

The Political Consequences of Intergenerational Inequality

Spyros Kosmidis

University of Oxford
Department of Politics and International Relations

www.spyroskosmidis.net

November 6, 2018,
LSE



Road-Map

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

Motivation

Figure 1: Populism in Europe, Foundation for EPS (2017)

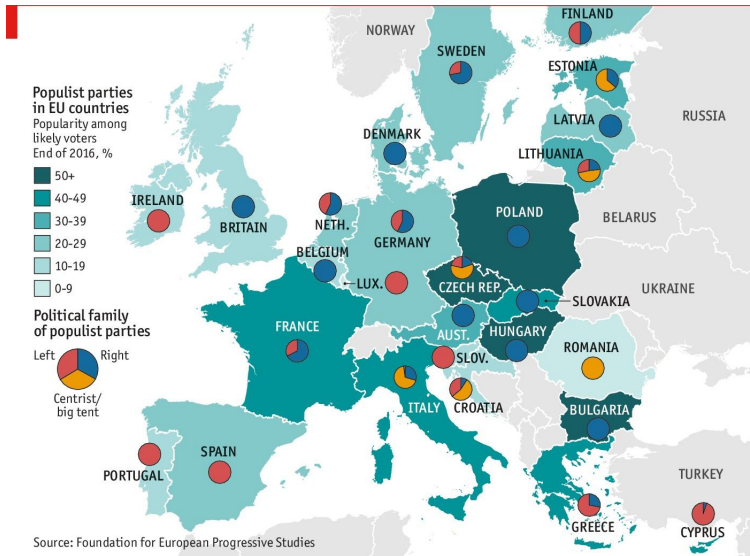
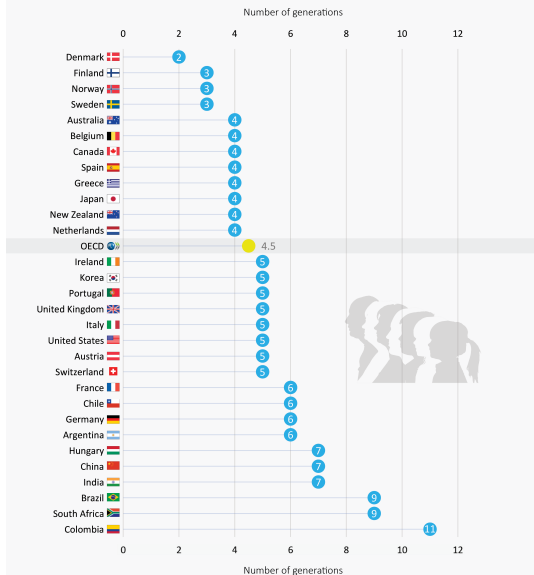


Figure 2: OECD simulated data on income mobility



Income mobility across generations

Number of generations it would take for those born in low-income families to approach the mean income in their society



Motivation

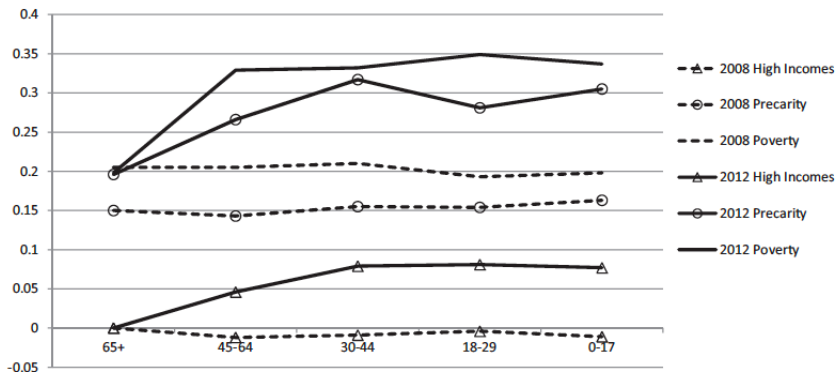


Figure 3: Economic Stress by age and income class in Greece (2008, 2012) Whelan et al., 2017 [EU-SILC]

