

# **Social values for equality and preferences for state intervention in the USA and Europe**

Version 4

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# **Social values for equality and preferences for state intervention in the USA and Europe**

## **1. Introduction**

The welfare state and economic inequality have been on different trajectories in the United States and Europe over the past quarter century. Although there are many subtleties and nuances in international comparisons, it is fairly clear that economic inequality and poverty are now at a substantially higher level in the US than in most European countries, but governments in the United States do less about it.

Because other work<sup>1</sup> has already summarized the international evidence on economic inequality and the re-distributional impact of the state, the focus of this chapter is on why these differences might have arisen – specifically, we focus on whether and how preferences for equalizing public policies might differ. “American Exceptionalism” – the argument that Americans are just “different” in their preferences for equality – is one possible hypothesis. If American preferences for equality are different, then the reason why the social policies, taxation and expenditure decisions of governments have differed in the US, compared to Europe, may be just that Americans have made a different choice from the menu of possible inequality options. Among economists, this argument has been popular in recent years. For example, Alesina, di Tella and MacCulloch (2001), Alesina and la Ferrara (2001), Alesina and Angeletos (2004), Benabou and Ok (1998), and Piketty (1995) have argued that attitudes to inequality of outcomes in the United States are different, primarily because of a presumed greater US emphasis on economic mobility.

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<sup>1</sup> For example - Forster and d’Ercole (2005), or Osberg, Smeeding and Schwabisch (2003) or the other chapters in this volume.

Among sociologists and public opinion pollsters, an alternative hypothesis has been more popular. In this alternative view, Americans and Europeans share a general similarity in social preferences for economic equity and the reduction of inequality — but they differ in their attitudes to the feasible and legitimate role of government in reducing inequality. When, for example, the contributors to Kluegel, Mason and Wegener (1995) summarized the survey results of the International Social Justice Project<sup>2</sup>, they concluded that public attitudes to social justice are complex, sensitive to both process and outcome and sometimes quasi-contradictory — but they do not suggest that preferences for equality in the United States are fundamentally different from other affluent capitalist nations. Similarly, Kelly and Evans (1993:114) placed American attitudes to legitimate income inequality, controlling for differences in social structure, in the middle of their sample of nine countries.<sup>3</sup>

Of course, attitudes towards economic inequality and the role of government in redistribution are not the only influences shaping welfare state policies. In his classic typology of “liberal,” “conservative” and “social-democratic” welfare state regimes, Esping-Andersen (1990) emphasized that welfare state policy designs differ in their emphasis on preserving traditional family models and appropriate gender roles, their conception of individual social citizenship rights and the appropriate role of market processes and their relative emphasis on income security for the middle classes or income transfers for the indigent. Although these issues are all *correlated* with inequality in annual income, they are far from identical in policy implications. Svallfors (2004) and others have also emphasized that attitudes to welfare state policies are multi-dimensional, and that although there are important differences along class and gender lines, income differences are only part of the story.

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<sup>2</sup> The ISJP organized two large-scale cross national opinion surveys – in 12 countries in 1991 and in 6 countries in 1996 – to study popular beliefs and attitudes on social, economic and political justice. For full details, see <http://www.isjp.de/>

<sup>3</sup> One indicator of the isolation of the economics and sociology literatures is the fact that no reference to the International Social Justice Project or other sociological research (for example, Kelly and Evans (1993) or the Kluegel et al (1995) volume) can be found in the bibliography of any of the papers cited in the second paragraph of this section.

Even if attitudes to inequality are broadly similar, public policies might still differ if attitudes to government as an agent of change differ. Surveys which ask such questions as whether respondents agree “*It is the responsibility of government to reduce the differences in income between people with high incomes and people with low income.*” mingle the issues of outcome (lessened income differentials) and agency / responsibility. Some authors (e.g. Corneo:2000) have interpreted the responses to such questions solely in terms of outcome preference – but that ignores the possibility that it is disagreement on *means* rather than *ends* that distinguishes the USA and Europe. Notably, it is on questions such as whether it is “the responsibility of government” to provide full employment that the US differs most from European countries – *not* in attitudes to taxation or spending (Bonoli, George and Taylor-Gooby: 2000). Hence, this chapter asks whether public attitudes to economic inequality differ in the USA and Europe or whether the more important difference lies in attitudes to the appropriate role of government in changing inequality.

