The Political Consequences
of Intergenerational Inequality

Spyros Kosmidis

University of Oxford
Department of Politics and International Relations
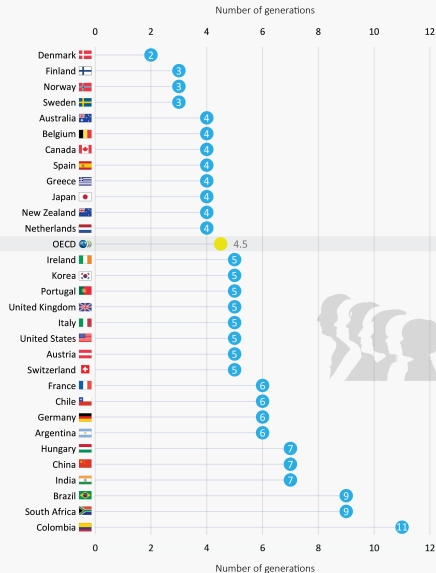
www.spyroskosmidis.net

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Road-Map

- Motivation
- The Big Picture
- Theoretical Background
- Research Design
- Results
- Next Steps and Conclusions

Motivation

Source: Foundation for European Progressive Studies

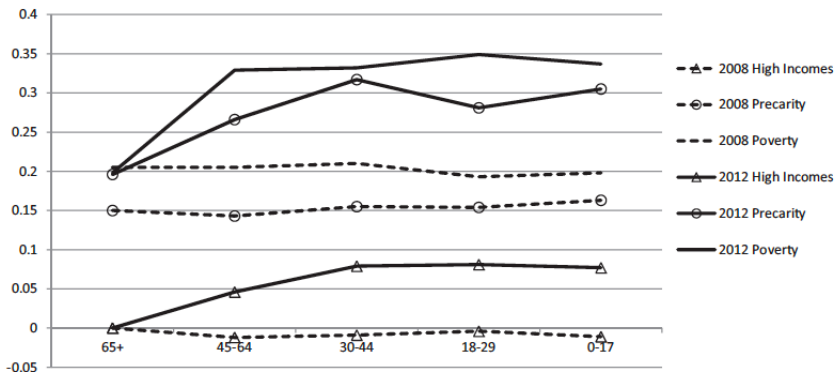**Figure 2:** OECD simulated data on income mobility

Motivation

Figure 3: Economic Stress by age and income class in Greece (2008, 2012) Whelan et al., 2017 [EU-SILC]
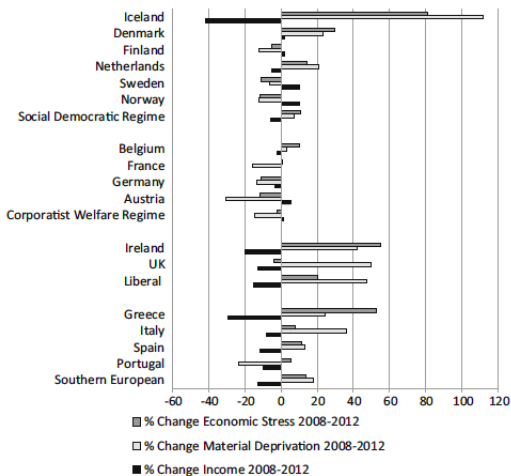
Motivation

Figure 4: Percentage change in household income between 2008 and 2012

Motivation

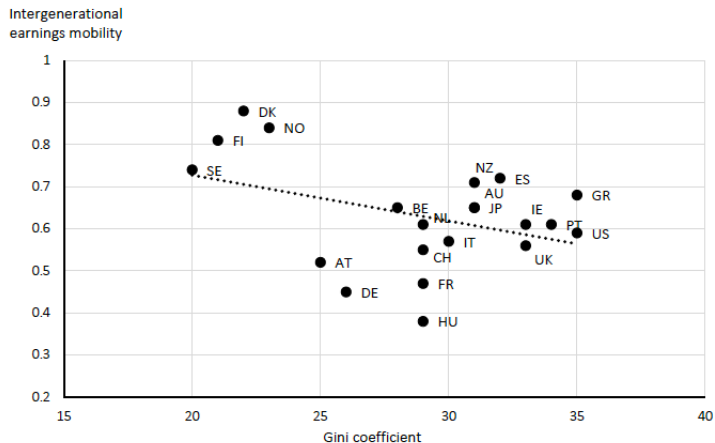**Figure 5:** Changes in income, material deprivation and economic stress, 2008-2012