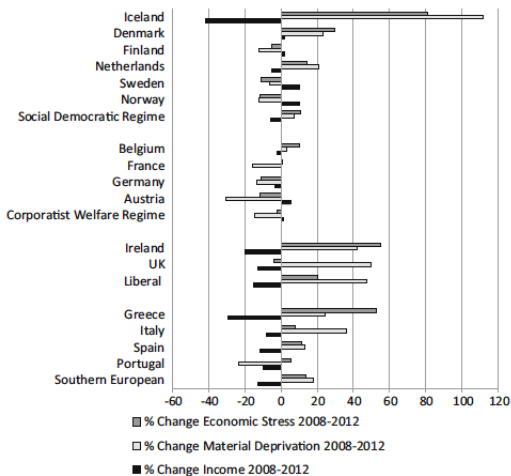
Motivation

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

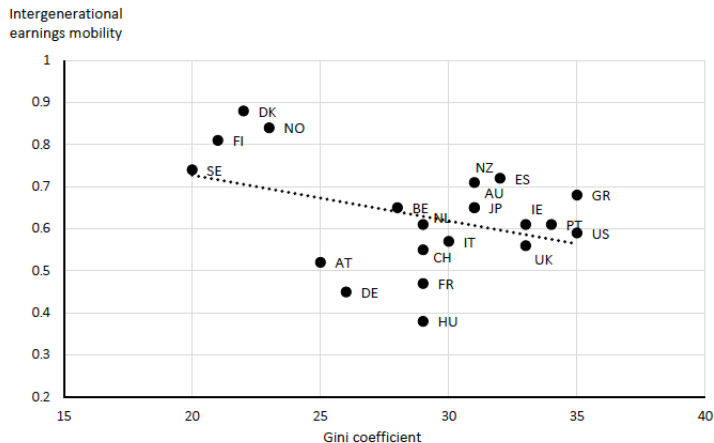


Figure 6: The Great Gatsby Curve

The Bigger Picture

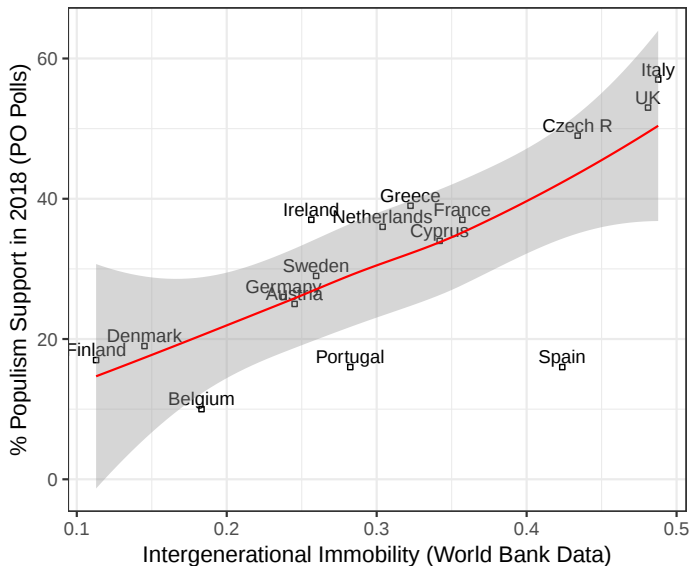


Figure 7: Relationship between II and Support for populism

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?

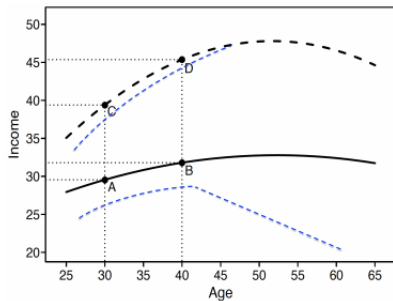


Figure 8: Crisis adjusted Income expectations for two groups of voters. Source: Beramendi and Rueda, 2018