Section II of this paper begins by examining directly what people in different countries *say* about inequality when they respond to a battery of questions in the International Social Survey Program (ISSP) surveys of public opinion<sup>4</sup>. Section III then discusses briefly the problems of interpreting seemingly simple summary terms like “inequality,” “redistribution” or “public preferences” in such surveys. Section IV argues that the ISSP questions on what individuals in specific occupations “do earn” and what they “should earn” offer a particularly focused way of distinguishing between individual value preferences for more egalitarian outcomes and other confounding attitudes and perceptions — such as preferences for process or subjective estimates of the actual degree of inequality.

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<sup>4</sup> The International Social Survey Programme (ISSP) is a continuing annual programme which has, since 1983, co-ordinated the design of cross-national surveys covering a variety of social science topics. Full details are available at [http://www.gesis.org/en/data\\_service/issp/](http://www.gesis.org/en/data_service/issp/)

Our data suggest that although it is hard to find support for the hypothesis of systematically different preferences *on average* for aggregate economic (in) equality in the United States, there is evidence for:

- (1) *more polarization* in attitudes among Americans (which is consistent with recent United States voting behavior and opinion polling);
- (2) *similar* preferences in America and Europe for “leveling down” of the top of the earnings distribution;
- (3) *less* concern for a “social minimum” in the USA than in Europe.

Section V then discusses some evidence on American and European attitudes to government as the agent of redistributive change – and Section VI concludes.

< Table 1 about here >

## **2. Attitudes to inequality compared — what do people say?**

A seemingly straightforward way to find out whether people in different countries have different attitudes to inequality is to ask them directly. Table 1 reports the responses in the ISSP 1999, 1992, and 1987 surveys when individuals were asked the seemingly simple question: “In (your country) are income differences too large?” Clear majorities, in all countries, either “agree” or “strongly agree” with this statement. Indeed, in all countries there are extremely few people who “strongly disagree.” The main message of Table 1 is therefore the ubiquity of a generalized preference for “greater equality.” Although respondents in some countries are notably more emphatic in saying they “strongly agree” that income differences are too large (e.g., France in 1999 with 60.3 percent), there are several countries which had less emphatic

preferences for equality than the United States (25 percent in 1999) — for example, Australia at 17.8 percent and Germany at 20.5 percent in 1999.

< Table 2 about here >

Table 2 probes rationalizations for inequality. It reports the population average responses on a scale ranging from 1 (strongly agree) to 5 (strongly disagree), when respondents evaluated statements such as “Inequality continues to exist because it benefits the rich and the powerful” and “Large differences in income are necessary for [R’s country’s] prosperity.” A cell value such as 2.5 on the “benefits the rich” question can be read as saying that, on average, a country’s population is about evenly split between “agree” and “neither agree nor disagree.” This particular question is a fairly strongly worded item which may tap into latent class antagonisms — in particular the perception of capitalism as a rigged game and “unfairness” as the underlying explanation for inequality. Apparently, a lot of people buy this idea — at least somewhat — in all the countries surveyed. In 1992, for example, the average responses of Swedes (2.54), Australians (2.43), and Americans (2.51) are notably similar.<sup>5</sup>

Objectively, as Burtless and Jencks (2003) note, there is no good evidence that wider inequality produces more of any good thing, especially prosperity. However, political trends depend on the *subjective* assessment by citizens of the rationale for inequality. Presumably, even if greater inequality is undesirable in itself, one might accept it as a “necessary evil” — a price that must be paid if society as a whole desires prosperity. Do the citizens of modern capitalist nations, on average, accept this rationale for inequality? Column two of Table 2 reports average responses to the item: “Large differences in income are necessary for (R’s country’s) prosperity.”

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<sup>5</sup> The 1999 US survey is an outlier, taken near the peak of the stock market and information technology bubbles, and at a time when unemployment was at its lowest level for a generation. It remains to be seen if this is a blip or a true structural break.

