

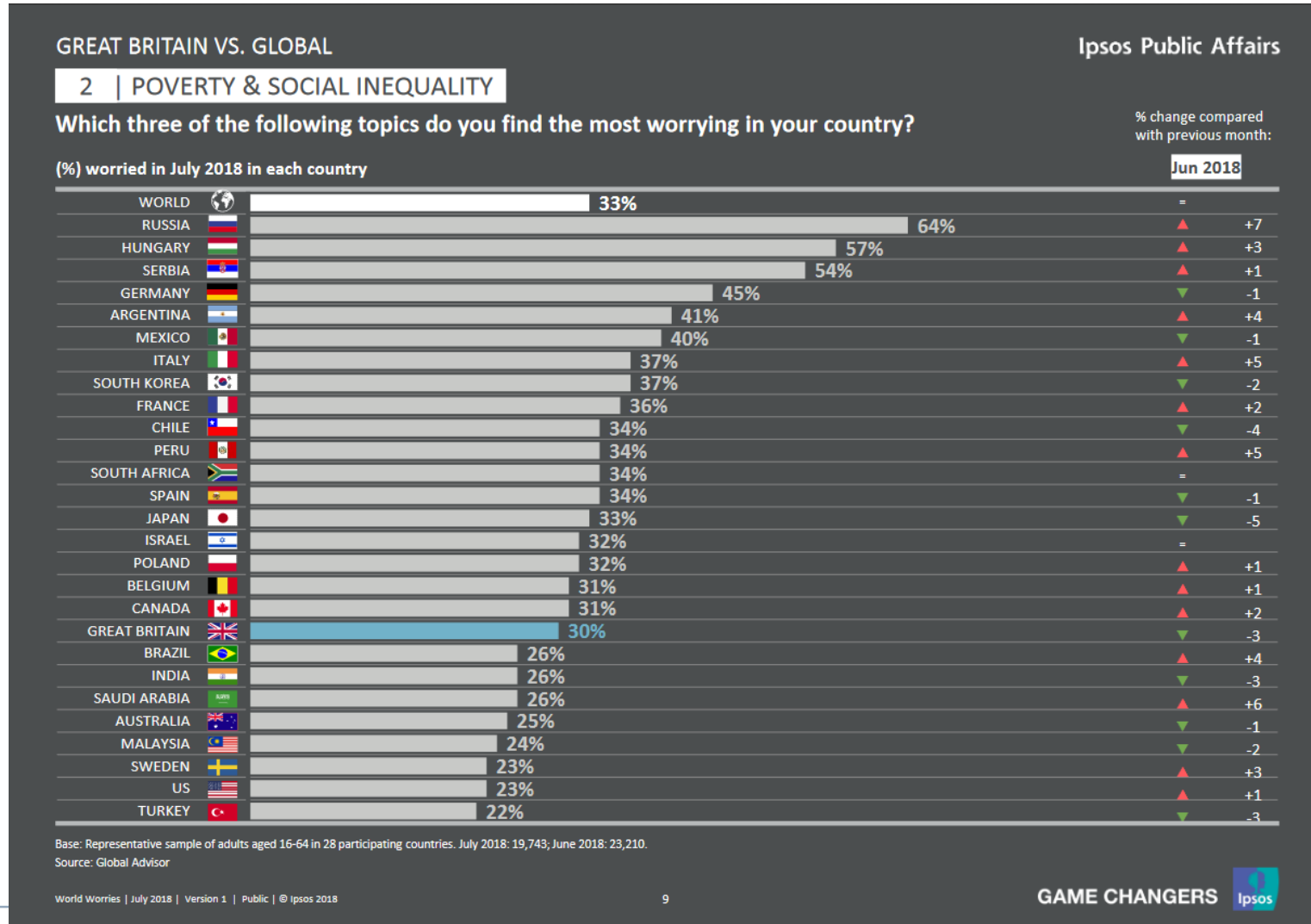
Actual and perceived inequality

An international comparison



What worries the world?

