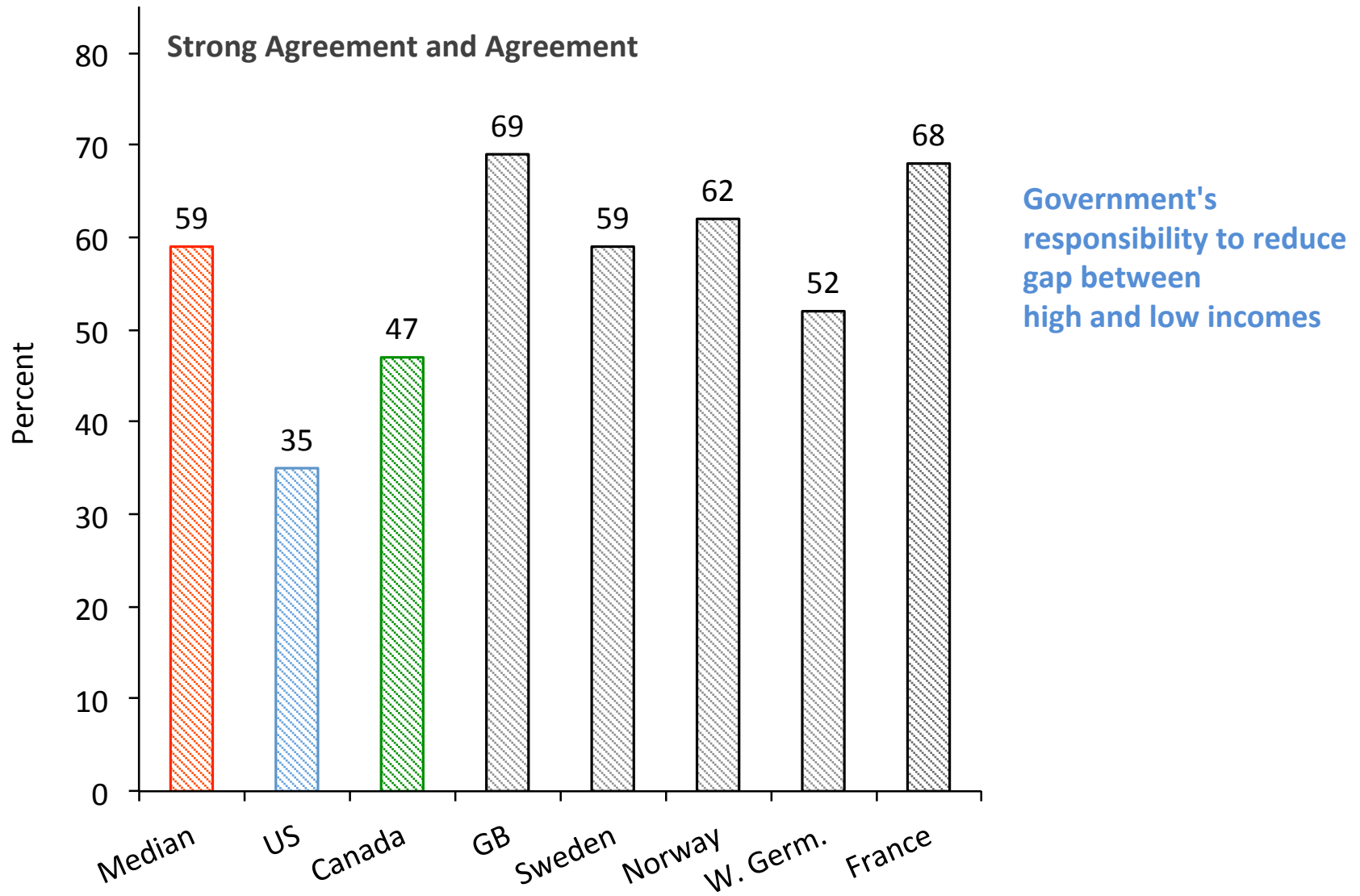
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Two Objectives

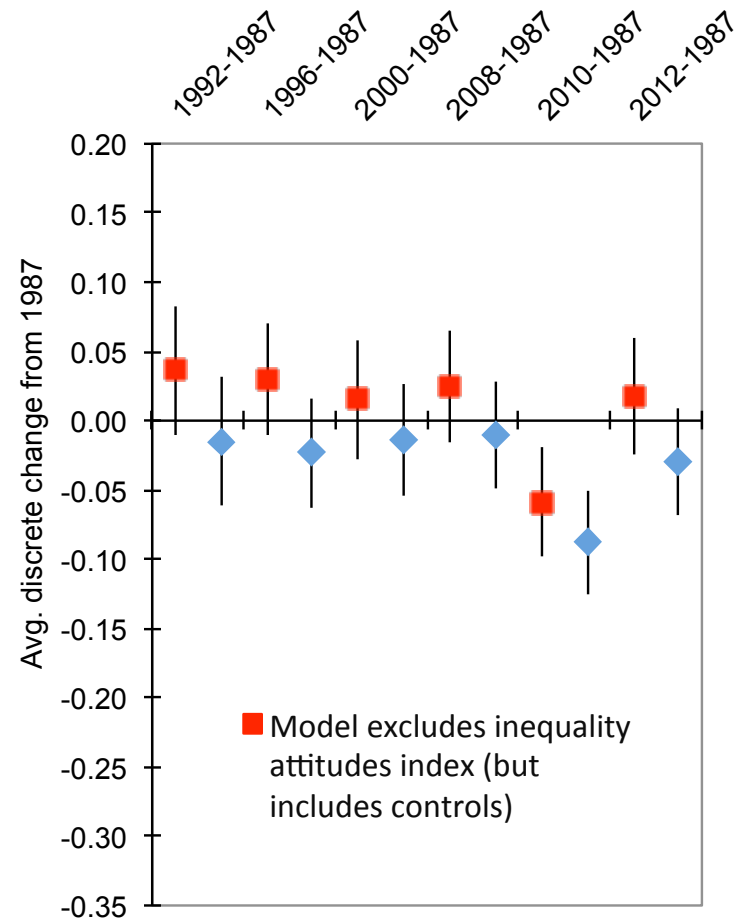
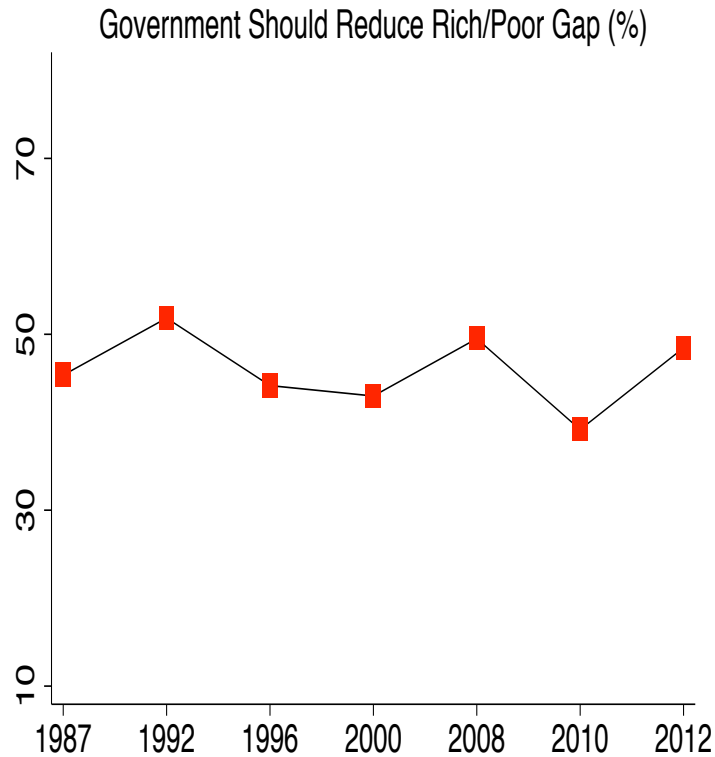
- (1) Question American "exceptionalism" with data: inconsistencies in the public's positions on multiple issues related to American dream ideology (i.e., redistribution, inequality, opportunity).
- (2) Propose a more integrated framework for understanding public views of inequality, opportunity, and redistribution; and generate new data to test it. Perhaps applicable to other countries?