An average response such as 3.68 (United States 1999) can be read as equivalent to about two thirds of Americans being on the “disagree” end of the range between “neither agree nor disagree” (3) and “disagree” (4). With one exception (Austria, 1999) all countries, in all years, are in this range. It is notable that in 1999 the differences between the United States (3.68), United Kingdom (3.71), Norway (3.71), Sweden (3.67), Spain (3.68) and Germany (3.66) were minimal.<sup>6</sup> In both the United States and the United Kingdom there is a noticeable trend over time to greater percentages of the population disagreeing with this instrumental rationale for inequality.

Does the data support a distinction between an “old Europe” (which may emphasize greater equalization of outcomes because of a greater belief that there is inequality of opportunity) and a “new America” (which may believe that equality of opportunity exists, so equalization of outcomes is less imperative)? When respondents in different countries were asked which characteristics were necessary to “get ahead in life”, their perceptions of “equality of opportunity” can be gauged by their responses to whether having “well educated parents” and “knowing the right people” are important. The coded responses ranged from 1 (Essential) to 5 (Not important at all). On the “knowing the right people” item, the United States’ 1999 score (2.94) was at the “fairly necessary” end of this spectrum, with nearly identical average responses were found in Norway (2.92) or Australia (2.91) — and the 1999 average score was notably different from average US attitudes in 1992 (2.65) or 1987 (2.67). On the “well educated parents” item, which was asked in the US in 1987 and 1992, there was a noticeably greater tendency for Americans to perceive well-educated parents as “fairly” to “very” necessary for getting ahead in life. By contrast, respondents in Australia, Netherlands, Norway, and Sweden on average put well-educated parents into the “fairly” to “not very” necessary range.

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<sup>6</sup> With relatively large sample sizes, country differences in means generally pass a test of statistical significance, even if the empirical difference is not large —i.e. one can often be statistically sure of a socially insignificant difference.

In their subjective perception of greater barriers to intergenerational mobility than in Europe, Americans are in fact being fairly realistic. Miles Corak has recently examined the evidence on intergenerational income mobility and concludes that: “The United States and Britain appear to stand out as the least mobile societies among those rich countries under study. .... The Nordic countries and Canada seem to be the most mobile societies. Germany resembles the United States and the United Kingdom more closely than it does the other countries” (2004:9). Similarly, Entorf and Minoiu (2004) and Woessmann (2004) examine educational opportunities for children from different family backgrounds in Western European countries and the United States – Woessman concludes (2004:22) that “The results of this paper are generally in line with the broad pattern of the existing cross country evidence on intergenerational earnings mobility, which found that the United States and the United Kingdom appear to be relatively immobile societies.”

Similarly, when Americans and Europeans are asked whether a good education, ambition, natural ability or hard work enable an individual to “get ahead in life”, evidence of an attitudinal difference between the United States and other nations is similarly hard to find. If it were true that Americans tolerate more inequality of outcome because they believe that there is more equality of opportunity in the United States, then one would expect to find a tendency for Americans to ascribe more importance to personal characteristics in “getting ahead” than is the case elsewhere – but this is not the case. On average, other countries are “sometimes higher and sometimes lower” than the United States in the importance their citizens ascribe to individual personal characteristics. For example, in the responses of 1992 and 1987 to whether “good education” is important, the United States (1.8; 1.82), Germany (1.79; 1.78), Austria (1.64; 1.63), Italy (1.92; 1.97), and Canada (1.84) all had an average score in the range between 1 (essential) and 2 (very important).



The key point is that when one compares average responses to questions about the causes of inequality or respondents' values or perceptions of rationales for economic inequality, Tables 1 and 2 illustrate what Kelly and Evans (1993), Kluegel et al (1995) and Svallfors (1997) have also found — the United States is *not* a clear outlier. The average American response is usually “higher than some and lower than others” – which leaves the conundrum of explaining why US policy outcomes are so systematically different.

### **3. Conceptual problems in the identification of “public attitudes” to “inequality” and “redistribution”**

What do survey respondents mean to say when they answer questions about inequality or the fairness of the income distribution? The term “inequality” is often used in the sense of “differences between individuals in economic outcomes” (indeed, the questions underlying Tables 1 and 2 arguably interpret inequality in exactly this way). In discussions of wage inequality the average earnings of racial, ethnic or educational groups may be compared, or we may want to compare the earnings ratio of Chief Executive Officers and production workers in the USA (44:1) and in Sweden (21:1) in the year 2000. In this sort of comparison, it is enough to know the relative income of each type of person – the number of people with similar economic outcomes is not necessary information for the calculation of such ratios.

