The Paradox of Inequality

Income Inequality and Belief in Meritocracy go Hand in Hand
Introduction

Across the Western world, income inequality is on the rise

Percent change in real after-tax income since 1979
Growing income inequality

Across the Western world, income inequality is on the rise
Inequality is on the agenda...
... or is it?
Concerns about inequality
Concerns about inequality
Concerns about inequality
Concerns about inequality
Paradox of inequality

Across the Western world, income inequality is on the rise
Atkinson, Piketty, and Saez 2011; Keister and Moller 2000; McCall and Percheski 2010; Morris and Western 1999; Neckerman and Torche 2007; Piketty 2014; Saez and Zucman 2016

Yet, no evidence of growing concerns
Alesina and Glaeser 2004; Brooks and Manza 2013; Kenworthy and McCall 2008; Kuziemko et al. 2015; Larsen 2016; Lübker 2007

In fact, citizens of more unequal societies are less concerned
Anderson & Yaish 2012; Bucca 2016; Luttig 2013; McCall 2013; Paskov and Dewilde 2012
Paradox

Despite the reality of rising inequalities, people in more unequal societies show less concern about it.

Solution

Rising inequality and segregation mean that the rich and poor live increasingly insulated lives; unable to see the full extent of inequality and its structural roots.
Overview

1. Discuss extant explanations
2. Present my own take
3. Test hypotheses using ISSP data
4. Conclusions for research, theory, policy
Extant explanations

1. People are misinformed about inequality (cognition)

   they underestimate extent of inequality,
   and are unaware of rising inequalities

Cruces, Perez-Truglia, and Tetaz 2013; Kenworthy and McCall 2008; Norton and Ariely 2011; Osberg and Smeeding 2006; Franko 2017; Kraus, Rucker, Richeson 2017; Choi 2019; Howarth et al. 2019
Misperceptions of inequality

Source:
Franko 2017 / US Census
Misperceptions of inequality

Source:
Franko 2017 / Harris Poll
Role of information

Informational intervention may …

… raise concerns and preference for redistribution
… raise concerns but leave preferences unchanged
… dampen concerns

Alesina, Stantcheva and Teso 2017; Kuklinski et al. 2000; Cruces, Perez-Truglia, and Tetaz 2013; Trump 2017; Nair 2018; Kuziemko et al. 2015
Extant explanations

2. People do not care about inequality (morality)

they believe economic inequality reflects
a meritocratic process

Bénabou and Tirole, 2006; Jost et al., 2004; Lerner, 1980; Kluegel and Smith, 1986; Lamont, 1992; Lamont et al., 2014; Hochschild, 1996; Kelly and Enns, 2010; Hall and Lamont, 2013; Mijs et al., 2016; Somers and Block, 2005
Synthesis

Inequality transforms the social and spatial landscape;

increasing the social distance between rich and poor
Synthesis

Unequal societies are marked by greater social distance

neighborhood segregation
school segregation
stratified and segmented labor markets
network homophily and homogamy

Mills 1959; Runciman, 1966; Lockwood, 1966; Irwin, 2018; Minkoff and Lyons, 2018; Dawtry et al., 2015; Kalleberg, 2009; Massey and Tannen, 2016; Musterd, 2005; Neckerman and Torche, 2007; Owens, 2016; Reardon and Bischoff, 2011; Tammaru et al., 2016; Mijs 2018
Hypotheses

1. Income inequality \( \rightarrow + \) belief meritocracy

2. Belief meritocracy \( \rightarrow - \) concerns about inequality
Data & methods

International Social Survey Programme, 1987-2012

Hierarchical linear models
  23 countries (level 3)
  43 country-periods (level 2)
  49,383 individuals (level 1)

Income inequality (Gini)
  between-country and within-country over-time

Schmidt-Catran and Fairbrother, 2016; Schmidt-Catran, 2016;
Fairbrother 2014
Measures (individual)

Concern

“Income differences are too high”

Meritocracy

“who gets ahead in society” is decided by hard work

Structural inequality

“who gets ahead in society” is decided by coming from a wealthy family and/or knowing the right people
Measures (country-period)

Income inequality
  post-tax household Gini (source: Milanovic)

Economic development
  gross domestic product (source: OECD)
Trend in meritocracy belief
Trend in meritocracy belief
Trend in meritocracy belief
Trend in meritocracy belief

United Kingdom

1930 1950 1970 1990 2010
Trend in meritocracy belief
Inequality & popular opinion

How do popular beliefs and concerns about inequality correlate with economic inequality?
Inequality & public concern

Concern about inequality $(r = -0.37)$
Inequality & public concern

Concern about inequality
(r = 0.10)

Country-level income inequality
Inequality & popular beliefs

Belief in structural inequality ($r = -0.30$)

Belief in meritocracy ($r = 0.57$)
Individual beliefs

How are individual citizens’ beliefs impacted by inequality?

Pooling countries and time-periods, holding constant

country-specific factors (politics, culture)
general trends over time (neoliberalism)
individual characteristics (education, employment)
Individual beliefs

Belief in meritocracy

Belief in structural inequality

Income inequality (Gini)
Individual beliefs

Change in income inequality (Gini)

Belief in meritocracy

Belief in structural inequality
Individual beliefs

- Meritocracy
- Structural inequality

Lowest inequality

Highest inequality
**Individual beliefs**

- **Lowest inequality**
  - Meritocracy: 60
  - Structural inequality: 50

- **Highest inequality**
  - Meritocracy: 80
  - Structural inequality: 70

**Belief in meritocracy +12 pts**
Individual concerns

Belief in meritocracy

Belief in structural inequality
Conclusions

Research

impact economic inequality on social distance

Reardon and Bischoff, 2011; Watson, 2009;
Reardon et al., 2018; Haller et al., 2016; Musterd, 2005

Theory

inequality creates conditions for its own legitimation

Kelly and Enns, 2010; Minkoff and Lyons, 2018
Theoretical implication

Unequal societies create conditions for their legitimation

Belief in meritocracy
Economic inequality
Social distance
Conclusions

Politics

publics caught in feedback loop

breaking the loop requires

less social distance
more interactions
heterogeneous institutions
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