Support for Government Redistribution, Various Countries

(ISSP 2000)



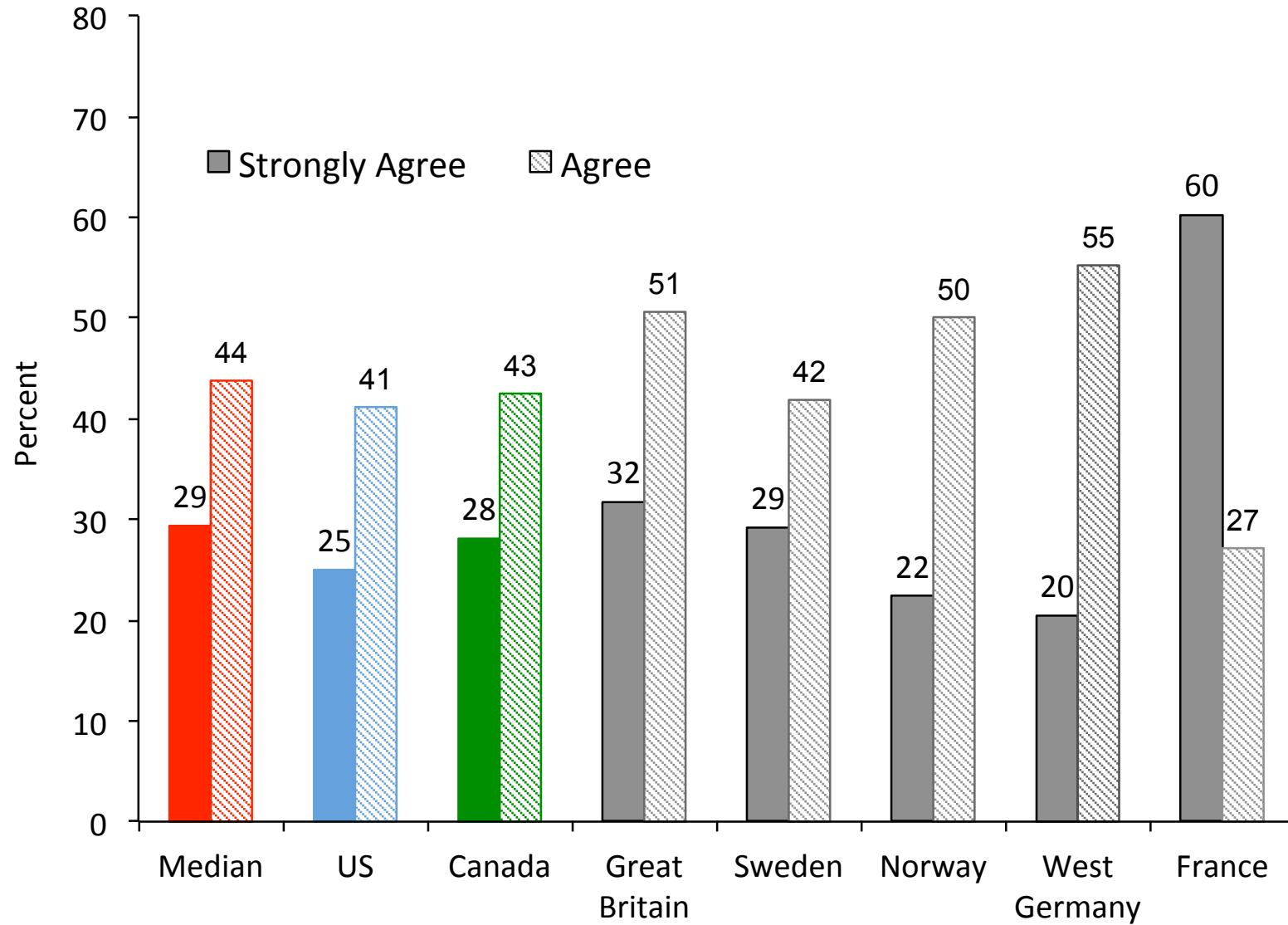
US: No Increase in Support for Government Redistribution



(McCall and Kenworthy 2009; McCall 2013, updated to include 2012 data)

Opposition to Inequality: "Income Differences are Too Large"

(ISSP 2000)



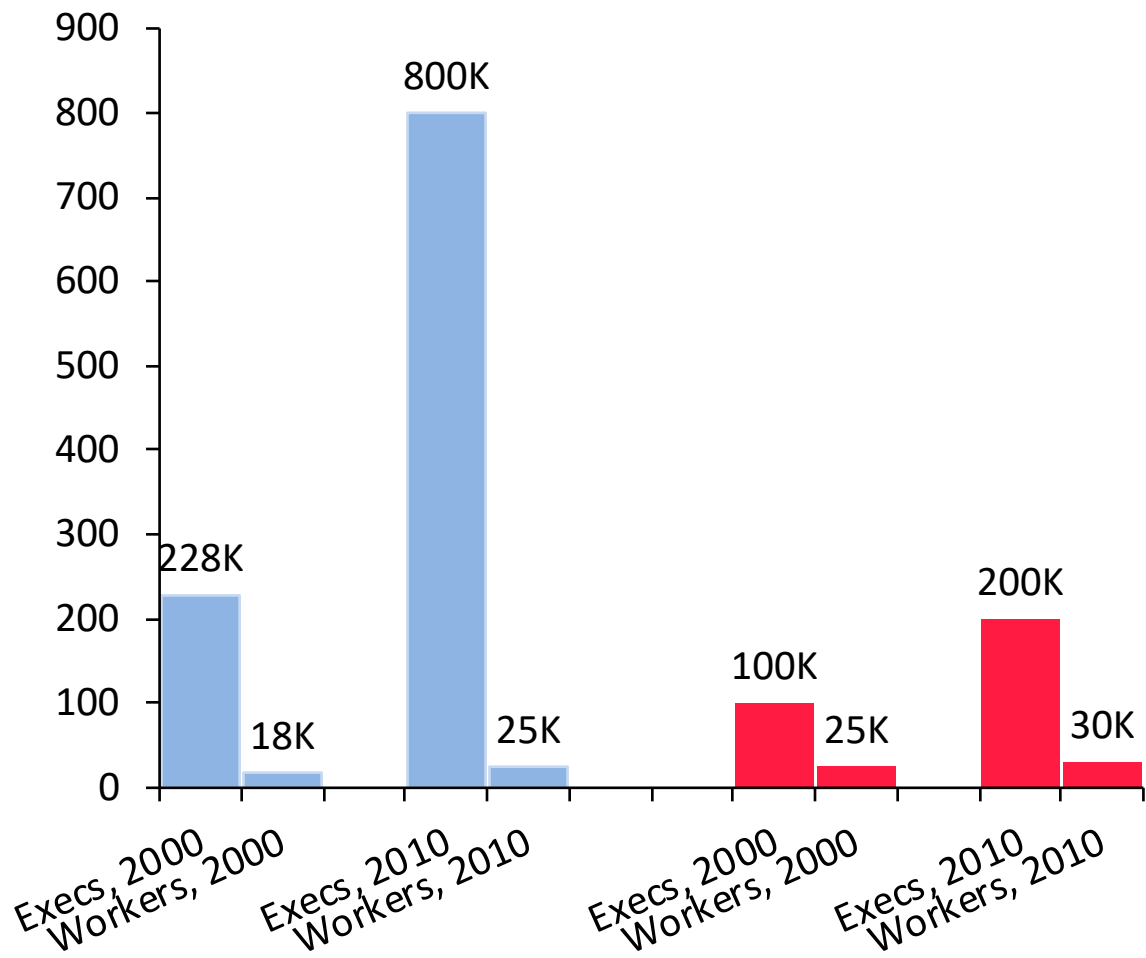
US Public (GSS)

Estimated pay & ratio

2000: **13/1** 2010: **32/1**

Desired pay & ratio

2000: **4/1** 2010: **7/1**



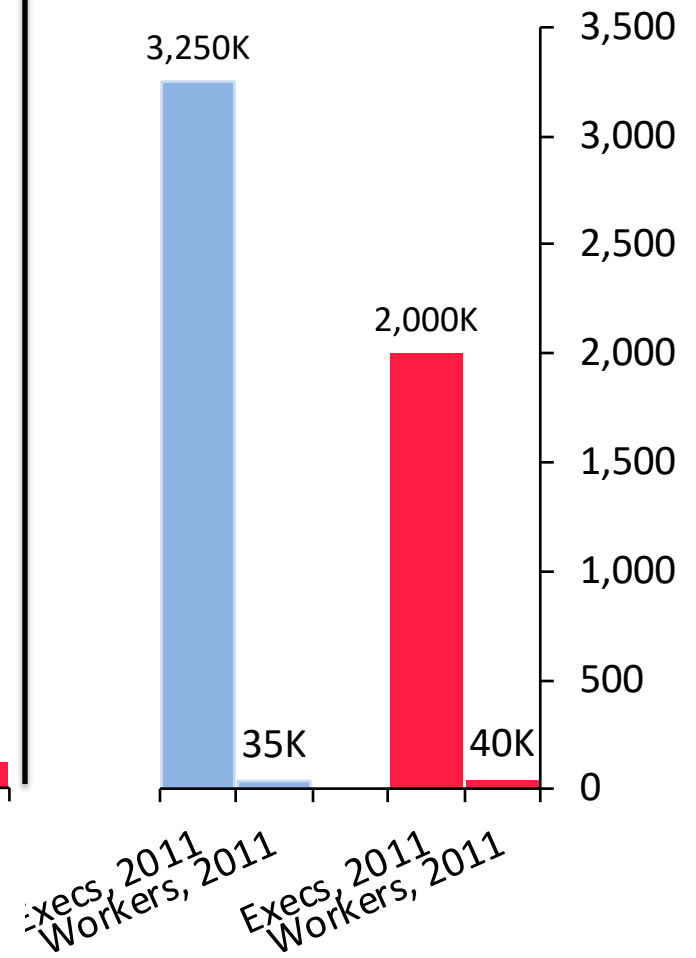
Top 1% (SESA)