However, if one wants to measure the income share of the top 20%, or bottom 20%, or if one wants to calculate a statistical index of income inequality (such as the Gini ratio, Theil index or the coefficient of variation) one also needs to know *how many* people are at each income level (i.e. one needs to know the population density of particular incomes). In this second sense of the term “inequality,” the income ratio between *types* of persons is only part of inequality in the distribution of income in a population. When, for example, Atkinson wrote his fundamental

article on comparisons of inequality measurement in 1970, he started with the basic idea of “comparing two frequency distributions  $f(y)$ .”<sup>7</sup> “Inequality” in this sense refers to the dispersion of incomes in a population (and it is inequality in this sense which is the focus of the economics literature cited in paragraph two of Section I).

Although equal incomes for all persons would mean zero inequality in both the “differences between individuals” and “distribution within a population” senses, in general these two meanings of “inequality” are not at all the same. Indeed, any given set of income ratios between groups can generate widely varying estimates of aggregate income inequality (in the statistical sense of a Gini or Theil index), depending on the relative number of people in each group. Economists typically use measures of “inequality” in the statistical sense but it is not all clear that this is what the public understands when they are asked, for example, whether “Inequality continues to exist because it benefits the rich and the powerful.” And it is often not clear whether an aversion to greater Gini index of inequality is due to an aversion to the numbers of people who earn incomes at particular ratios or to changes in relative income gaps between particular groups.<sup>8</sup>

The crucial issue for present purposes is the fact that if individuals are to evaluate inequality in the “distribution within a population” sense, they must know the relative frequency of different levels of income (i.e. they must know  $f(y)$ ). There is a good deal of evidence that

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<sup>7</sup> Atkinson (1970) emphasized the potential ambiguity in international rankings of inequality when frequency distributions differ such that the Lorenz curves of the cumulative distribution cross.

<sup>8</sup> Imagine a society composed of lawyers earning \$100,000 and carpenters earning \$25,000. These income ratios are all one needs to know if the focus of enquiry is inequality in the “differences between individuals” sense – and all the information that a respondent would need to answer all the ISSP questions discussed in section 2. However, to discuss inequality in the “distribution within a population” sense, one needs to know the relative numbers of lawyers and carpenters. Moreover, a statistical measure (like the Gini index) can change either because relative income ratios change with constant numbers of carpenters and lawyers or because relative incomes remain constant but lawyers’/carpenters’ percentage of the population changes. Inequality in a statistical sense increases both if there are more carpenters (at the same wage) or lower wages for the same number of carpenters – but it is plausible that an observer may judge these two situations differently.

In general, if  $y_i = X_i \beta + u_i$  (where  $y_i$  is a person’s income and their characteristics are described by a vector  $X_i$  and the returns to those characteristics are summarized in the vector  $\beta$ , with the unexplained component  $u_i$ ) then the frequency distribution  $f(y)$  and any inequality statistics calculated from it depends on  $f(X_i)$  and on  $\beta$ , as well as on  $u_i$ . But inequality in the “between types of persons” sense is only about  $\beta$ .

estimates of the proportions of the population with particular income levels depend heavily on one's own socio-economic position. For example, Kluegel et al (1995:201) report that subjective estimates of the perceived frequency of 'middle class' incomes vary systematically with respondent income.<sup>9</sup> Evans and Kelley (2003) also note that there is a systematic tendency for survey respondents to place themselves "in the middle" of the income distribution, whatever their actual income.

Much of the literature on economic inequality also shifts casually between discussion of earnings differentials and broader concepts like income and wealth inequality. In practice, the distinction between earnings, income and wealth matters greatly — empirically, analytically and ethically. Income includes labor earnings, capital income and transfers from government, while wealth is derived both from own savings and inheritances — each element is driven by a different type of process, and people clearly have different opinions about the ethical status of these processes. Understanding the perceived social justice status of particular types of transactions is central to the research agenda reported in Kluegel, Mason and Wegener (1995). Indeed, many of the questions in the ISSP (e.g. those regarding the importance of "well educated parents" and "knowing the right people") are, in themselves, evidence that concern about inequality is not limited to outcome inequality, but also includes concern about the processes by which individuals gain access to preferred economic positions.