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

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

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

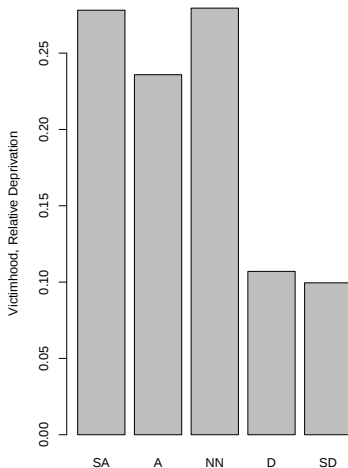


Figure 9: People like me do not take what they deserve from society

Empirical Results

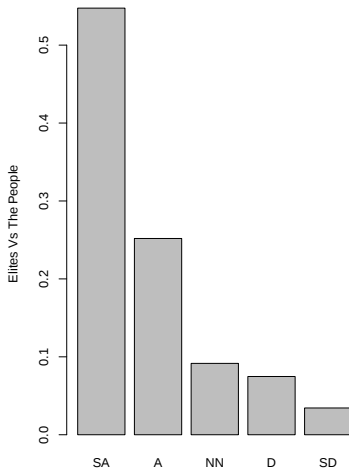


Figure 10: The Elites serve the few not the many

Empirical Results

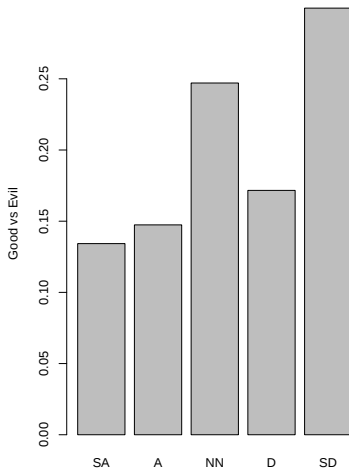


Figure 11: Politics is a struggle between Good and Evil

Empirical Results

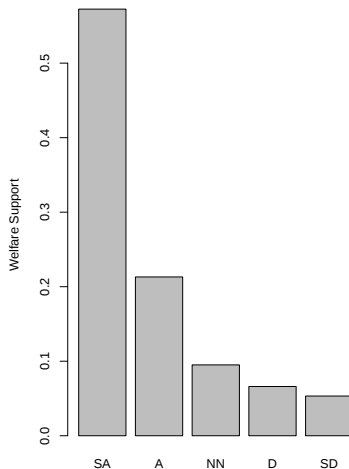


Figure 12: Support for the Welfare State

Empirical Results

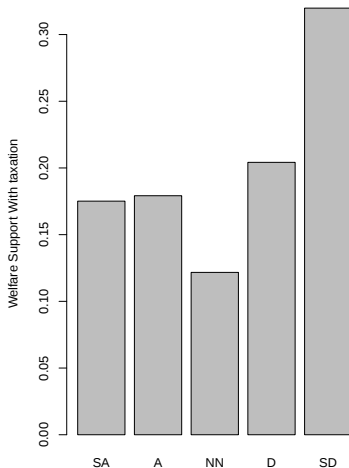


Figure 13: Support for the welfare state, but with additional taxation

Empirical Results

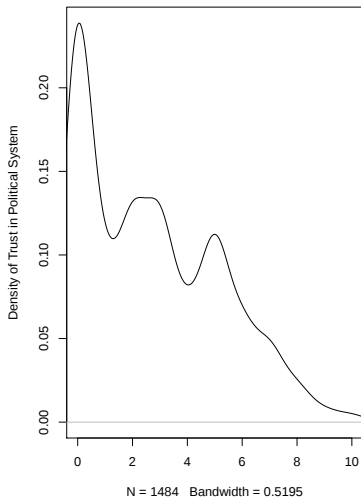


Figure 14: Trust in the System

Empirical Results

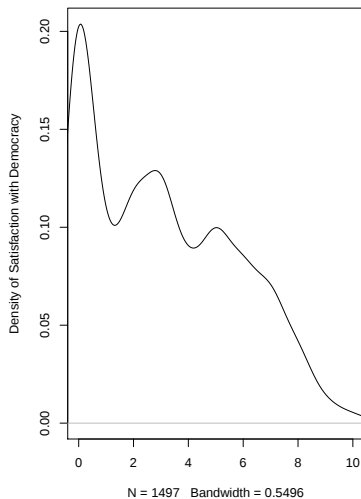


Figure 15: Satisfaction with Democracy

Empirical Results

Table 1: Average Treatment Effects of II on Populism

	<i>Dependent variable:</i>		
	Victimhood	Elites	GoodEvil
	(1)	(2)	(3)
II Treatment	0.143** (0.066)	0.039 (0.057)	−0.039 (0.073)
Constant	2.587*** (0.048)	1.817*** (0.041)	3.335*** (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

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

Empirical Results

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

	<i>Dependent variable:</i>	
	System Trust	Democracy Satisfaction
	(1)	(2)
II Treatment	−0.096 (0.129)	0.032 (0.136)
Constant	2.768*** (0.093)	3.061*** (0.098)
N	1,484	1,497

Note:

* $p < 0.1$; ** $p < 0.05$; *** $p < 0.01$

Empirical Results

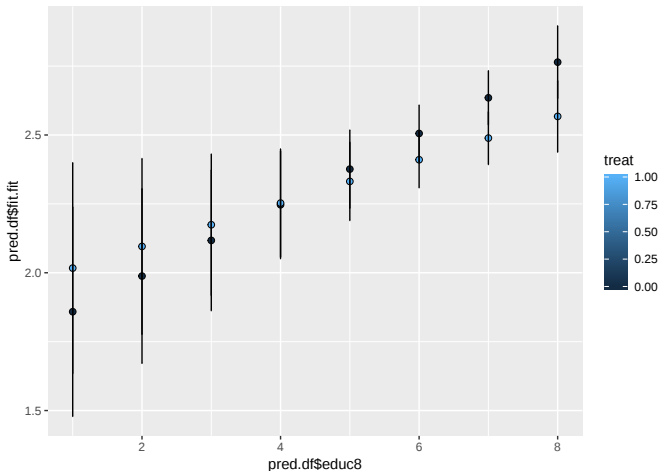


Figure 16: Treatment Effect by Levels of Education

Empirical Results

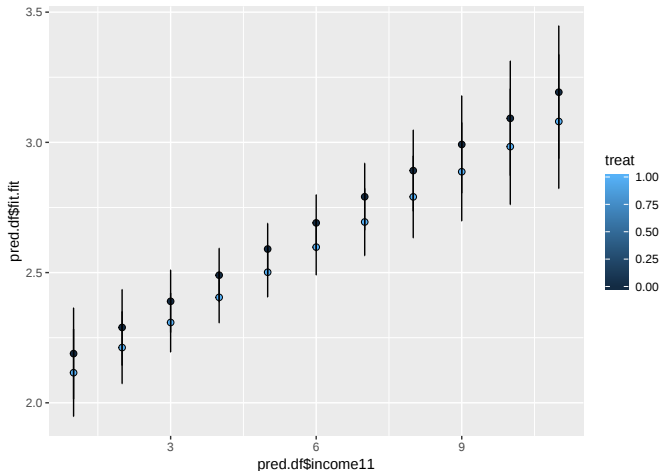


Figure 17: Treatment Effect by Household Income

Empirical Results

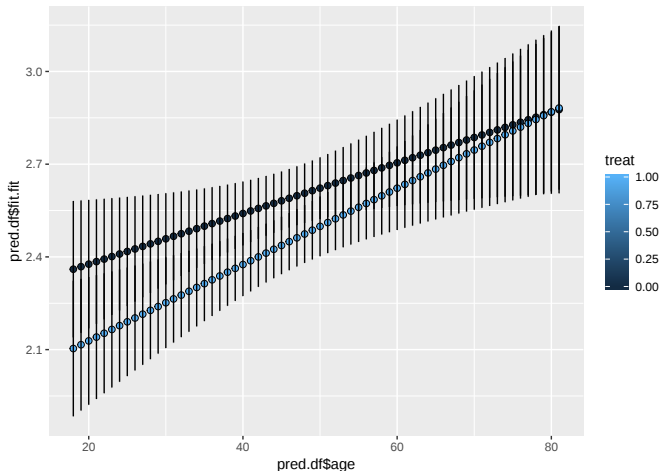


Figure 18: Treatment Effect by age

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

The Political Consequences of Intergenerational Inequality

Spyros Kosmidis

University of Oxford
Department of Politics and International Relations

www.spyroskosmidis.net

November 6, 2018,
LSE

Thank you!



Empirical Results

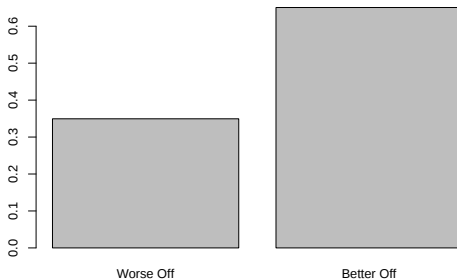


Figure 19: Past generations were better or worse off?

Empirical Results

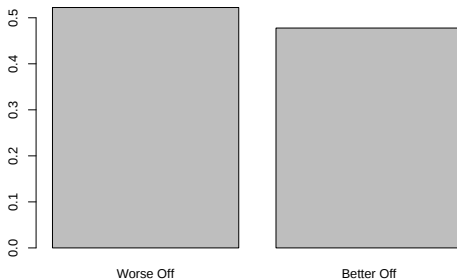


Figure 20: Future generations will be better or worse off?

Empirical Results

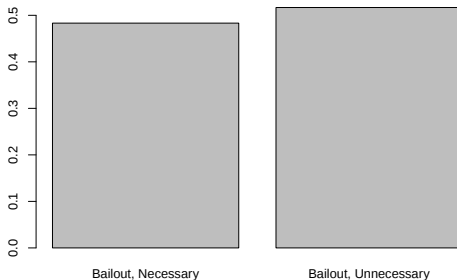


Figure 21: Was the bailout necessary?