Ipsos Public Affairs online panel, July 2018

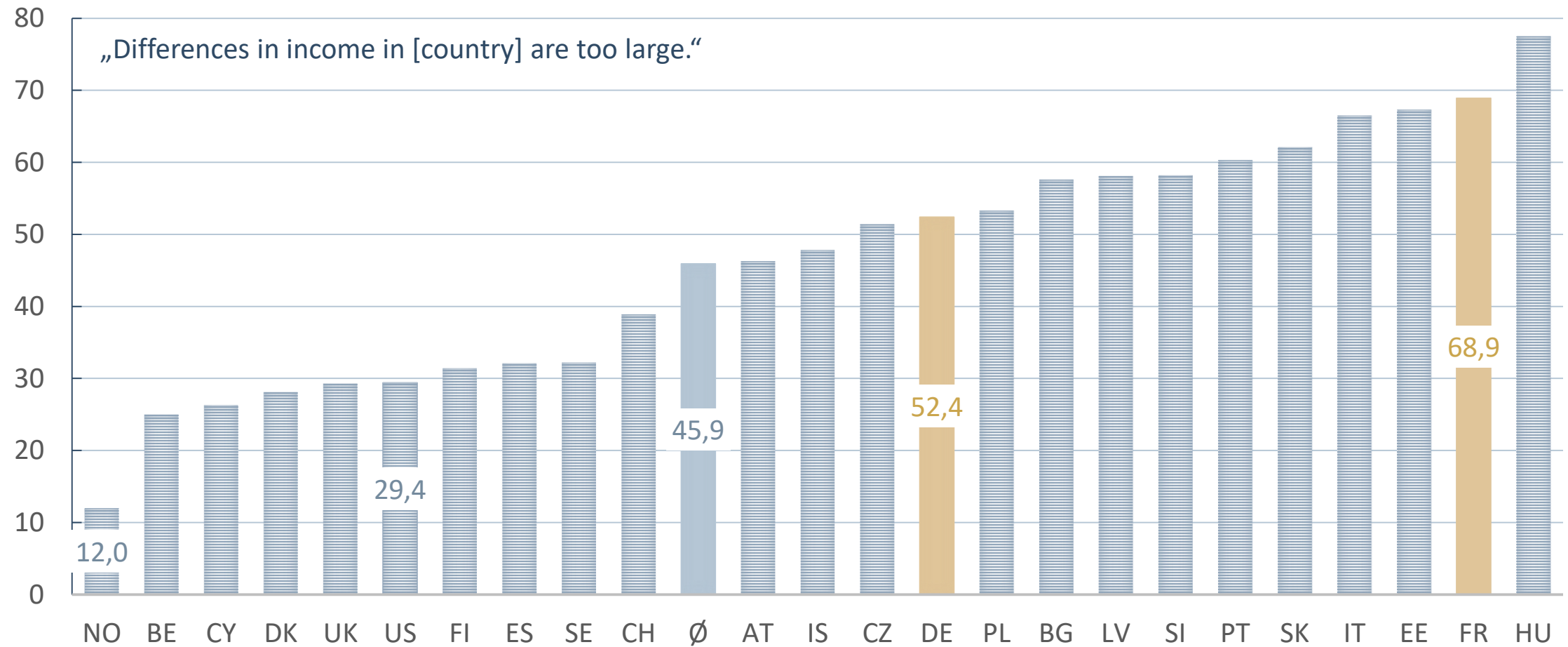


Agenda

- 1 Views on inequality
- 2 Perception of inequality
- 3 Possible explanations

Critical evaluation of income differences

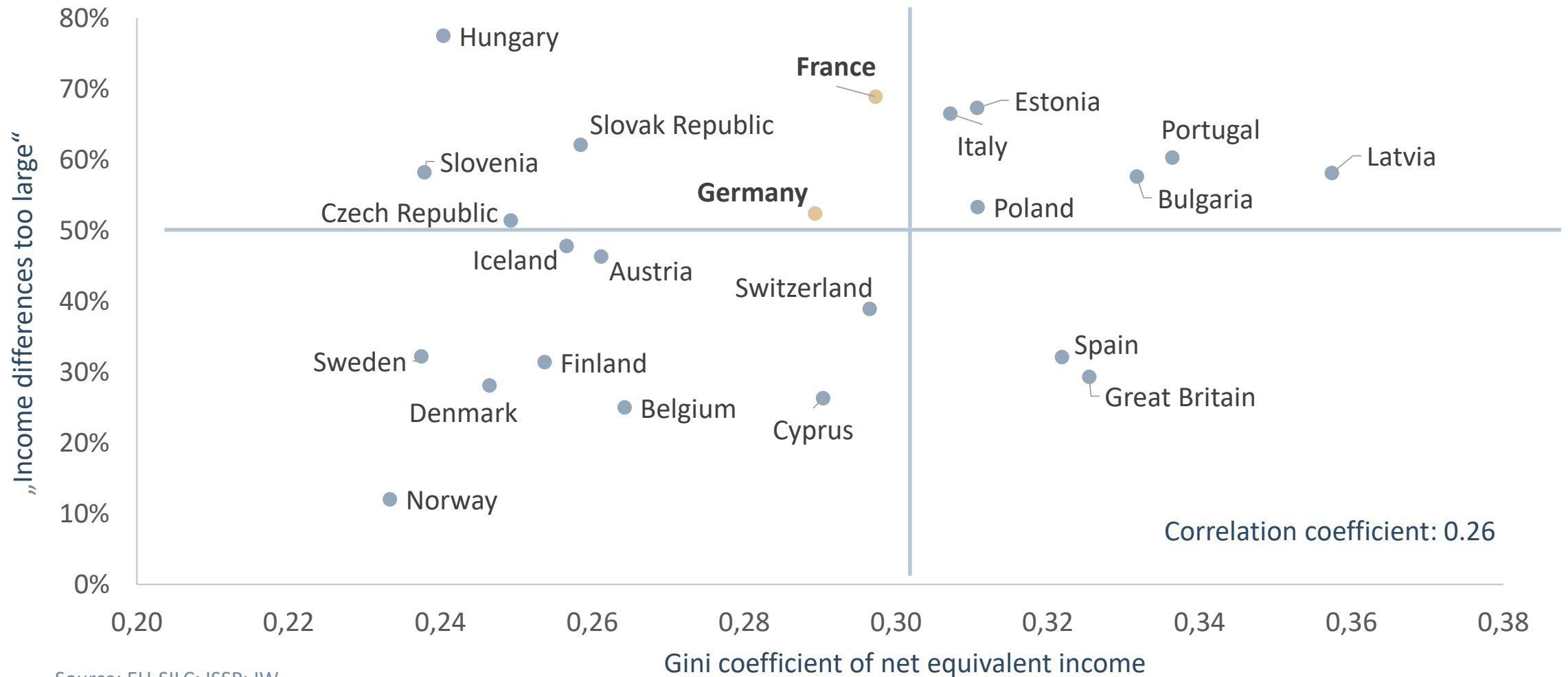
Share of respondents who „strongly agree“ in percent, 2009



Source: International Social Survey Programme (ISSP); IW

But: almost no relationship with actual income inequality

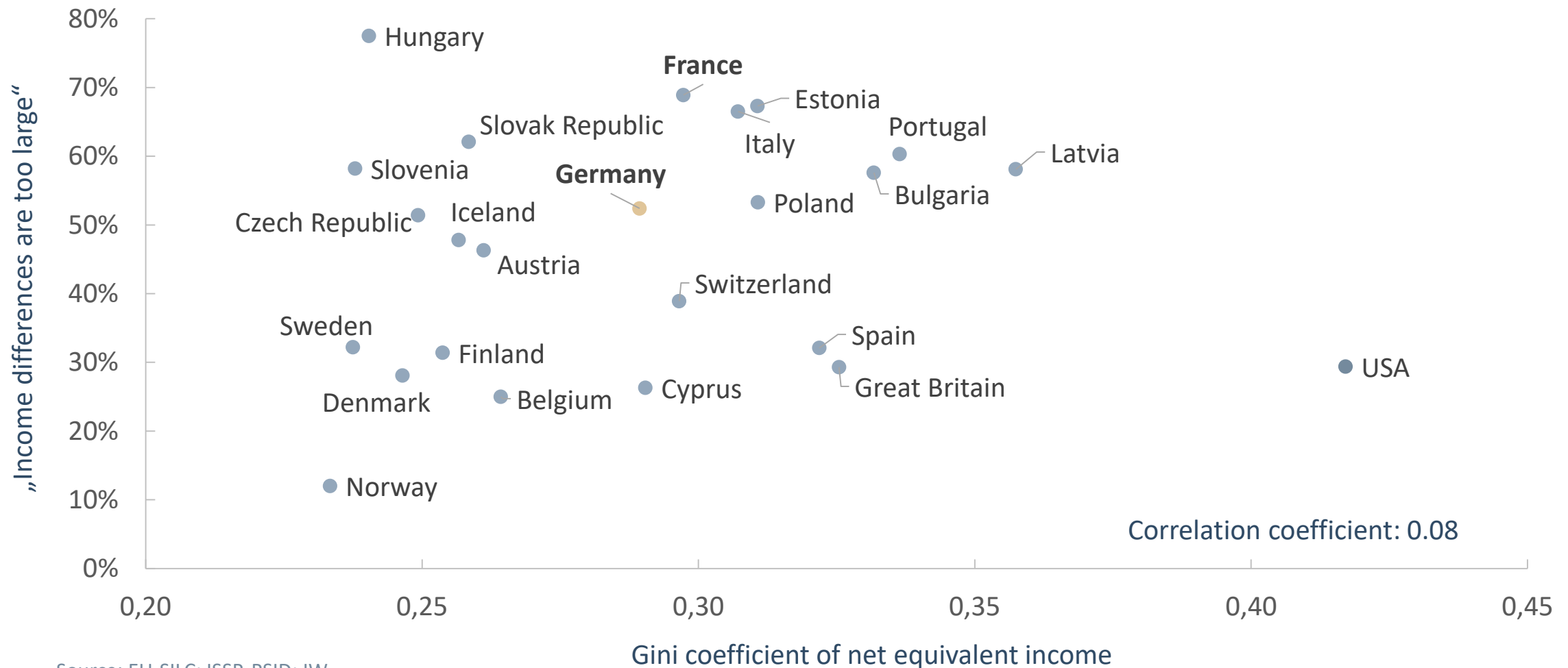
Evaluation of income differences and actual income inequality, 2009