Estimated

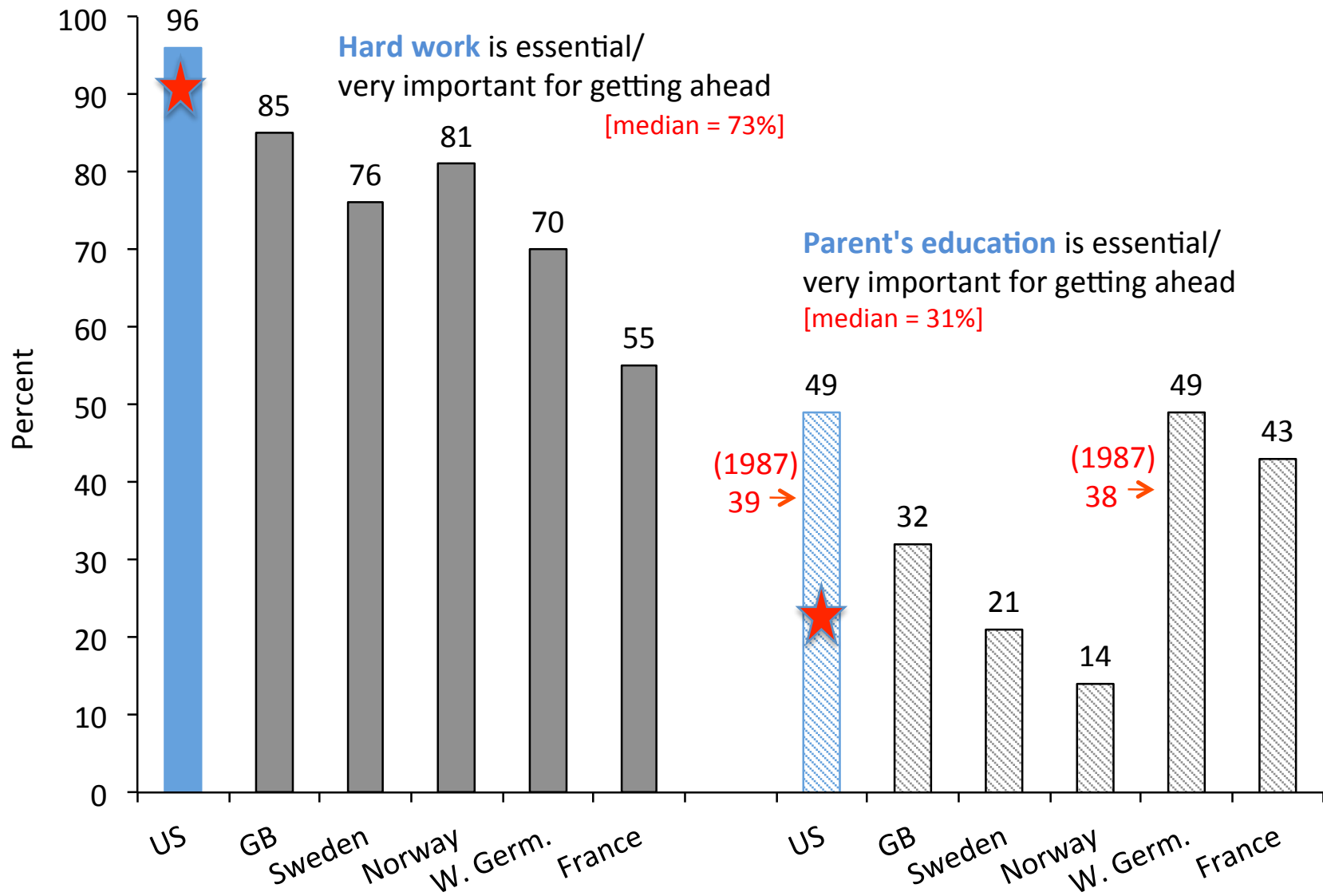
2011: **93/1**

Desired

2011: **50/1**

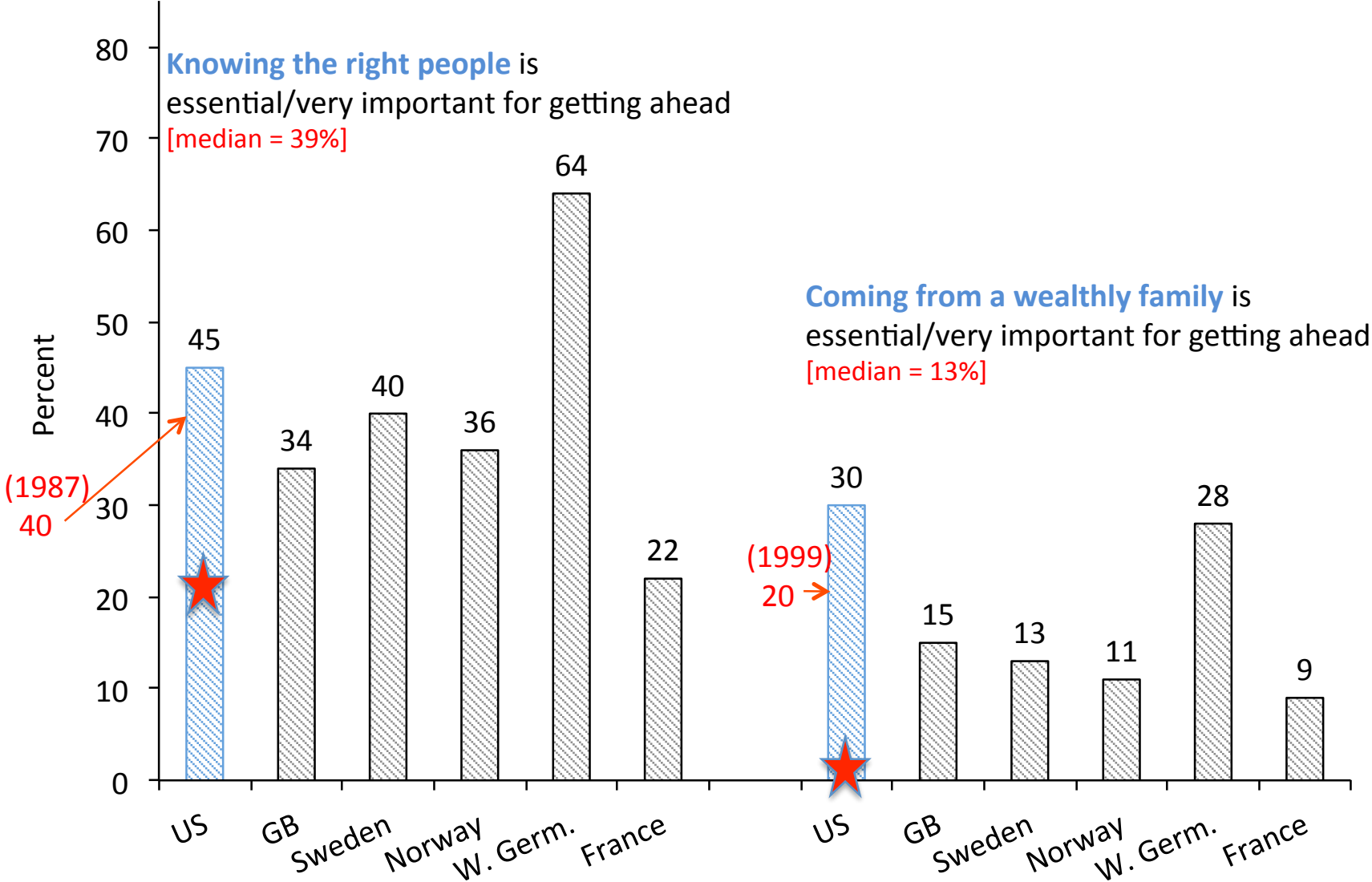


Opportunity: Individual/Structural Factors in Getting Ahead (ISSP 2010)