As well, in a market economy, wages have the dual, linked functions of rewarding individual economic agents and transferring economic resources to households. Labor market earnings provide an incentive to individual behavior, an estimate of individual market worth and a source of relative status — but this signaling and reward function for individuals does not map uniquely into household consumption. Household consumption (i.e. the deprivation of the poor

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<sup>9</sup> Academics who have surveyed the students in their classes often express surprise that university students (who tend to have parental incomes that are well above the national average) typically respond that they are "about average / middle class". But although students appear to have little idea about the fraction of the population with different incomes, they are actually quite normal in their mis-estimation.

and the affluence of the rich) depends on the number of household members who share a given income and on the presence of other income earners in the household – as well as on the taxes that are deducted from income and the value of any transfers or services received from government. Hence, the link between the labor earnings of individuals and the economic well being of households is a complex one. Inequality in the distribution of economic well-being depends on the ownership pattern of wealth, the demographic trends which drive household composition, formation / dissolution, the tax / transfer policies of government, the macro economic business cycle – and the interactions of all the above. As a result, answers to general questions about “the rich” and “the poor” mingle a great many perceptions and values.

#### **4. What people “do earn” and “should earn”**

Although a large literature has analyzed the statistical data on *objective* income inequality, the political attitudes and behavior of individuals depend on the *subjective estimates* which individuals have of income inequality and on the *subjective evaluation* of this perceived degree of inequality relative to an individual’s own norms of “fair” income differentials. Since individuals’ personal attitudes to inequality are conditioned on their own perceptions of “facts,” one must distinguish between subjective empirical estimates of inequality and the ethical evaluations that people may have of those perceptions. A fascinating series of questions, which enables such distinctions to be drawn, were asked in the ISSP of 1999, 1992 and 1987.

Respondents were first asked to estimate what salaries people in a list of jobs actually do earn. Then they were asked what people in these jobs should earn. In the 1999 ISSP, the jobs considered included skilled factory worker, doctor in general practice, chairman of a large national company, lawyer, shop assistant, owner/manager of a large factory, judge in the

country's highest court, unskilled worker and federal cabinet minister<sup>10</sup>. As section 3 has discussed, a person's general "attitude to inequality" may mingle empirical beliefs as to the size of income ratios, the frequency density of incomes and the processes that determine income levels – as well as embodying their ethical evaluations of both process and outcomes. Using the "do earn / should earn" question format holds these confounding issues constant at the respondent level. Each respondent's attitudes to what specific occupations "should earn" are conditioned on what that individual believes those occupations "do earn" (i.e. errors of estimation of actual earnings are directly controlled for.)<sup>11</sup>

In general discussions of inequality, there are great controversies about the capital income of "the rich," and the importance of inherited wealth. At the other end of the income distribution, the size and frequency of welfare transfer payments are also hotly debated. People are often wildly wrong in their estimates of the empirical importance of both welfare payments and inherited wealth – and these estimation errors are entwined with disputes about the ethical status of inherited advantages and transfer dependency. Disentangling the roles of values and estimates in generating attitudes is not easy. However, because the "do earn / should earn" questions are clearly restricted to differences in individual labor market earnings, they avoid the complex set of issues surrounding the importance and evaluation of different income sources, variations in labor supply or unemployment and the complexities of household size, composition

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<sup>10</sup> Respondents were also asked about their own occupation's income. The occupations considered in 1992 also included owner of a small shop and farm worker while the 1987 questionnaire also asked for city bus driver, secretary, brick layer and bank clerk (but not shop assistant or lawyer). Several countries have been in all three waves (notably the United States, United Kingdom, Germany and Australia) but others are more episodic. In some early versions of this paper, we did not use the data on what judges and cabinet ministers "do earn" and "should earn," because we worried that these responses might mingle individual attitudes to government with preferences for leveling in occupational rewards. Subsequent analysis has convinced us that the inclusion or exclusion of these occupations makes little difference. However, we continue to exclude the respondent's own occupation, since we want to focus on attitudes to inequality in society, not perceived personal injustice.