Source: EU-SILC; ISSP; IW

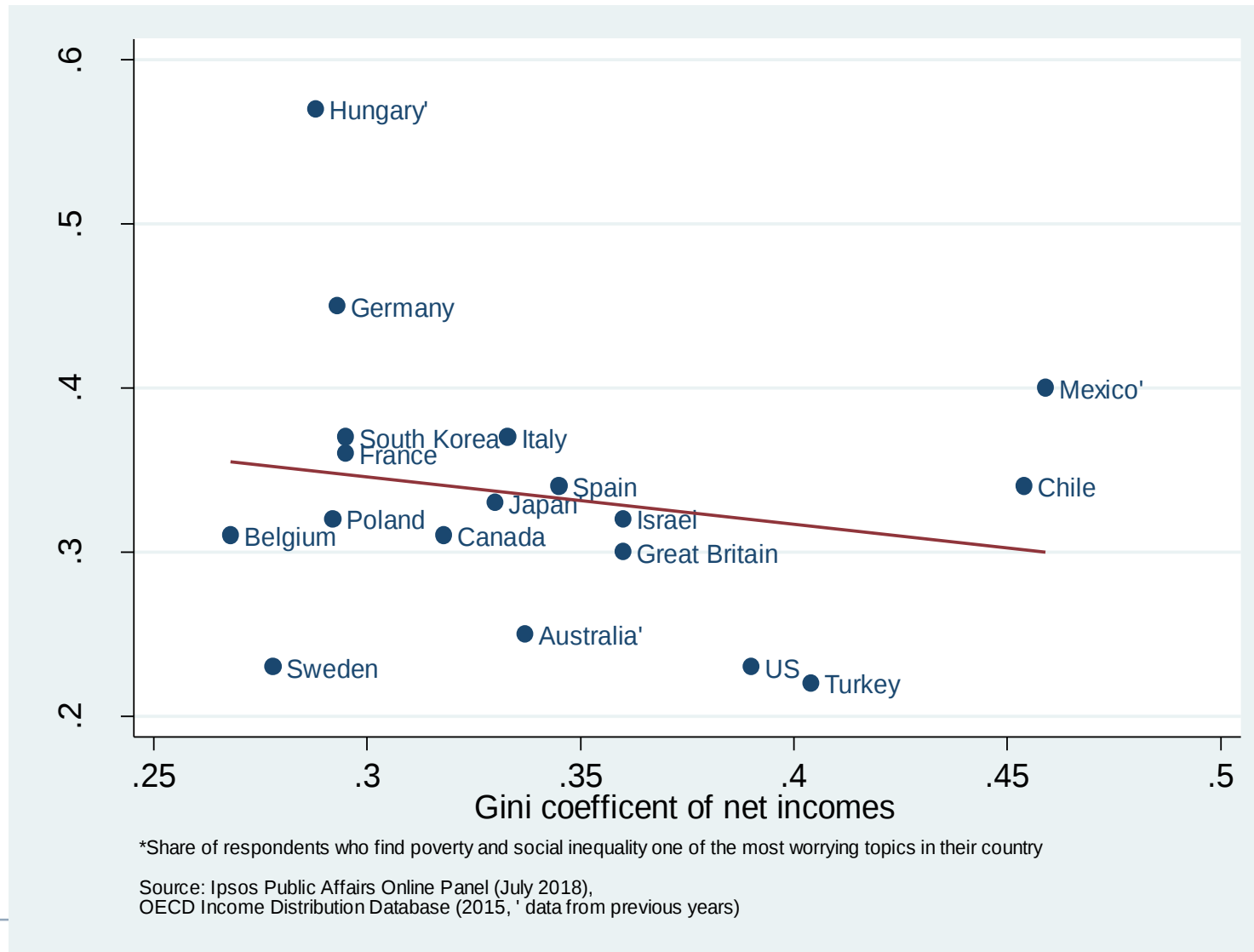
...even less, if the USA are considered

Evaluation of income differences and actual income inequality, 2009



Source: EU-SILC; ISSP, PSID; IW

Worries about inequality and actual inequality



Agenda

1

Views on inequality

2

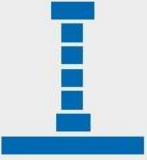
Perception of inequality

3

Possible explanations

Perceived type of society

Response rates in percent, 2009

	 TYPE A	 TYPE B	 TYPE C	 TYPE D	 TYPE E
Norway	2.1	10.8	23.6	56.4	7.1
Hungary	56.6	32.3	6.0	3.7	1.4
Germany	18.8	35.4	23.0	18.6	4.2
France	16.4	53.6	16.3	12.1	1.6
Switzerland	6.7	24.8	25.0	39.8	3.7
USA	17.1	38.9	15.0	26.0	2.9

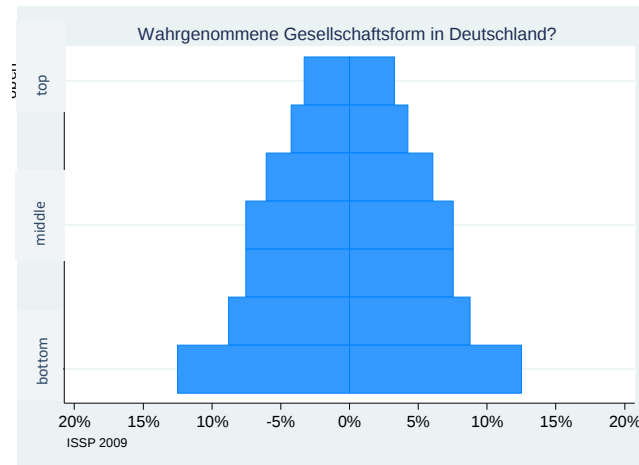
Source: ISSP; IW

Perception of society and income distribution

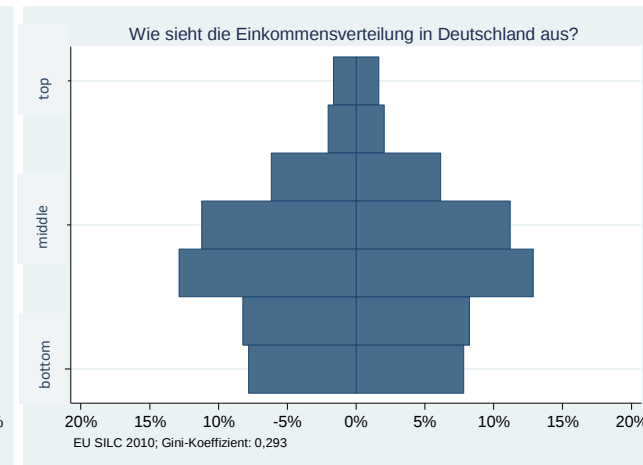
Population shares in percent, 2009

Germany

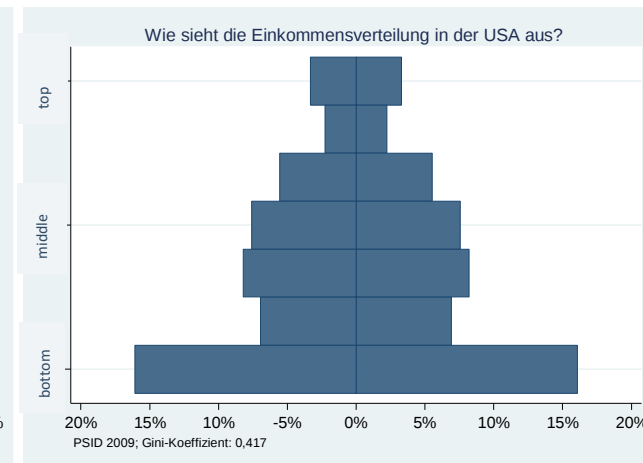
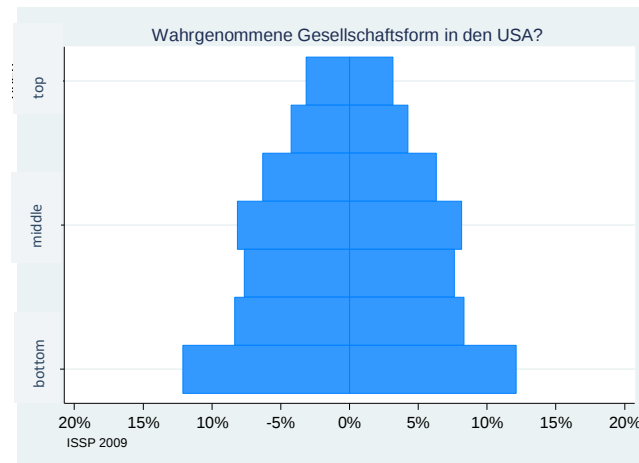
Perceived type of society



Actual income distribution



United States



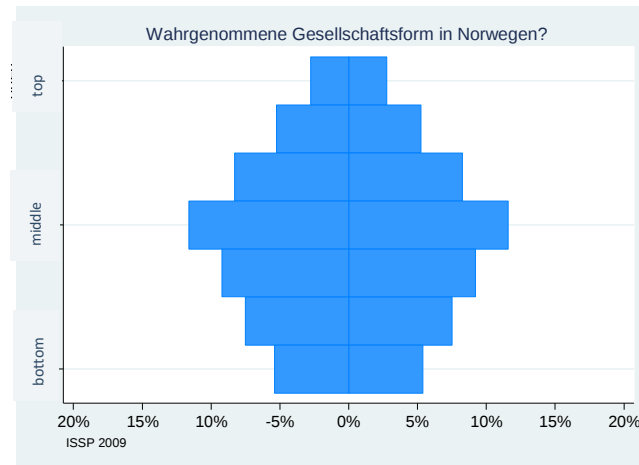
Source: ISSP, PSID, EU-SILC, IW

Perception of society and income distribution

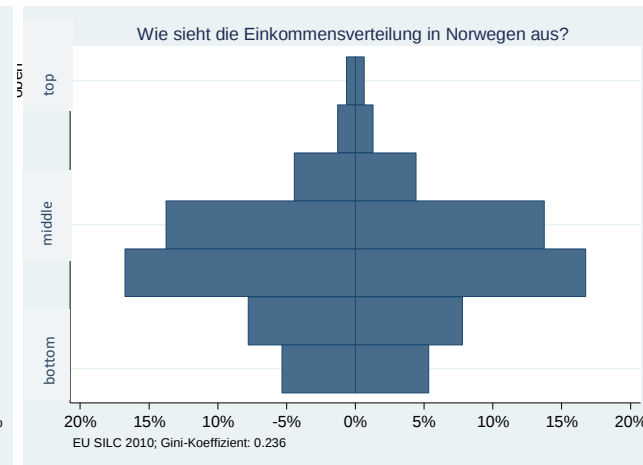
Population shares in percent, 2009

Norway

Perceived type of society

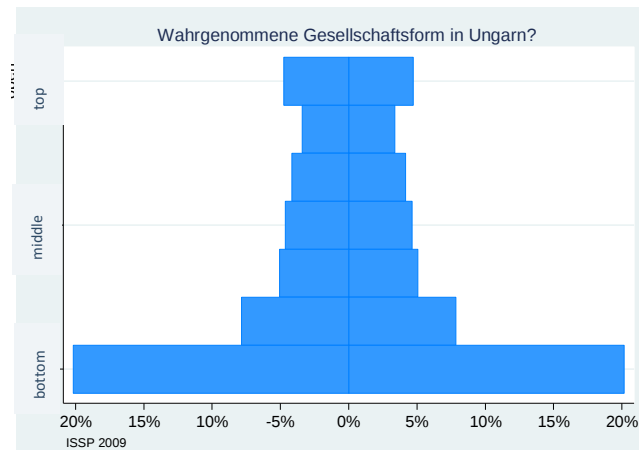


Actual income distribution

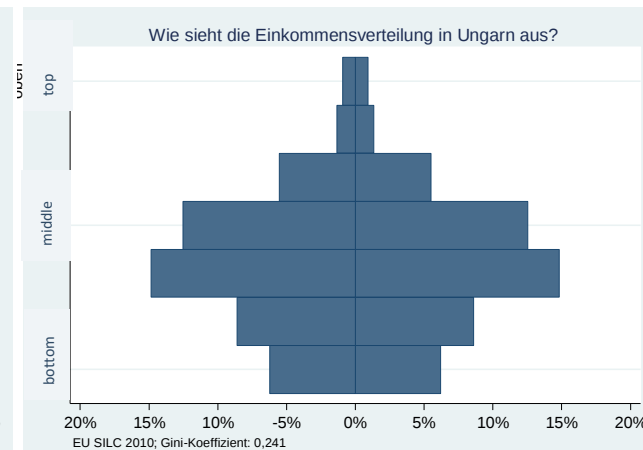


Hungary

Wahrgenommene Gesellschaftsform in Ungarn?