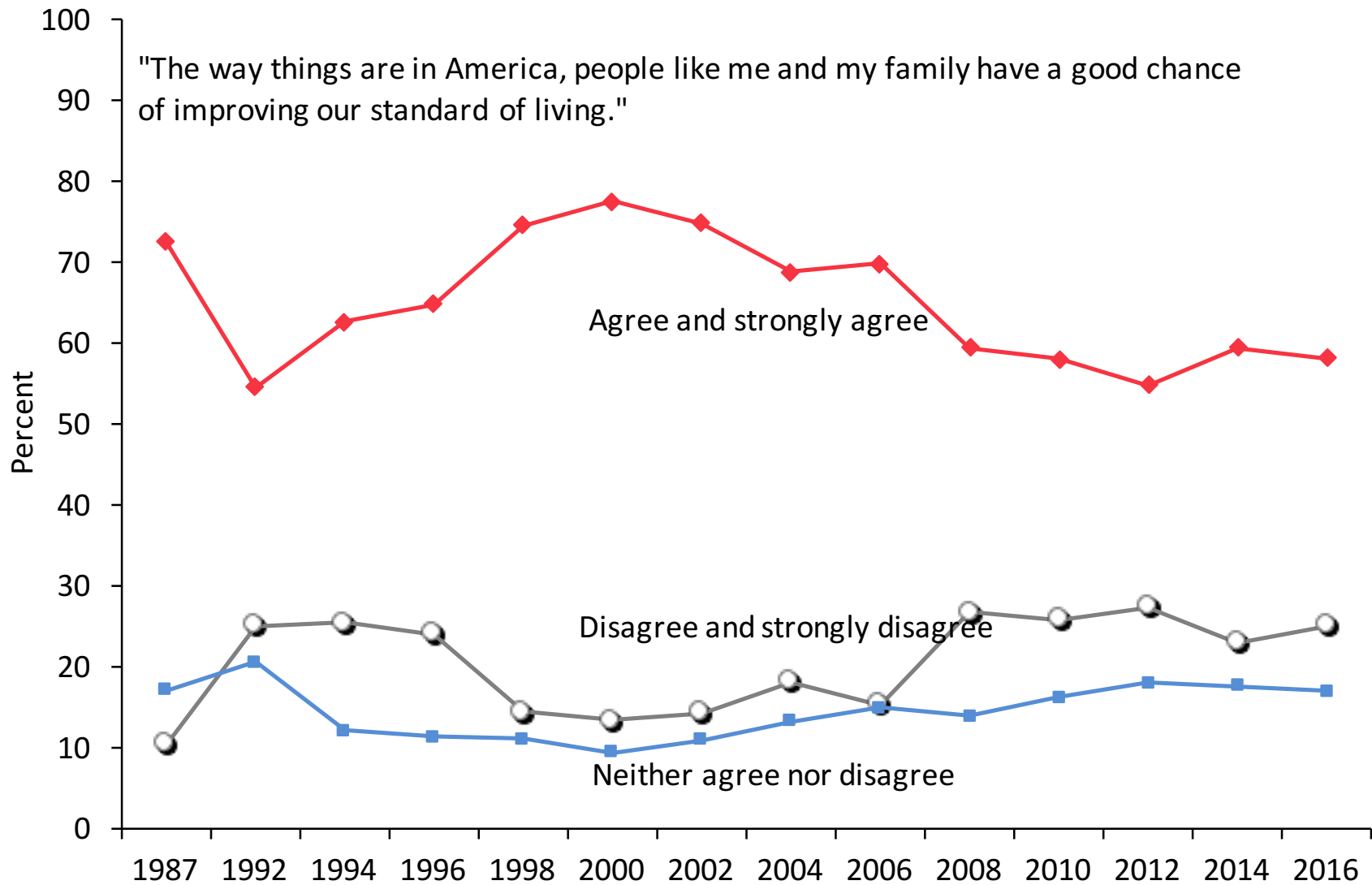


Opportunity: Individual/Structural Factors in Getting Ahead

(ISSP 2010)

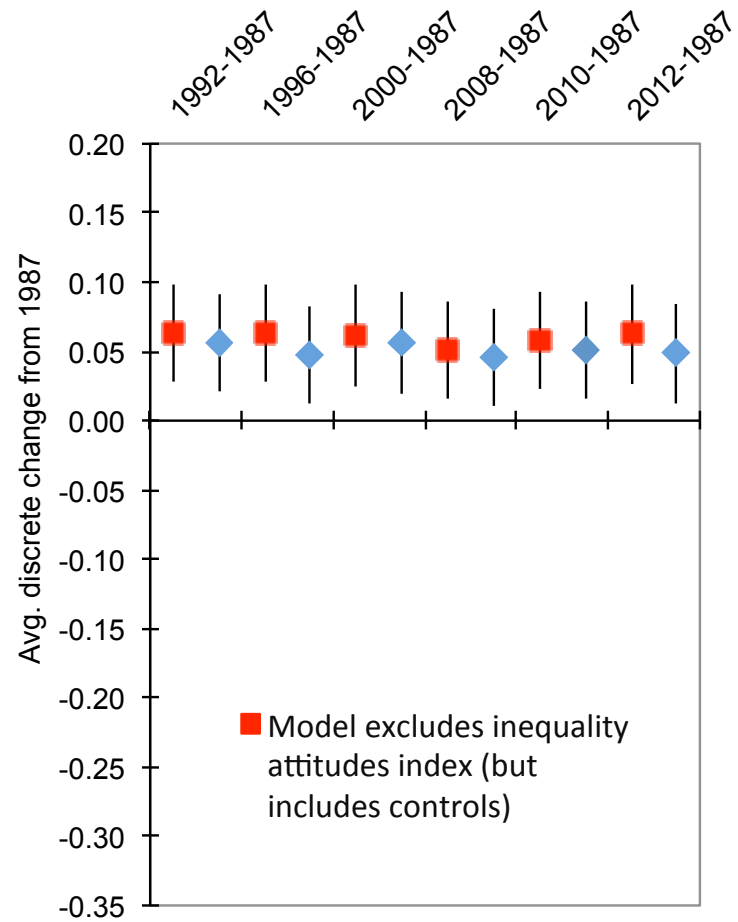
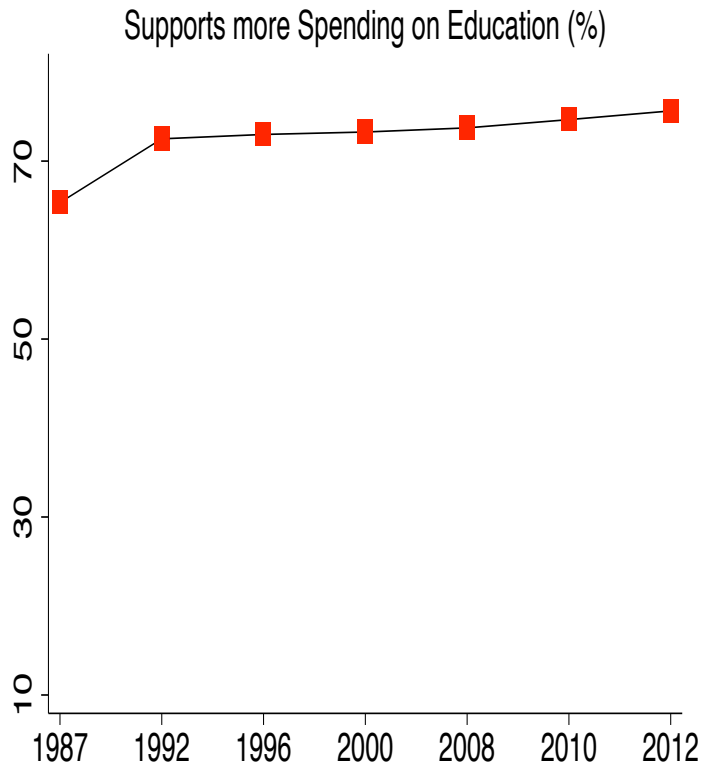


Nonlinear Trends in Optimism about Upward Mobility



(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

- (1) “The Opportunity Model of Beliefs about Inequality and Redistribution,” with Jennifer A. Richeson (Psychology, Yale), Derek Burk and Marie Laperriere (Sociology, Northwestern), *PNAS* (2017).

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

- (2) “Reconsidering Support for Redistribution: Preferences for Reducing Economic Inequality in the U.S. and Sweden,” with Arvid Lindh (Swedish Institute for Social Policy, Stockholm University).

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:

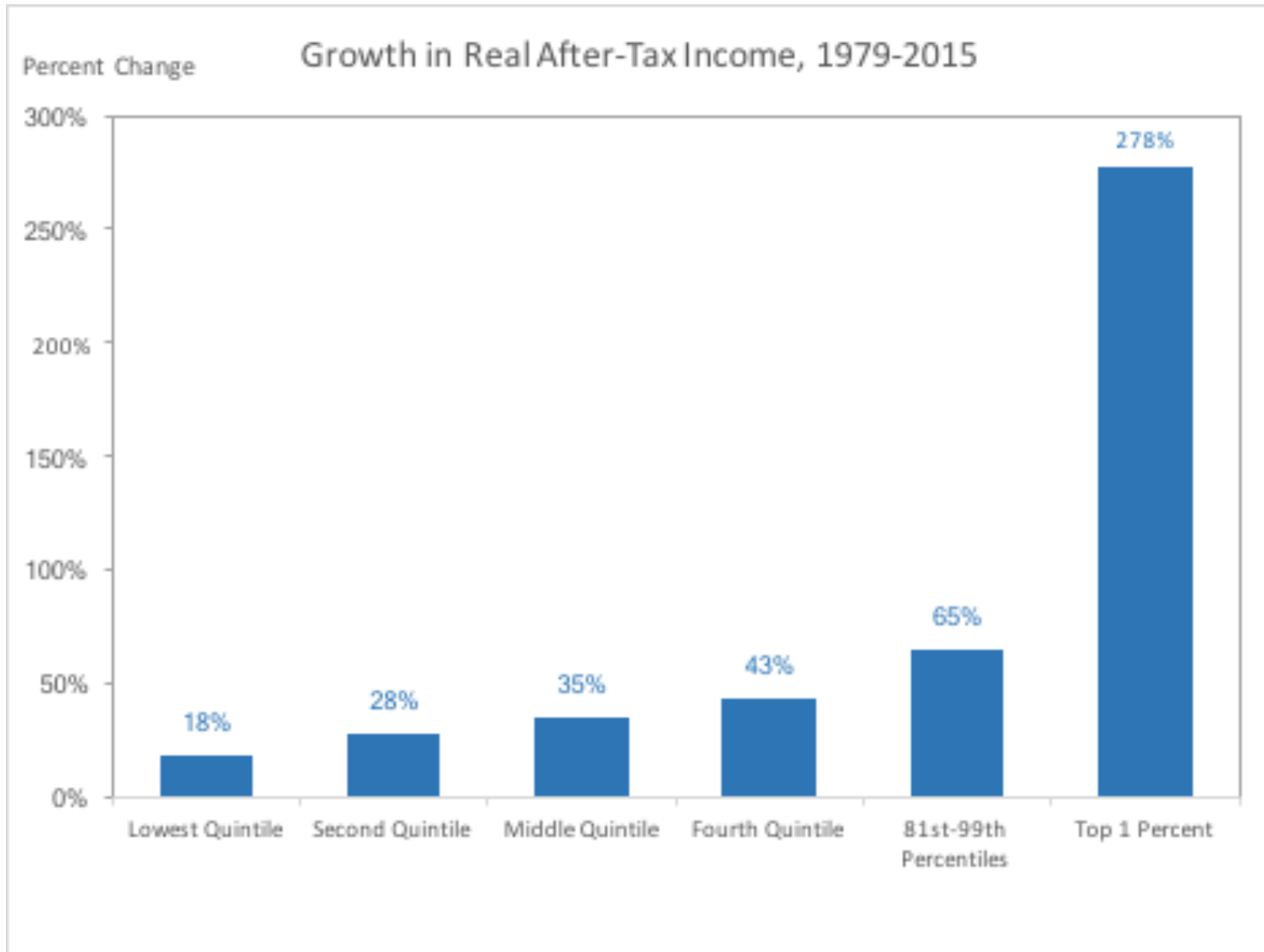
Treatment: Short, descriptive, realistic article on trends in **inequality**, taken from CBO

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)



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.

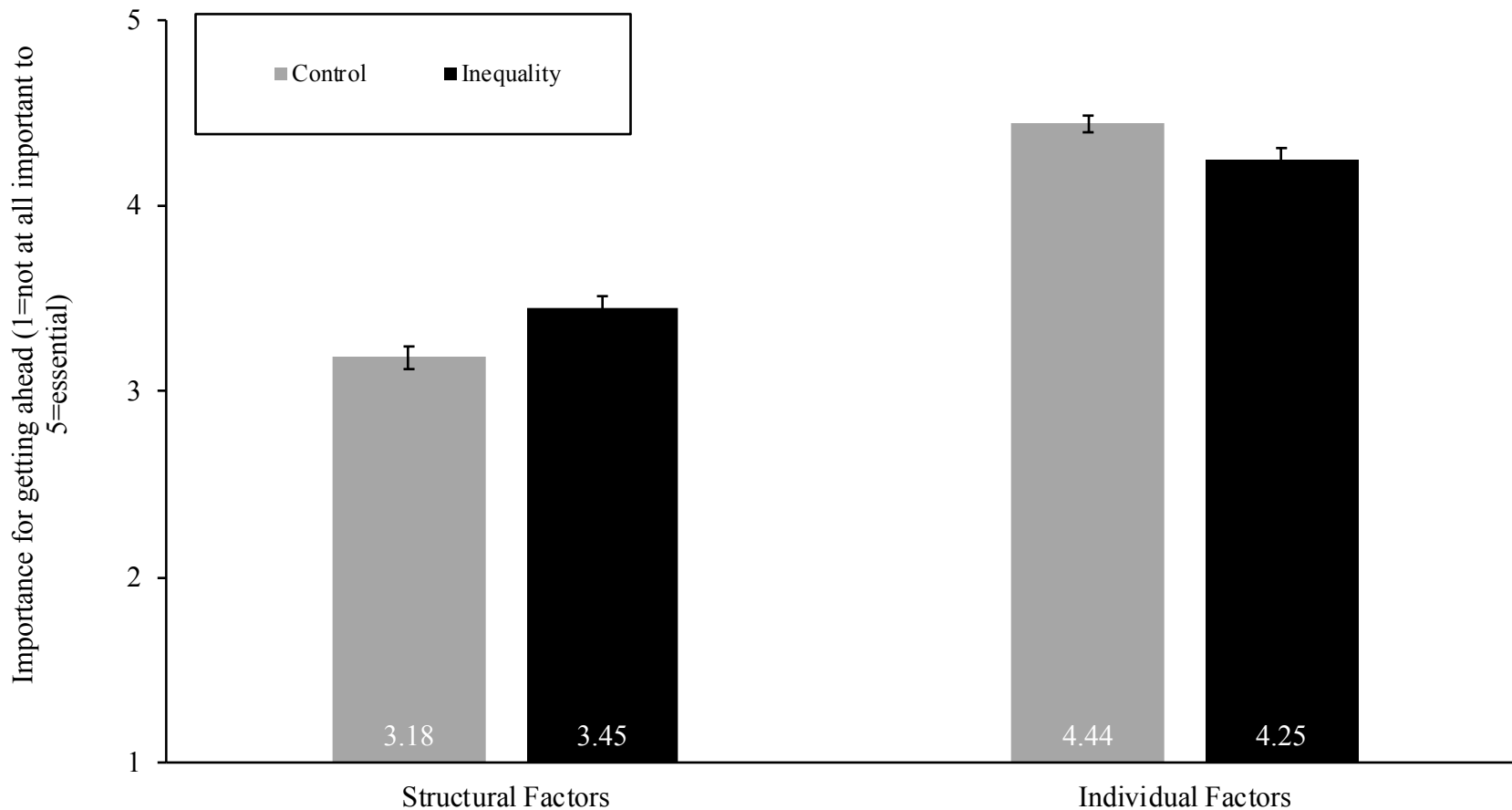
Underlying these large differences in total household income are equally large differences in individual earnings.

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 ineq usehold income and individual earnings.

Treatment Effect on Perceptions of Factors in Getting Ahead (TESS 2015)



Traditional GSS Question on **Social Redistribution**

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

“Some 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?”

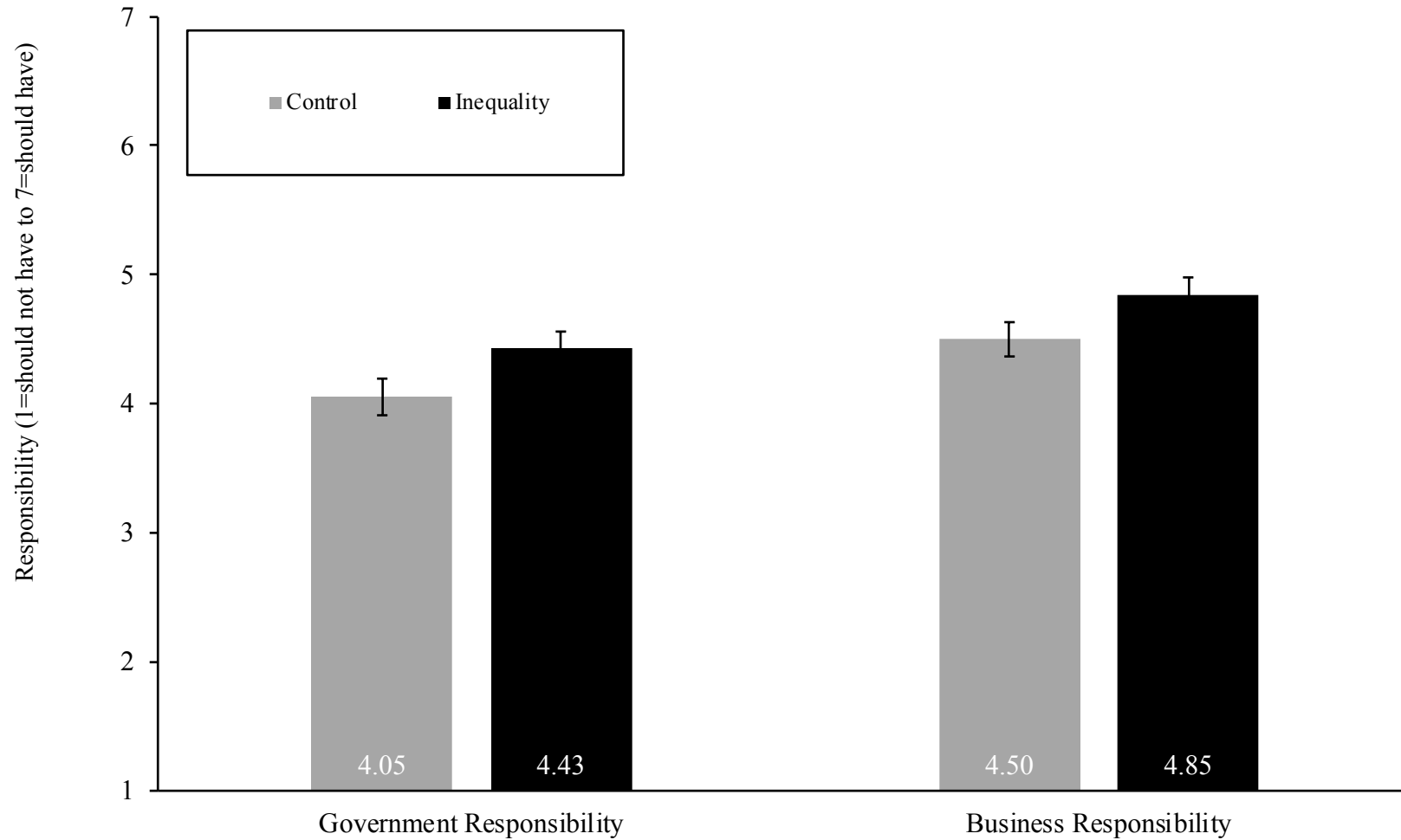
7= **Major companies** should do something to reduce differences