<sup>11</sup> In Sweden, Norway and the English speaking countries (including the Philippines, as well as Australia, New Zealand, Northern Ireland, the UK, USA and Canada), annual income before tax is the concept while Germany and Austria ask for monthly income before tax. "Net Income" is the concept asked for in Chile, France and Spain.

or “need” for income. Hence, they offer a particularly focused approach to disentangling preferences for equality from other confounding influences.

Our first approach to this issue is to calculate both the respondent’s perception of the actual degree of aggregate inequality and their perception of the equitable degree of inequality. We use the Gini Index of inequality, which has a maximum value of 1 (complete inequality – one person has all the income) and a minimum of zero (perfect equality - when all incomes are identical). [In actual data, the difference between the Gini index of annual income inequality in the most unequal country (the US) and the least unequal countries (i.e. Scandinavia) is about 0.14 if one adjusts for family size and allows for taxes and transfers – see Osberg (2003: 124).]

Given each respondent’s estimates of what occupations “do earn” and “should earn”, each person’s perception of “Actual Inequality” can be summarized by GiniA (the Gini index of inequality<sup>12</sup> of estimates of what the respondent thinks jobs “do earn”). We can label their estimate of “Ethical Inequality” as GiniE (the Gini index of inequality of what the respondent thinks each occupation “should earn.”)<sup>13</sup> The ratio between GiniE and GiniA is, for each respondent, an indication of how much their personal estimate of the actual degree of inequality in income ratios diverges from their own estimate of “equitable” inequality.

< Table 3 about here >

Table 3 presents the results for some major OECD nations. Reading down the first column, it is clear that, on average, Norwegians and Swedes perceive a substantially lower level of inequality in earnings than respondents in other countries (a perception that fits with objective

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<sup>12</sup> Other summary indices (e.g. Coefficient of Variation, Theil) of both “should earn” and “do earn” inequality have also been calculated – with very much the same implications. Szirmai (1991) uses Dutch data and calculates the percentage difference in the Theil index of should earn and do earn inequality as an index of “Tendency to Equalize.”

<sup>13</sup> This calculation implicitly assumes an equal number of people in each occupation – which is clearly not what any respondent actually believes is empirically true, but does standardize relative population weights for occupations across all respondents.

data). However, although statistical data tell us there are substantial differences in the actual inequality of earnings across countries, these objective differences are not reflected in similarly substantial differences in subjective estimates of inequality. In 1999, for example, the average subjective perception of Americans of earnings inequality in the United States ( $GiniA = 0.43$ ) was below the average of all countries (0.46), although actual data shows more earnings inequality in the US.

In Column two countries are compared in terms of the average subjective perception of inequality in what people “should earn.” In all countries some level of inequality in earnings is accepted as ethically justifiable — but Norway and Sweden are again clearly different in how much inequality should be tolerated. Since other countries have an average level of “should earn” inequality around 0.34, while US responses averaged 0.35, there is little indication here of any difference in US preferences for equality.

However, the third column of the table is the one that arguably has the most implications for the political process, since it presents the average discrepancy between perceived actual and perceived fair outcomes—i.e., the average (across persons) of the ratio between each person’s estimates of “should earn” inequality ( $GiniE$ ) and “do earn” inequality ( $GiniA$ ). In every country, in every year, the average respondent thinks there should be less inequality than the respondent thinks there actually is — the “should earn inequality” to “do earn inequality” ratio is always substantially less than one.

Although the Scandinavians perceive more inequality in earnings than there should be, this arises not because their estimates of actual inequality are higher but because their targets for fair, “should earn” inequality are so very much lower than in other countries. Notably, this similarity in attitudes to earnings inequality occurs in the context of substantially differing levels of common social expenditures. If the issue in evaluating inequality were “inequality in consumption possibilities” then a relatively high common “social wage” implies that market

income is less important as a source of effective consumption – an argument that would have predicted *less* emphasis on inequality of earnings in the Scandinavian countries.