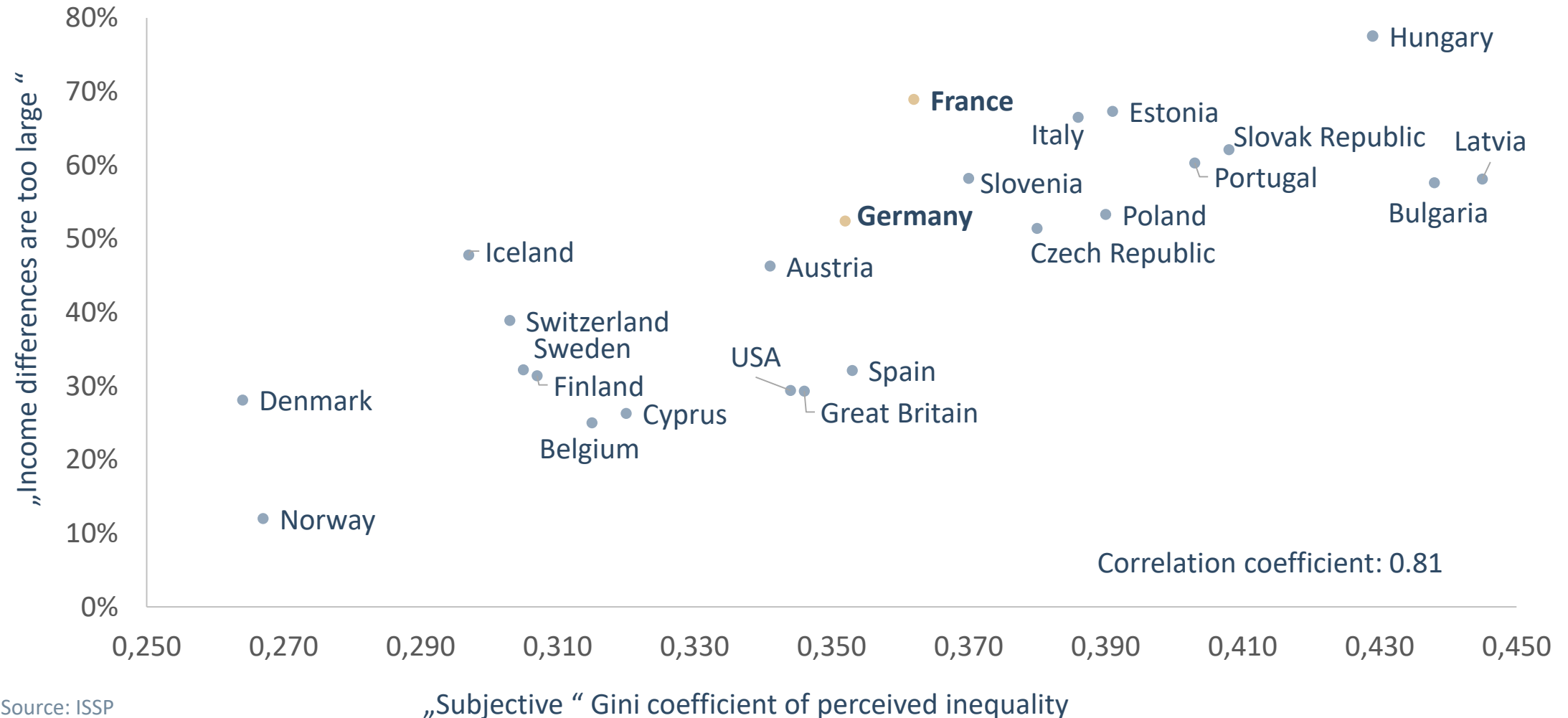
Wie sieht die Einkommensverteilung in Ungarn aus?



Source: ISSP, EU-SILC, IW

Perceived inequality as explanatory factor

Evaluation of income differences and perceived inequality, 2009



Source: ISSP

Table 9: Inequality perceptions and support for government redistribution

	<i>Dependent variable: Government should reduce differences in income.</i>										
	<i>(A)</i>					<i>(B)</i>					
	<i>Country level, OLS: average response where 5 = "strongly agree," 1 = "strongly disagree."</i>					<i>Individual level, ordered probit: 5 = "strongly agree," 1 = "strongly disagree."</i>					
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
Gini (pre-tax-and-transfers)	-.57 (.84)					-.61 (.75)					
Gini (post-tax-and-transfers)		-.03 (.58)		-1.51** (.60)	-1.52*** (.55)		-.15 (.42)			-1.42*** (.46)	-1.68*** (.40)
Perceived Gini (country average)			7.35*** (.96)	8.52*** (.98)	8.17*** (1.07)				5.56*** (1.12)	7.13*** (.93)	6.91*** (.99)
Perceived Gini (respondent)								3.11*** (.35)	1.92*** (.19)	1.94*** (.19)	1.86*** (.18)
Ln GDP per capita					-.04 (.09)						-.02 (.08)
Ln population					-.01 (.05)						.01 (.04)
Constant	4.12*** (.39)	3.87*** (.20)	1.46*** (.33)	1.57*** (.29)	2.03* (1.20)						
N	40	40	40	40	40	53,633	53,633	50,632	50,632	50,632	50,212
R ²	.01	.00	.45	.52	.53						
Pseudo R ²						.00	.00	.02	.03	.03	.04

Source: ISSP 2009, SWIID 5.0. Penn World Tables 8.0 for GDP per capita, World Bank WDI for population.

Notes: Robust standard errors, clustered by country in panel B. Column 11 also includes controls for sex, age, marital status, and higher education (coefficients not shown).