Motivation

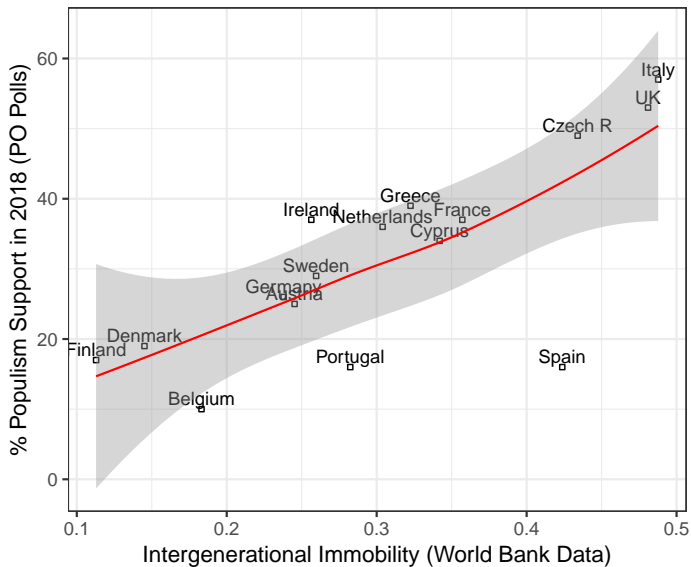**Figure 6:** The Great Gatsby Curve

The Bigger Picture

Figure 7: Relationship between II and Support for populism

Theoretical Background–Understanding Populism

Definition

"a thin-centred ideology that considers society to be ultimately separated into two homogeneous and antagonistic groups, the pure people versus the corrupt elite", Mudde

Implications

- Left Wing vs Right Wing Populism
- Economic versus Cultural Causes
- Problems with the concept
  1. Who isn't a populist?
  2. Populists in Government?
  3. What is/ who is the establishment/elite?
- The bottom line: Collapse of mainstream parties!

Theoretical Background–Understanding Populism II

What do we already know?

- Immigration matters for RW populists: Direct and indirect effects, but no uniform pattern across contexts.
- The Economy matters (for both RW and LW): But what aspect of the economy?

    1. Unemployment (Risk)?
    2. Income Inequality?
    3. Globalization and the economic orthodoxy?
    4. The left behind?

- National Sovereignty?
- The interaction of Cultural and Economic causes

The right question: What kind of factors deepen the gap between the 'people' and the 'establishment'?

Argument–Intergenerational Inequality

- Citizens form expectations about their future income

- This expectation is conditional upon their education level (or prospects of education, ses background or skill etc)

- Different groups of people will have different aspirations and also different expectations

- Sudden disruptions to their prospective income curve will affect their political preferences (especially those related to the political system and their support for redistribution).

- This will be done because of downward comparisons between their and the older generations' income curves will

Argument–Intergenerational Inequality
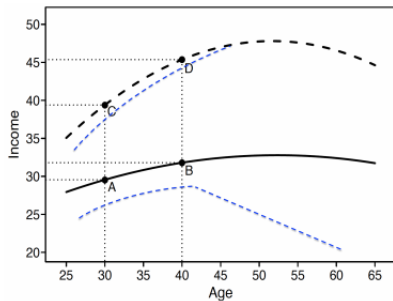
Does II influence populist attitudes?

Figure 8: Crisis adjusted Income expectations for two groups of voters. Source: Beramendi and Rueda, 2018

Literature

Intergenerational Inequality and Political Preferences

Benabou and Ok, 2001

- Poor voters less likely to support redistribution
- Prospects of social mobility (Rational Expectations Model)

Piketty, 1995

- Rational-Learning theory of redistribution
- Redistribution preferences vary across individuals
- Heterogeneous beliefs depend on personal experiences of mobility
- Partisanship and the impressionable years also inform redistribution preferences

Alesina et al., 2018

- Left wing voters -even- more likely to support redistribution for 'equality of opportunity' when reminded of II
- Right wing voters are not at all sensitive to the idea of II
- II induces political polarization