-
-
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1= **Major companies** should not concern themselves with such differences

Treatment Effects on Preferences for Redistribution

(TESS 2015)



Comparing Support for Different Kinds of Redistribution

(GSS and ISSP 2014; TESS control group 2015)

	US	Sweden	Diff
Government Responsible: (top 3 of 7 categories)	47%	67%	20 pts
Major Companies Responsible: (top 3 of 7 categories)	56%	57%	1 pt
Government or Major Companies Responsible: (top 3 of 7 categories)	66%	75%	9 pts

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).

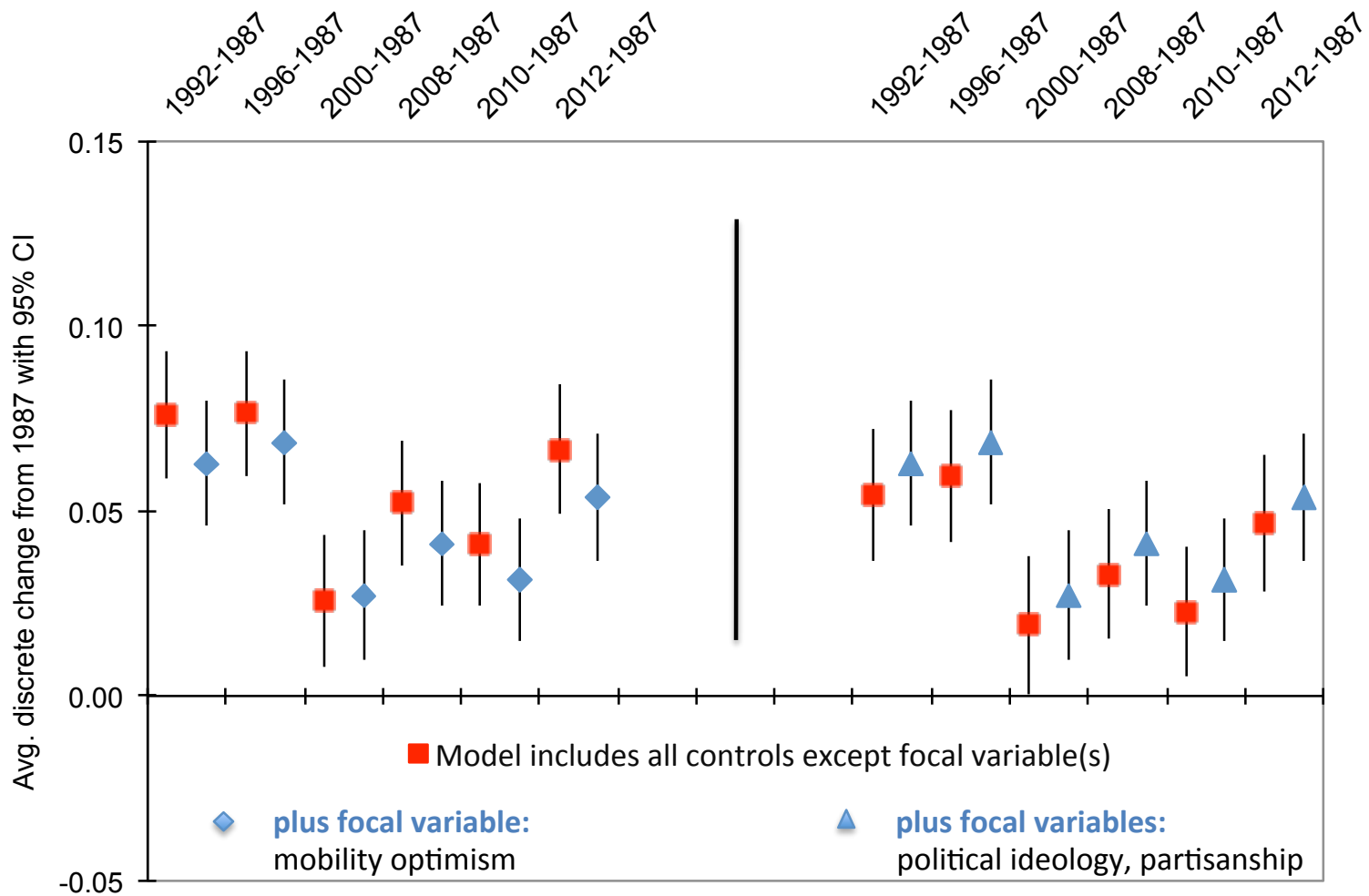
Civil rights model of redistribution could fill that void. Focus on equalizing outcomes in order to equalize opportunities, in education and in the labor market.

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.

EXTRA SLIDES

Opposition to Inequality Trend Affected by Mobility Pessimism

(GSS; outcome = average of three inequality questions scaled from 0 to 1)



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.**”