Source: Gimpelson / Treisman, 2015, NBER Working Paper, No. 21174, S.22

Agenda

1

Views on inequality

2

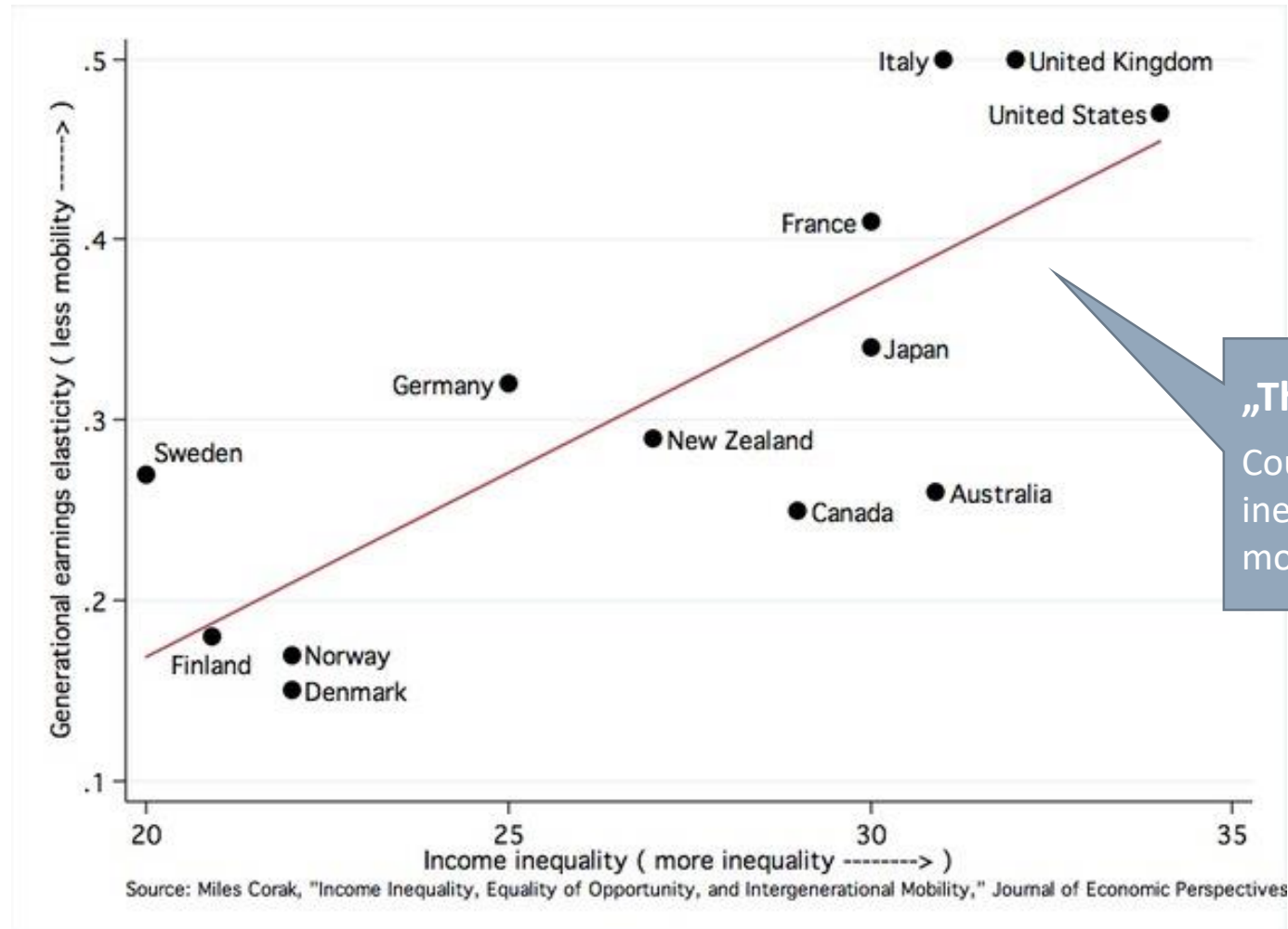
Perception of inequality

3

Possible explanations

„American Exceptionalism“?

Relationship between intergenerational earnings mobility and income inequality



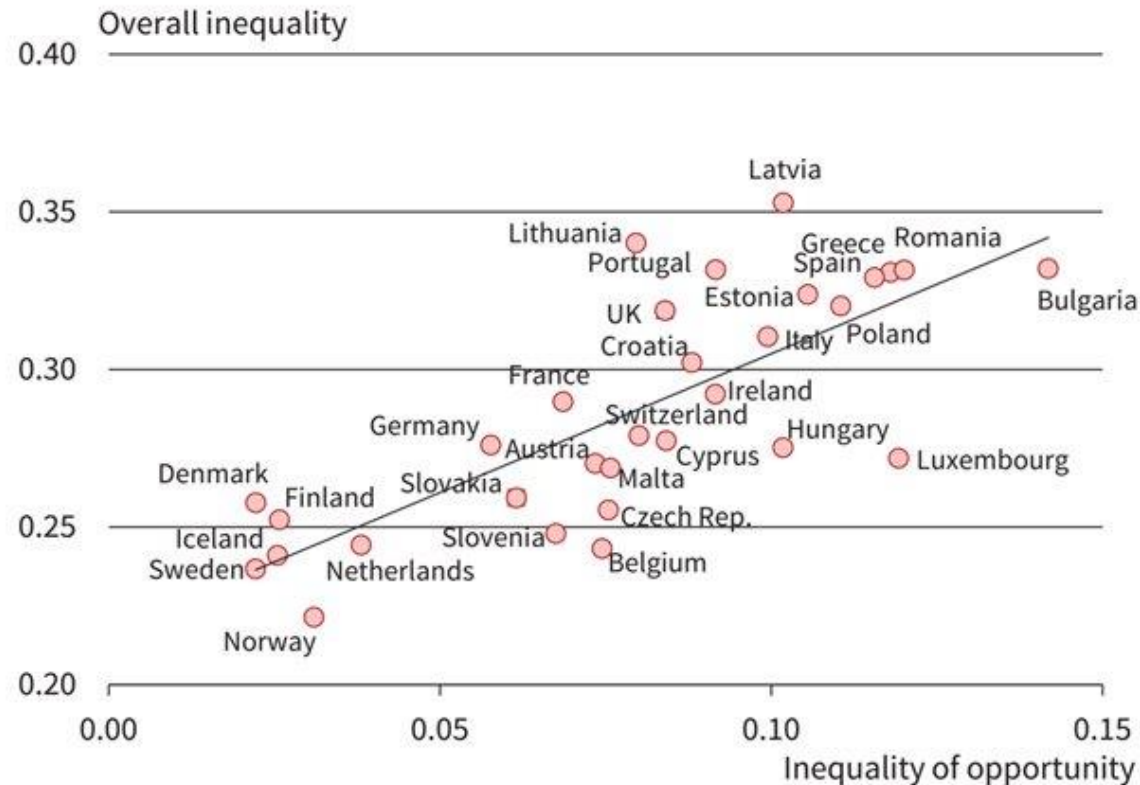
„The Great Gatsby Curve“:

Countries with high income inequality correlate with less mobility

Updated "Great Gatsby Curve" for Europe

Inequality and Inequality of Opportunity

Measured in terms of Gini coefficients



Note: The Pearson correlation coefficients are based on the Gini coefficient and the inequality of opportunity measure. The correlation coefficients of inequality with inequality of opportunity is 0.771. Point estimates and standard errors are presented in Table A1.

Source: Hufe/Peichl (2018)

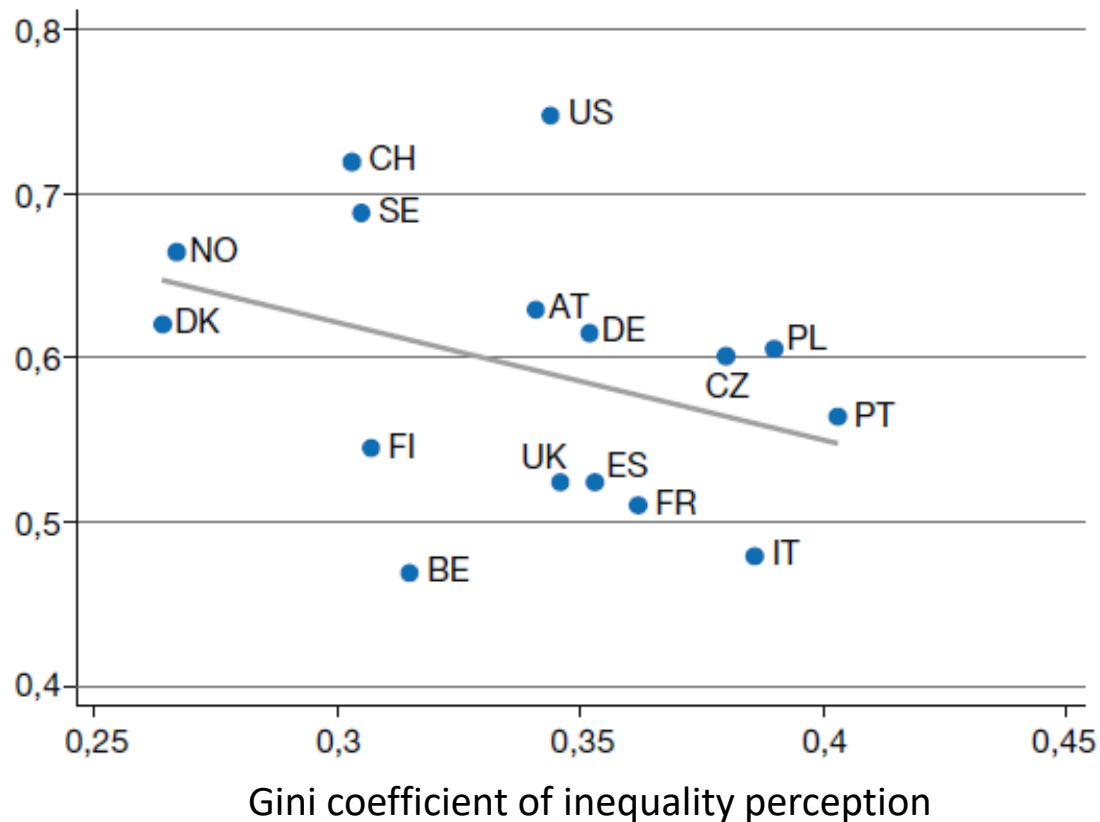
Source: EU-SILC 2011 cross-sectional (rev. 5 June 2015).

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Wealth inequality as explanation?