Research Design

- Survey experiment in Greece with embedded experimental treatment
- Non random online sample (Pro–Rata)
- N=1512
- Data Collection: 31/10/2018–05/11/2019

Key Experimental treatment

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Many suggest that the younger generations will never be
able to reach their parents' wealth (both in terms of cash
and properties).
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Measurement–`PreTreatment`

Demographics

- Age
- Gender
- Occupation
- Education
- Home Ownership
- Household Income
- plus more

Pre-Treatment

- Left-Right Ideology(0-10)
- Ethnocentrism-Cosmopolitanism Scale (0-10)

Measurement–Outcome(s)

Populism–Multiple dimensions

- Do you agree that politics is a struggle between good and evil? (1-4)
- People like me do not receive what they deserve from the political system. (1-4)
- Political elites and the system serve the few and not the many. (1-4)
- Do you trust the political system?(0-10)
- Are you satisfied with the way Democracy works in Greece? (0-10)

Welfare State

- To what extent do you agree that the welfare state should be strengthened to ameliorate inequalities? (1-4)
- The welfare state should be strengthened, even if this means increases in taxation. (1-4)

Measurement–Posttreatment

- Subjective Perceptions of II (MC)
- Attitudes towards the Memorandum (MC)
- PTVs
- Vote Choice

ATE

$$Y_i = \alpha + \beta_\tau + \epsilon_i$$

HTE

$$Y_i = \alpha + \beta_1\tau + \beta_2\mathbf{X}_k + \beta_3\tau\mathbf{X}_k + \epsilon_i$$

where τ corresponds to the binary treatment indicator and $\mathbf{X}_k$ is one of the pretreatment covariates
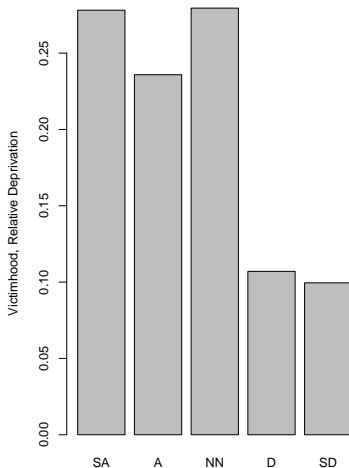
Empirical Results

Figure 9: People like me do not take what they deserve from society

Empirical Results
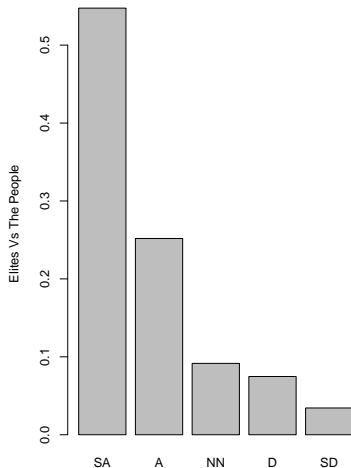
Figure 10: The Elites serve the few not the many
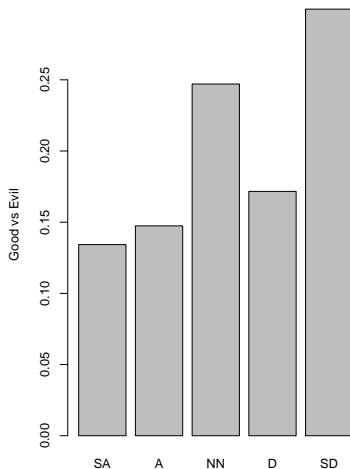
Empirical Results

Figure 11: Politics is a struggle between Good and Evil
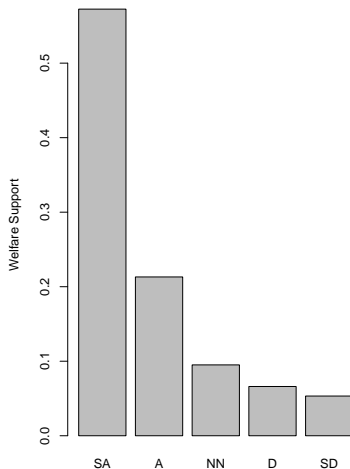
Empirical Results