In 1999 the average “tension” between perceived actual and perceived fair earnings inequality — the average “should earn” inequality / “do earn” inequality ratio – was about 0.75. The US average (at 0.82) could be read as indicating relatively little pressure in the US for more egalitarian outcomes – not because of any lesser desire for equality, but because perceived inequality (i.e. GiniA) was less than elsewhere.

However, calculation of a summary index of inequality (such as the Gini index) does not reveal which aspect of inequality matters most — whether individuals are more accepting of inequalities at the top or the bottom of the distribution. There is a broad measure of concurrence across countries in which occupations “should earn” the most and the least,<sup>14</sup> and the list of occupations in ISSP data contains an example from both the very top (chairman of a large national company) and the very bottom (unskilled worker) of the earnings distribution. Comparing the maximum and minimum “should earn” opinions of each respondent in the 1990s, the median respondents’ opinion of the overall range of acceptable outcomes in 1999 was largest in France (a Max/Min ratio of 7.5), which was nearly three times the smallest Max/Min ratio (Norway — 2.6)). However, cross-national differences were most apparent at the bottom of the distribution. There were relatively small cross-national differences in ethically acceptable income ratios at the top, although estimates of ethically acceptable “should earn” differentials are all far smaller than objective estimates of real world earnings ratios.

If one looks at either the median or mean estimates of acceptable “Top/Middle” earnings inequality (i.e. the “Max/Mean” ratios of what people “should earn”), it is hard to find support for the hypothesis of “American Exceptionalism” in ISSP data, since the United States is almost exactly in the middle of the pack of nations surveyed. The ethically acceptable ratio between the

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<sup>14</sup> We have compared across countries the “should earn” and “do earn” occupational rankings, which are essentially the same in the countries examined.



salary of the chairman of a large national company and the average worker was remarkably small (approximately 3:1) – and there was, in 1992 and 1999, a *downward* trend in mean and median United States perceptions of the acceptable Max/Mean “should earn” ratio.

However, ethical values are conditioned on what individuals believe to be the actual inequality of earnings. Even if Americans are not exceptional in what they think the Max/Mean ratio *should be*, they differ from other nations in the degree to which they underestimate top end earnings. Although objective data reveal a much larger, and widening, gap between average earnings and executive compensation in the United States than is characteristic of other countries, subjective (mis)perceptions of “do-earn” inequality are greater in the US – a fact which is likely to mute pressure for distributional change.

< Table 4 about here >

The objective data that is available indicates that the actual earnings ratio between production workers and Chief Executive Officers varies between approximately 20:1 and 50:1 – a ratio far greater than the subjective “do earn” estimates. In all countries other than Japan the average “do earn” estimate for manufacturing workers is remarkably close to actual data (and could plausibly be explained by the distinction between “Production” and “Skilled” workers). However, the subjective estimates of CEO compensation are well below objective data and the degree of mis-estimate of CEO compensation varies widely across countries – with American respondents being particularly likely to underestimate CEO pay.

The American tendency to underestimate actual inequality can also be seen in Table 3, which indicated that the average American preference for inequality in what people “should earn” (i.e. GineE) is pretty much at the average for all nations. The relatively low average “tension” between perceived inequality in what people “do earn” and desired inequality in what

they “should earn” in Table 3 arose from the fact that American respondents perceived less “do earn” inequality than elsewhere.

As Table 4 indicates, under-estimation of the earnings of the very affluent is a general phenomenon – the crucial issue is why Americans are particularly likely to under-estimate. One can conjecture that such misperceptions may be more likely in the anonymity of an automobile based culture, in which homogeneously poor and homogeneously affluent neighborhoods are geographically more isolated than is common in other countries – but we leave a full discussion to further research<sup>15</sup>.