Wealth concentration and perceived inequality, 2009

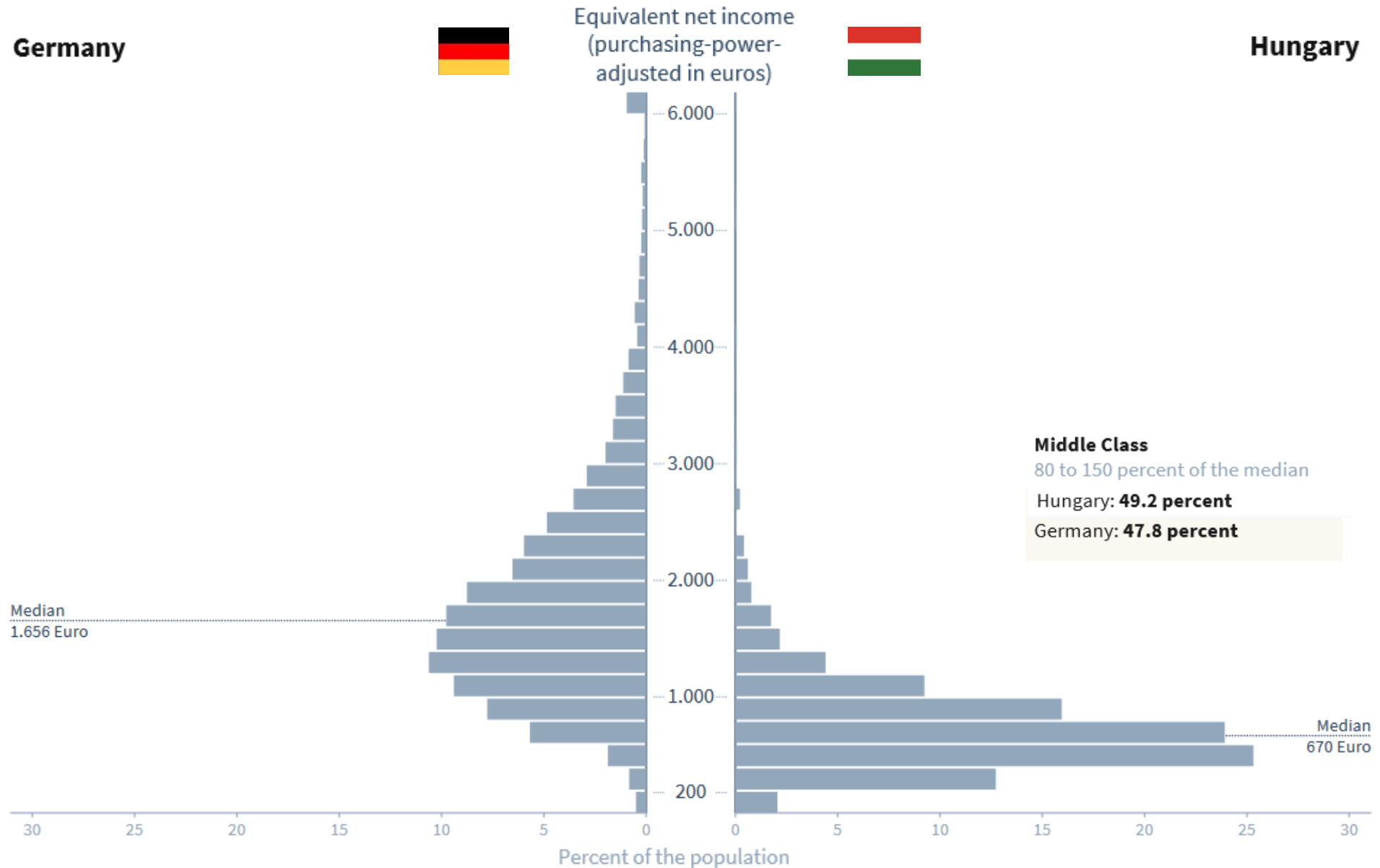
Net wealth share of the richest 10 percent



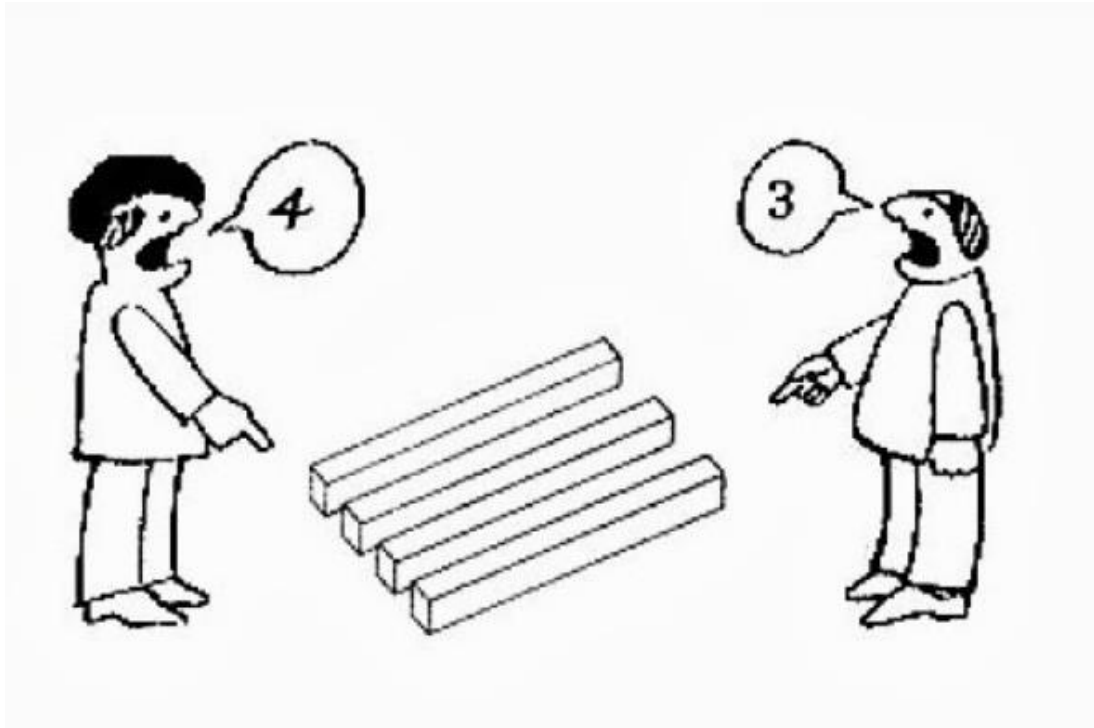
➤ In international comparison rather an inverse relationship with perceived inequality

Source: Niehues, 2016 (ISSP and Credit Suisse Global Wealth Databook 2014)

Purchasing power-adjusted distribution of incomes



People have no idea what inequality actually looks like



Source: Social Trademarks

“In recent years, ordinary people have had little idea about such things. **What they think they know is often wrong.** Widespread ignorance and misperceptions of inequality emerge robustly, regardless of the data source, operationalization, and method of measurement.”

(Gimpelson/Treisman, 2015, Washington Post)