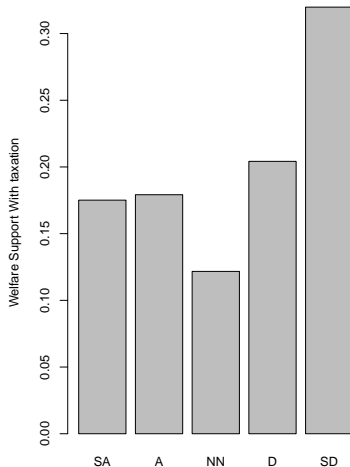**Figure 12:** Support for the Welfare State

Empirical Results

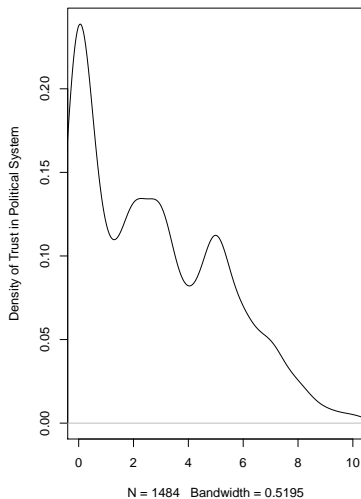**Figure 13:** Support for the welfare state, but with additional taxation

Empirical Results
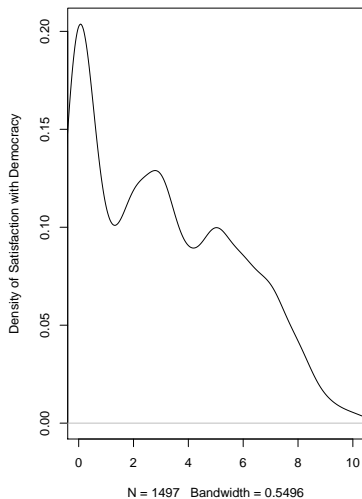

Figure 14: Trust in the System

Empirical Results

Figure 15: Satisfaction with Democracy

Empirical Results

Table 1: Average Treatment Effects of II on Populism

	Dependent variable:		
	Victimhood	Elites	GoodEvil
	(1)	(2)	(3)
II Treatment	0.143^{**}	0.039	-0.039
	(0.066)	(0.057)	(0.073)
Constant	2.587^{***}	1.817^{***}	3.335^{***}
	(0.048)	(0.041)	(0.052)
N	1,467	1,485	1,445
Note:	*p<0.1; **p<0.05; ***p<0.01		

Empirical Results

Table 2: Average Treatment Effect of II on Welfare State Support

	Dependent variable:	
	Welfare	WelfareTax
	(1)	(2)
Treatment	0.106*	−0.060
	(0.061)	(0.078)
Constant	1.869***	3.284***
	(0.044)	(0.056)
N	1,483	1,479
Note:	*p<0.1; **p<0.05; ***p<0.01	

Empirical Results

Table 3: Average Treatment Effects of II on Trust and Satisfaction with Democracy

	Dependent variable:	
	System Trust	Democracy Satisfaction
	(1)	(2)
II Treatment	−0.096	0.032
	(0.129)	(0.136)
Constant	2.768***	3.061***
	(0.093)	(0.098)
N	1,484	1,497
Note:	*p<0.1; **p<0.05; ***p<0.01	
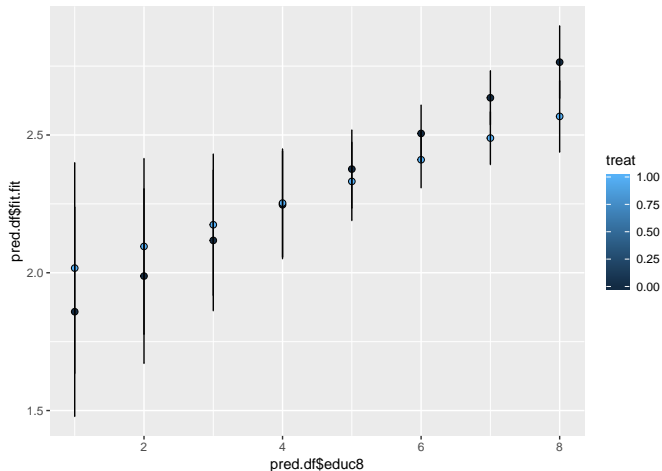
Empirical Results