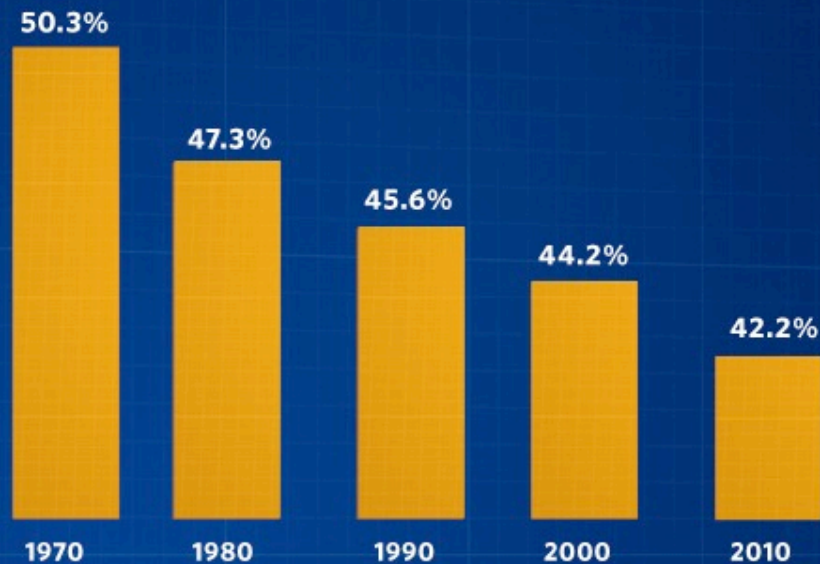
Newsweek, 2006

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 SHRINKING MIDDLE-CLASS

Percentage of households with annual income within 50% of the median



CEA CALCULATIONS

“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.”**

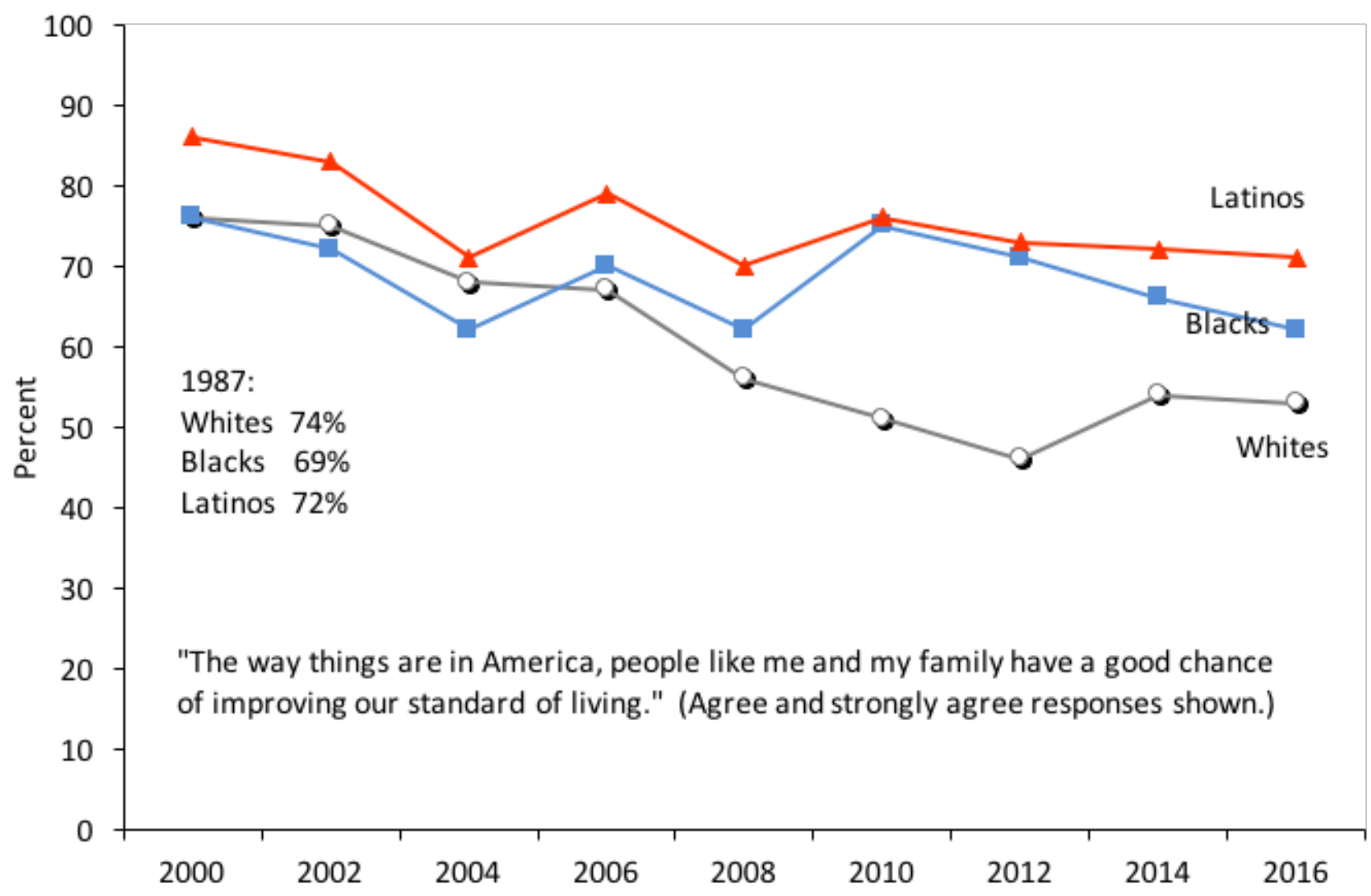
President Obama, 2012 SOTU

Expanding Educational Opportunities

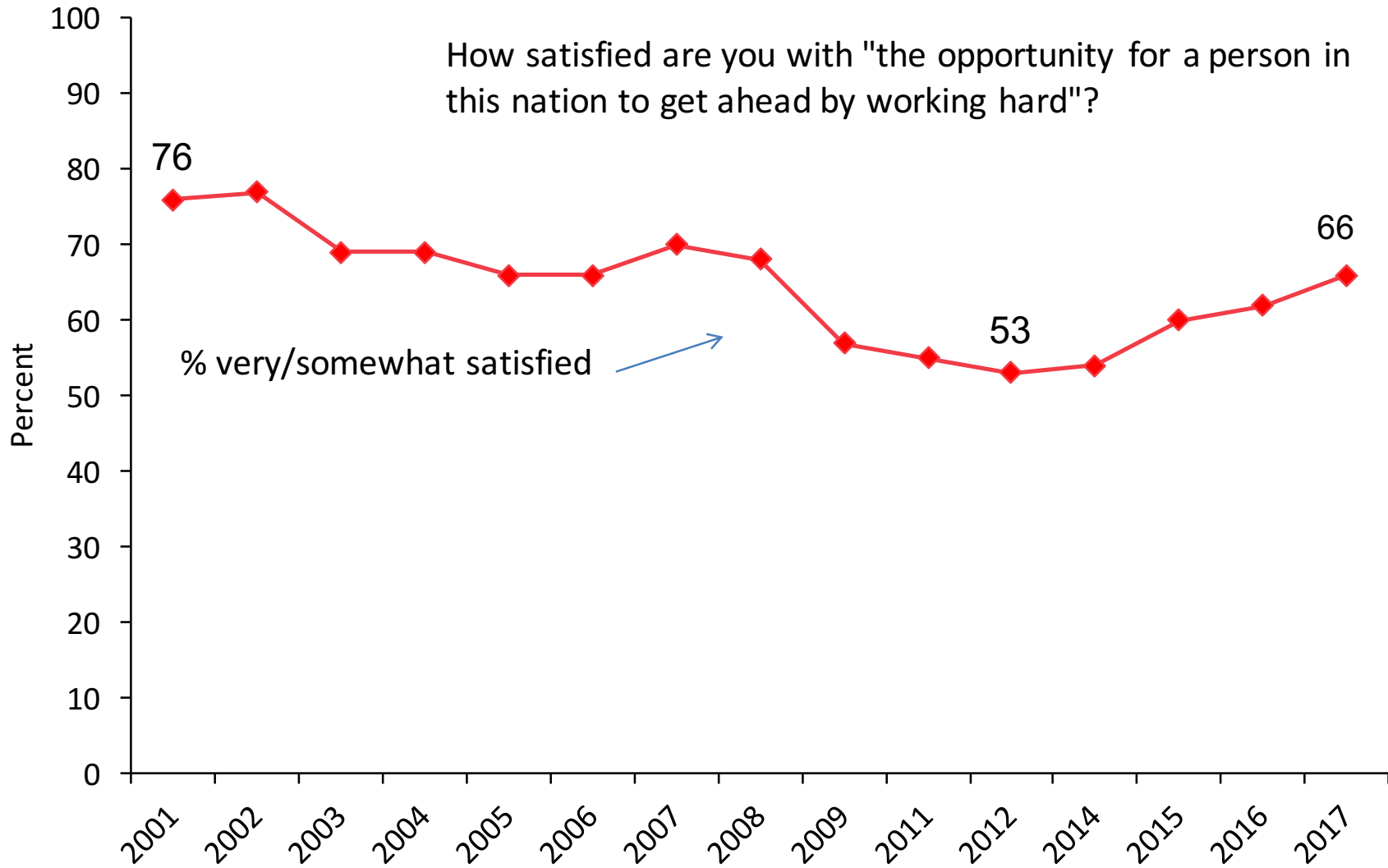
Other Examples:

- (1) Mayor Di Blasio: Raise taxes on rich to fund universal pre-K
- (2) “Millionaire taxes”: New Jersey (2004), California (2005), Maryland (2008), Hawaii (2009), Wisconsin (2009), New York (2009), Connecticut (2010)
(see Young and Varner)
- (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