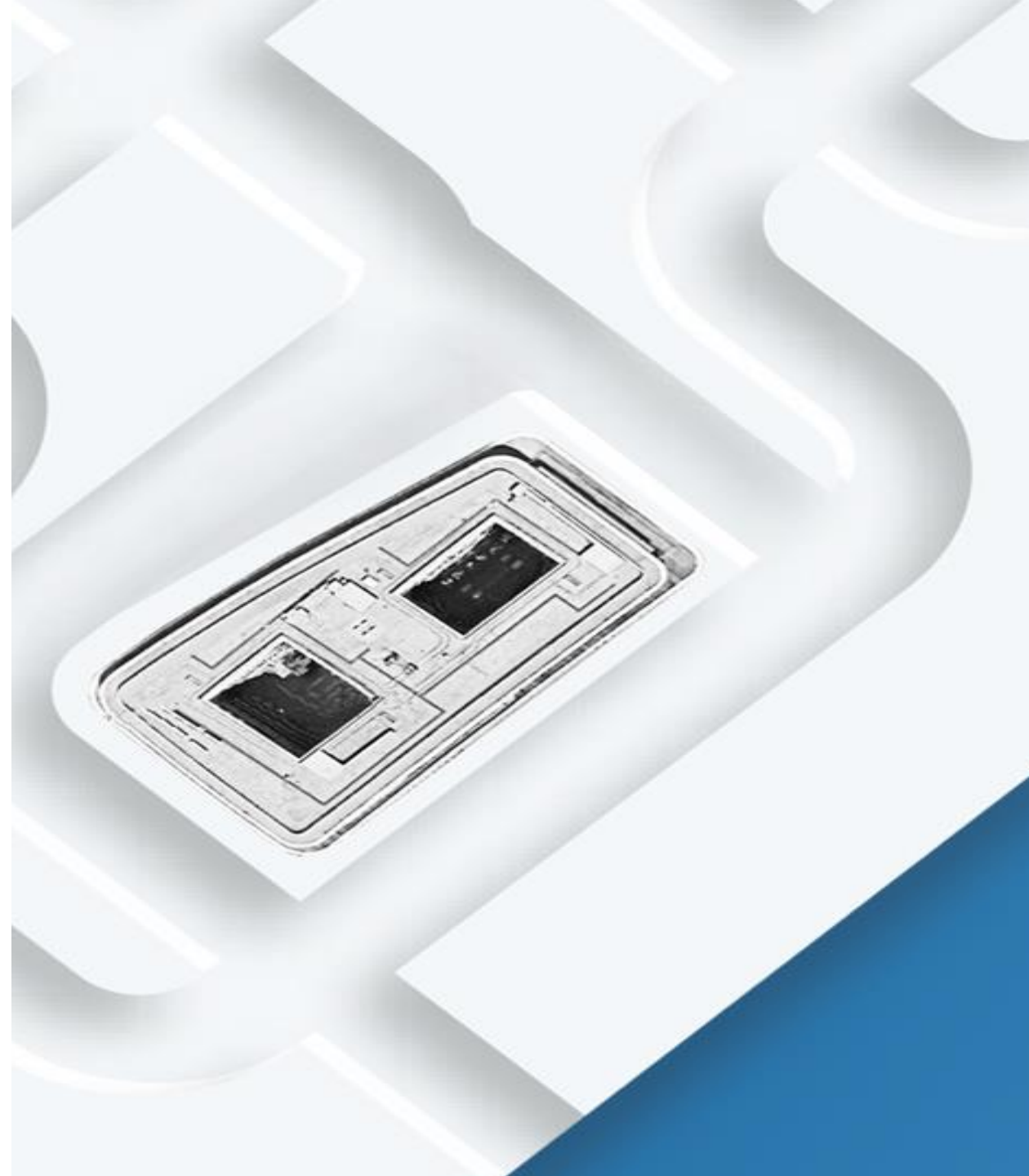
Dr. Judith Niehues

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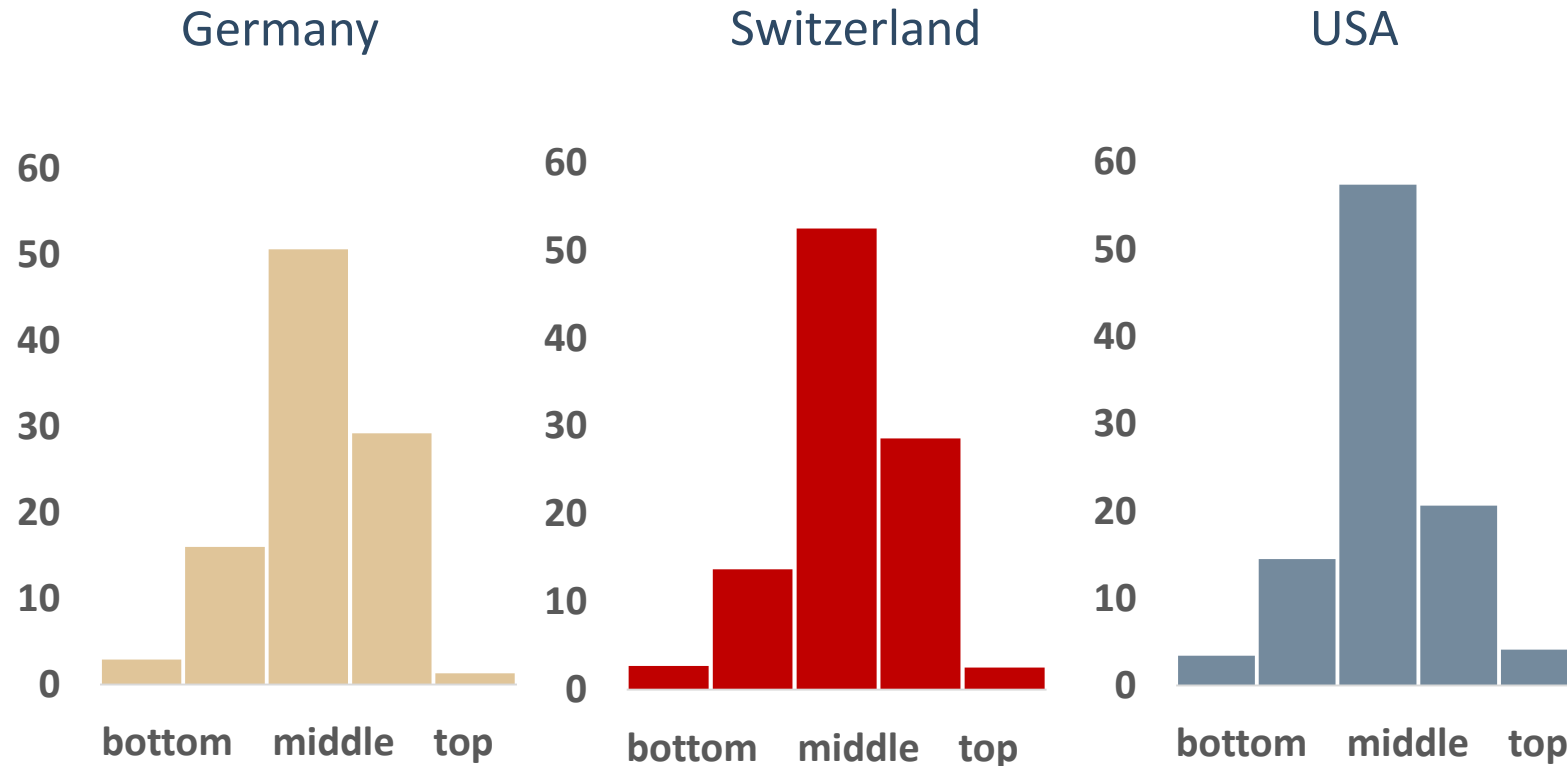
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Perception of position within society

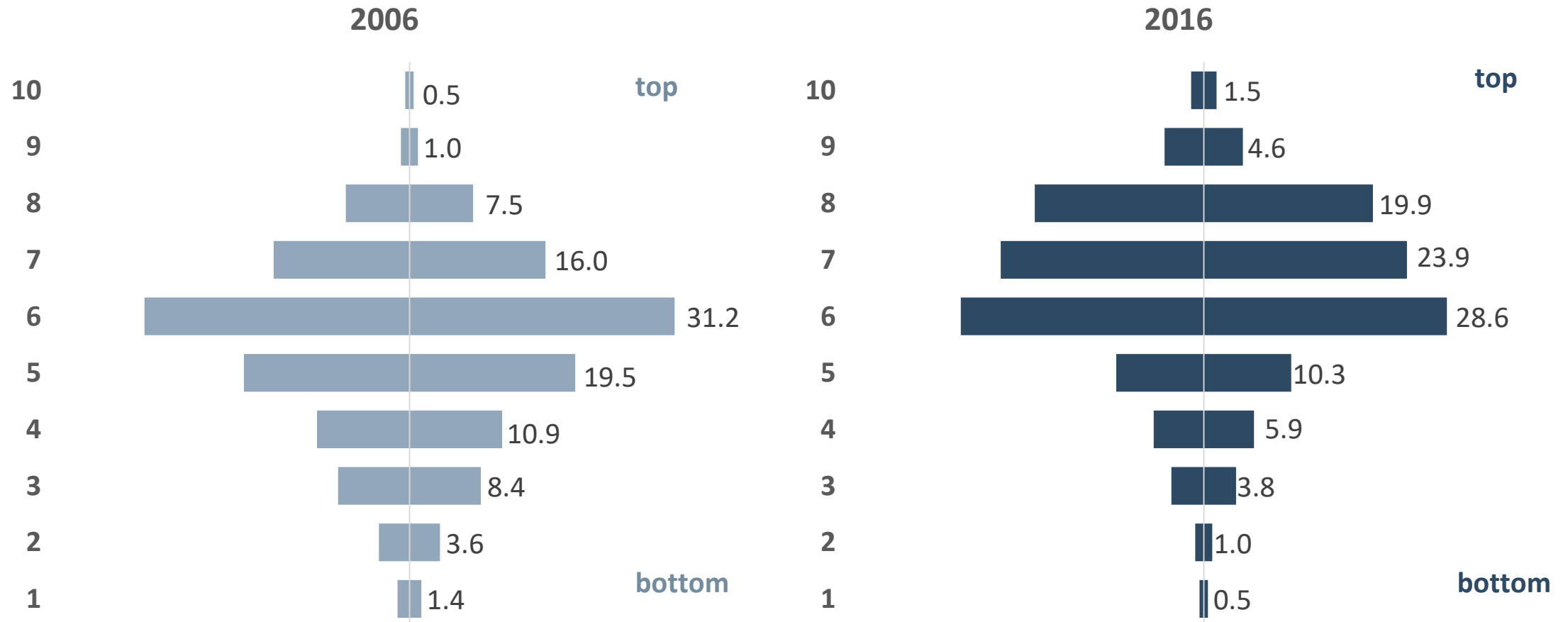
Self-positioning on a 10 point-bottom-top-scale in percent, 2009