Figure 16: Treatment Effect by Levels of Education
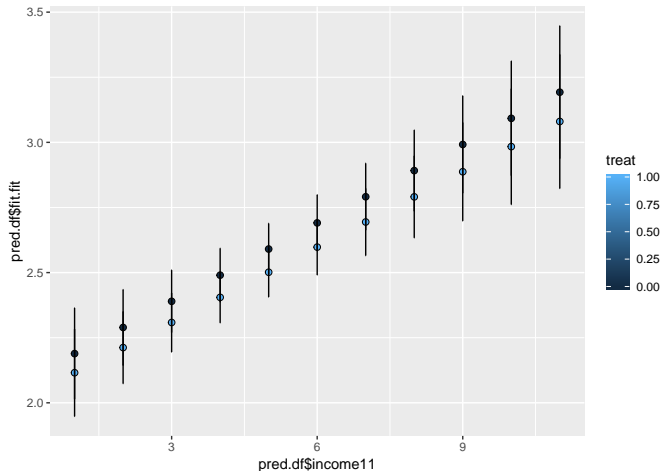
Empirical Results

Figure 17: Treatment Effect by Household Income
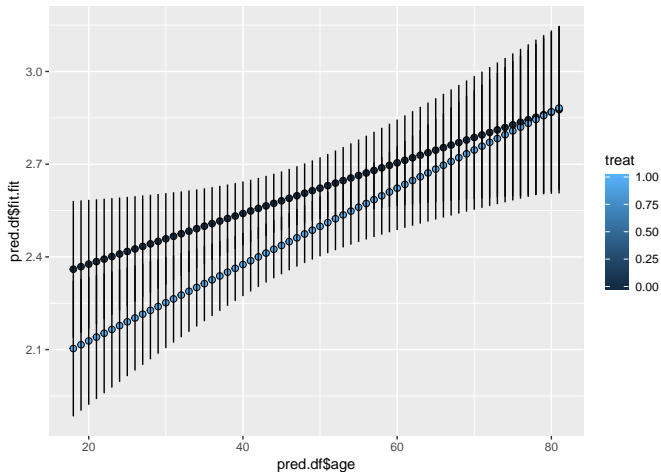
Empirical Results

Figure 18: Treatment Effect by age

Discussion

Summary

- Modest treatment effects of II on victimhood and welfare state support
- Some heterogeneous treatment effects with respect to age, education and income

Future Steps

- Polarization, Voting and Preference Uncertainty
- Occupational Status
- Age, Occupation and Skills Interactions
- New survey with a stronger experimental instrument
- Additional measures of the outcome, particularly those related to policy preferences.
- Comparative Analysis

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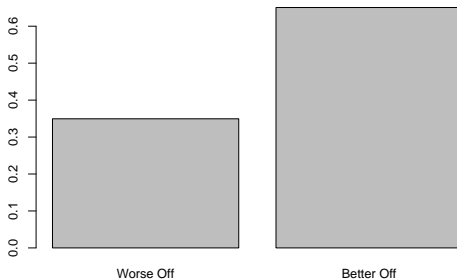
Thank you!

Empirical Results

Figure 19: Past generations were better or worse off?
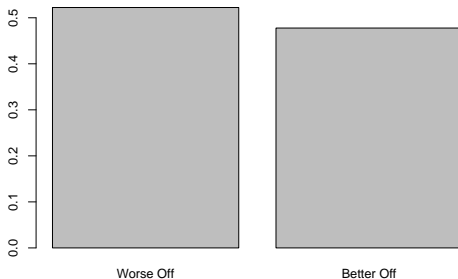
Empirical Results

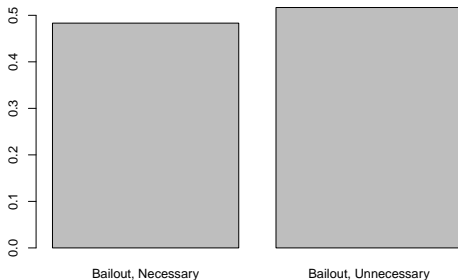**Figure 20:** Future generations will be better or worse off?

Empirical Results

Figure 21: Was the bailout necessary?