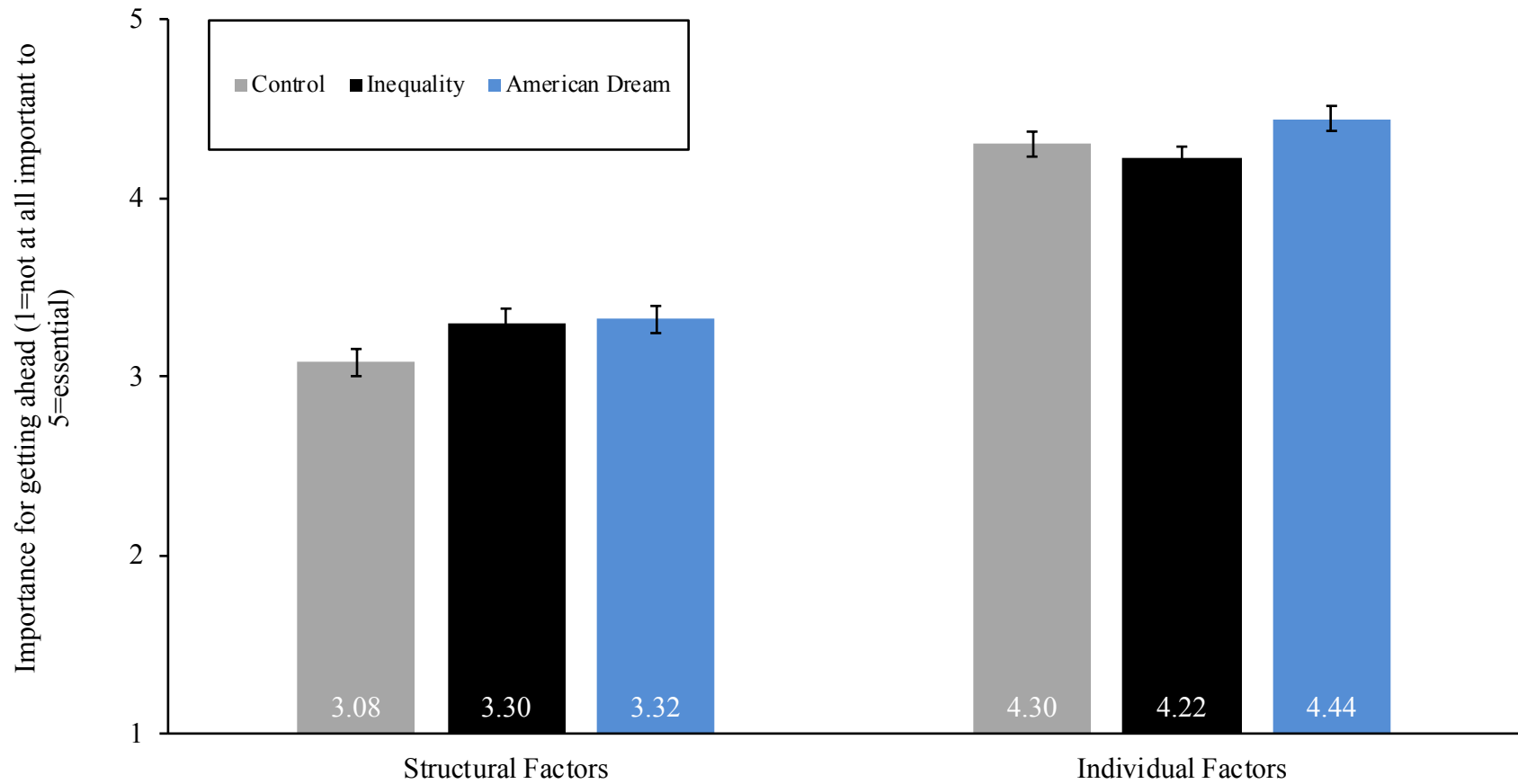


Nonlinear Trends in Optimism about Upward Mobility



Treatment Effect on Perceptions of Factors in Getting Ahead

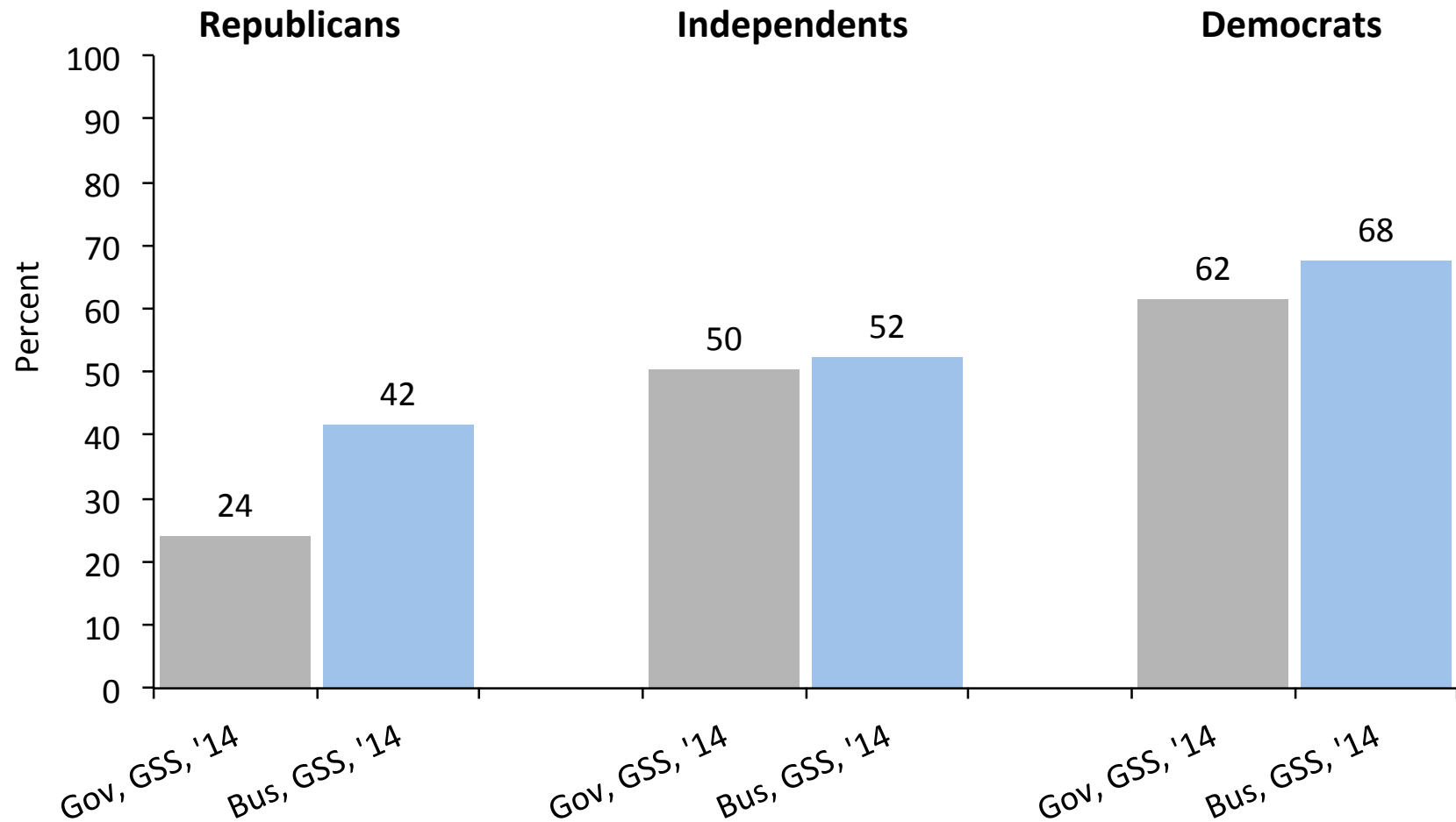
(MTurk 2015)



Comparing Support for Different Kinds of Redistribution

(GSS 2014; by party identification)

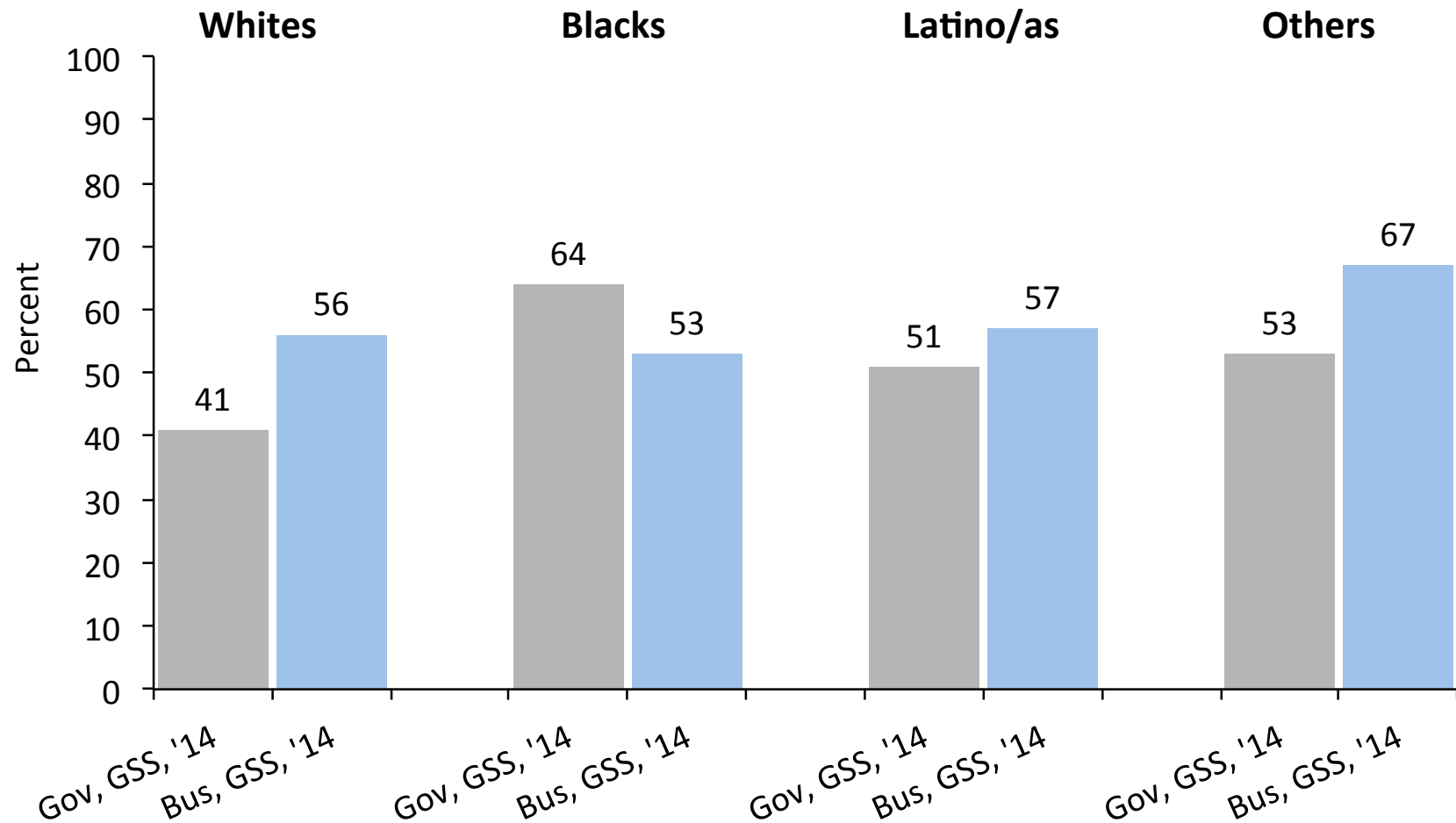
Support for government and business to reduce income/pay differences (%)



Comparing Support for Different Kinds of Redistribution

(GSS 2014; by race/ethnicity)

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



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? (%)