Source: ISSP, IW

Upward shift in self-positioning in Germany

Self-positioning on a 10 point-bottom-top-scale, in percent



Source: ALLBUS – Cumulation 1980-2016; IW

Perception of inequality development

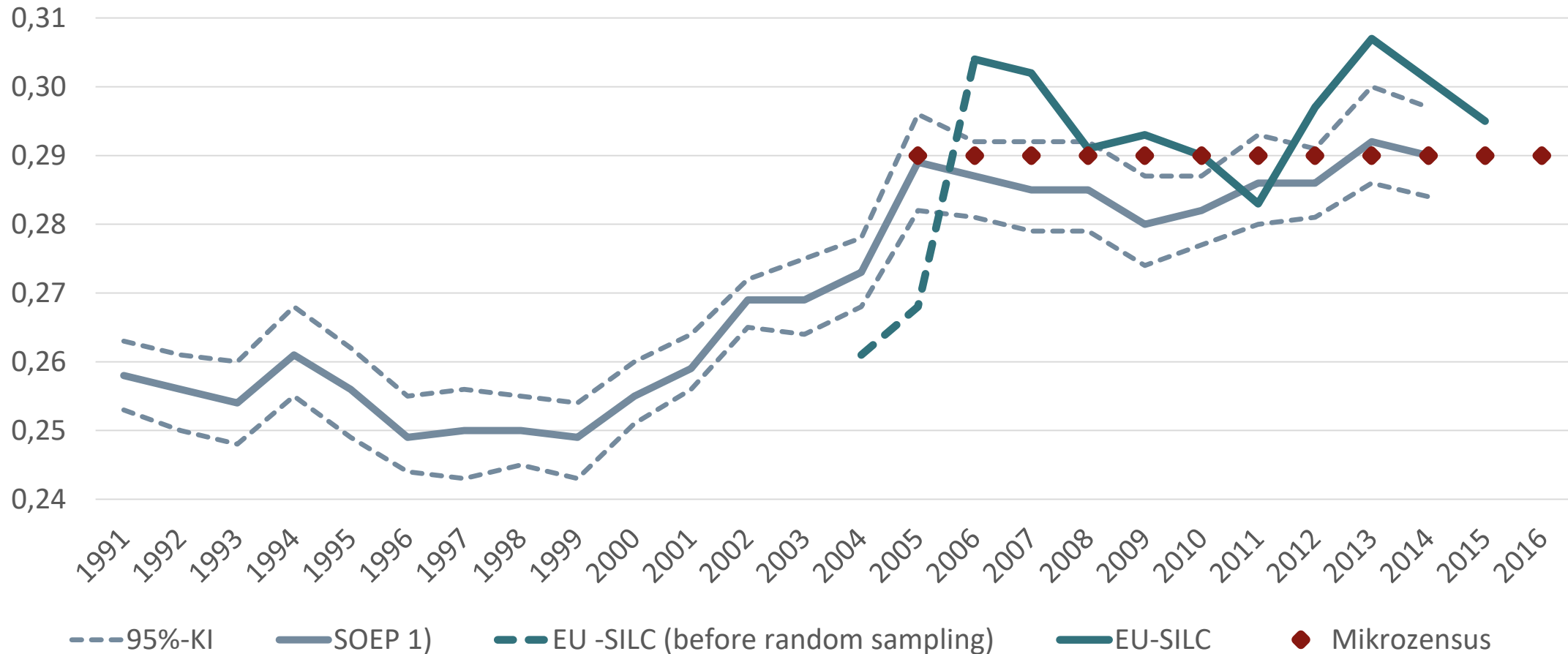
Table A4: Do people know how inequality is changing, 2013?

	Rich-poor gap increased	Rich-poor gap decreased	Rich-poor gap stayed same	Don't know or no answer	Actual change in Gini, 2007- 12, % pts.	Right answer	Percent that got right answer
Argentina	57	15	24	4	-2.55	Decreased	15
Australia	64	4	25	7	-0.03	Same	25
Bolivia	32	26	37	4	-7.75	Decreased	26
Brazil	50	25	24	1	-1.49	Decreased	25
Britain	72	3	21	4	-0.04	Same	21
Canada	76	2	18	4	0.29 ^a	Same	18
Chile	51	13	34	2	-0.64 ^a	Same	34
China	69	17	9	4	2.02	Increased	69
Czech Rep.	82	2	15	2	-0.99	Same	15
El Salvador	38	17	43	2	-3.42	Decreased	17
France	81	3	16	0	1.48	Increased	81
Germany	88	1	11	0	-1.28	Decreased	1
Greece	88	3	8	1	4.63	Increased	88
Indonesia	60	10	29	1	4.60	Increased	60
Israel	81	2	13	4	-0.08 ^a	Same	13
Italy	88	3	8	1	0.25	Same	8

Source: Gimpelson / Treisman, 2015, NBER Working Paper, No. 21174, p.37 (on basis of Pew Global Attitudes Survey 2013)

Development of income inequality in Germany since 1991

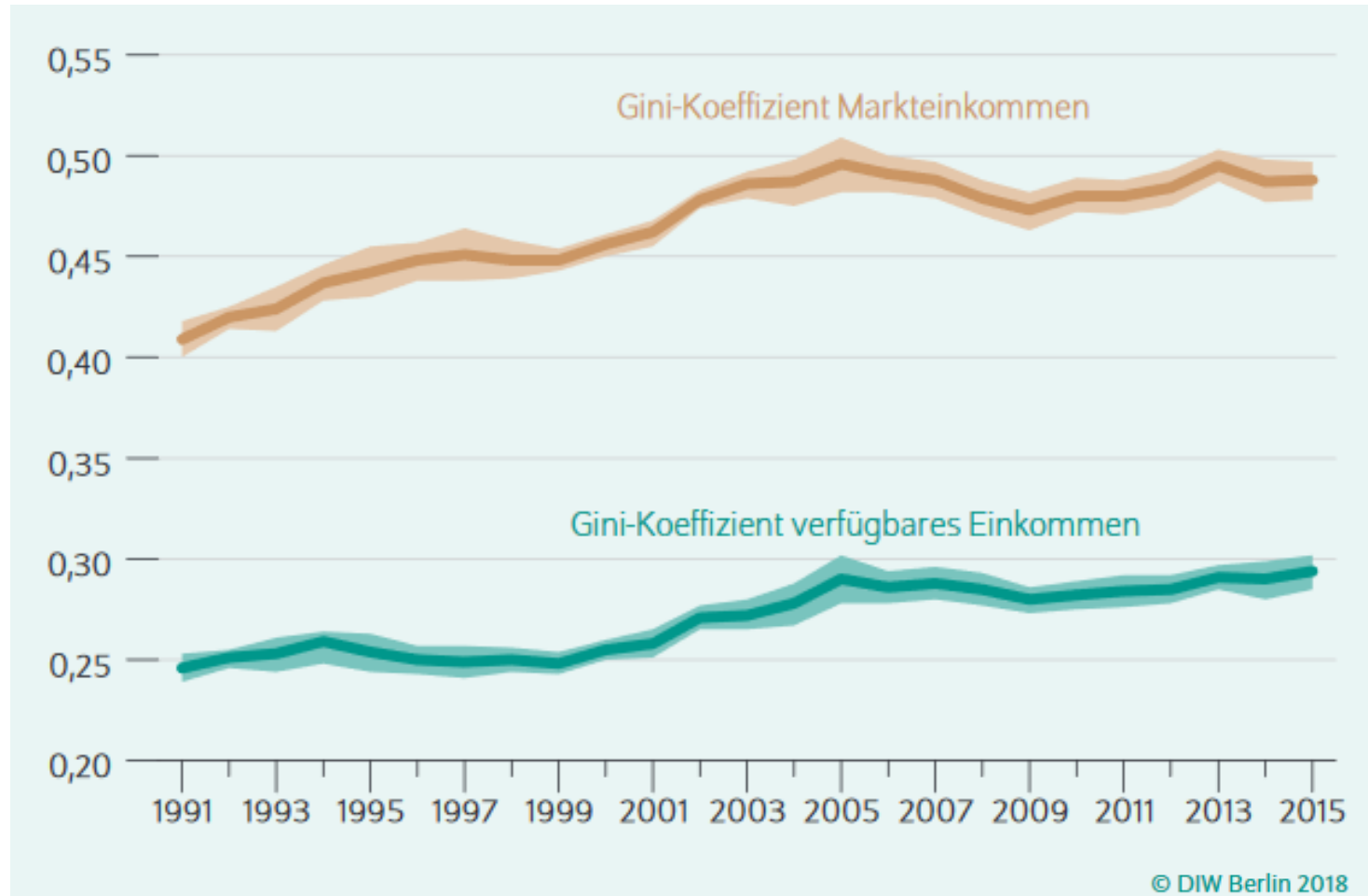
Gini coefficient of equivalent net income



Source: SOEP v32, Eurostat, destatis, IW

Development of income inequality – alternative sources

Gini coefficients of equivalent market and disposable income inequality



Source: Grabka / Goebel (2018, p.454) on basis of SOEP v33.1