## 5. Preferences for leveling

The ISSP data reveal a general consensus of opinion – both within and across nations – on the rank hierarchy of occupations, in both “do earn” and “should earn” income.<sup>16</sup> However, although individuals generally agree that, for example, a doctor does make more money than a skilled worker, and should make more money, there is a lot of disagreement about how much more. Individuals differ in that assessment, and the degree of “leveling” that they desire can be estimated from the micro data. In the ISSP, each individual respondent identified their personal estimate of “should earn” ( $Y_i^*$ ) and “do earn” ( $Y_i^A$ ) income for a number of occupations. These data can be used to estimate, for each respondent, a simple linear regression of the form:

$Y_i^* = b_0 + b_1 Y_i^A$ . The ratio between “should earn” ( $Y_i^*$ ) and “do earn” ( $Y_i^A$ ) income is, at the margin, captured by the  $b_1$  coefficient, which can be understood as that individual’s preferences for the leveling of pay at the top. For most people,  $b_1 < 1$ , since most respondents think that some leveling is desirable. The constant term in this regression (i.e. the  $b_0$  coefficient) can be interpreted as each respondent’s estimate of the ethical minimum that anyone should receive.

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<sup>15</sup> One reader has suggested that American’s belief in the myth of equality of opportunity may explain this misperception but, as Section II noted, there is not actually much difference across countries in public perceptions of what it takes to “get ahead”.

<sup>16</sup> See Kelley and Evans (1993). Tables documenting this assertion are also available on request from the authors.

Together, for each respondent, the  $b_0$  and  $b_1$  coefficients measure the extent to which that individual thinks that incomes at the top should be leveled down and incomes at the bottom should be leveled up. However, since some respondents are of the opinion that “should earn” = “do earn”, for such people,  $b_1 = 1$ , and  $b_0 = 0$  – i.e. they think that no leveling at all is desirable.

If one thought that Americans had less egalitarian values (in the sense of a less desire for a leveling of earnings at the top), then one might expect to observe a systematically higher  $b_1$  coefficient in the United States than elsewhere – but on average that is not the case. The average rank (over all three ISSP surveys) of the United States’  $b_1$  coefficient was 16<sup>th</sup> for the median  $b_1$  coefficient and 13<sup>th</sup> for the mean  $b_1$  coefficient – which are both pretty close to the middle of a pack of 33.

However, an “average attitude” comparison across nations may be misleading. It seems plain that attitudes to inequality differ within countries but Tables 2, 3 and 4 – like much of the literature – rely on comparison of the average score. Regression based models (such as those reported in Kluegel et al (1995) similarly report the central tendency of a conditional distribution. However, the same median voter (and the same average attitudinal score<sup>17</sup>) may come from societies with very different political dynamics. If the median/average voter is at the center of a tightly compacted distribution of attitudes, a society might be cohesive in its attitudes and quite stable in its policies. If the same median is drawn from a polarized or bi-modal distribution of attitudes, majority rule means that the polity will be governed by whichever extreme can (perhaps temporarily) tempt the median voter to their side, and instability in policies and continual conflict are the more likely scenarios.

Up to this point, national attitudes to inequality within a country have been summarized in terms of the median or average (mean) individual. However, those people who support the status quo and think the existing distribution of earnings is fair will report “do earn” = “should

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<sup>17</sup> In a multivariate linear regression context, the mean/median attitude in Figure 3 should be thought of as the conditional mean, given personal characteristics, but the point remains.

earn” (i.e.  $Y_j^* = Y_j^A$ , which implies that for them  $b_1 = 1$ ). To the extent that there are many such people, there will tend to be an accumulation of  $b_1$  estimates at  $b_1 = 1$ . If attitudes to inequality are polarized, analysis of political trends in terms of the “average voter,” or the characterization of entire societies as more or less egalitarian in preferences, may miss crucial differences.

< Figure 1 about here >

To assess how the *distribution* of leveling tendencies varies across countries, “a picture is worth a thousand words”. Figure 1 presents a graph of the distribution of preferences for leveling in the United States in 1987, 1992 and 1999. It portrays the percentage of the population at each value of  $b_1$  coefficient, as drawn using kernel density methods, which offer a way of smoothing the histogram frequency of the population at each value of  $b_1$  coefficient.<sup>18</sup> Its value lies in presenting a picture of attitudes which conveys much more information than summary statistics. In particular, Figure 1 shows that a notable feature of American attitudes is their bimodality. In all three years there is clear spike at  $b_1 = 1$ , as well as a substantial number clustering around a leveling preference of about  $b_1 = 0.5$ . Over time, there appears to have been something of a migration of attitudes among Americans, with an increased tendency to respond that “what is, should be” (i.e.  $b_1 = 1$ ) in the distribution of earnings.

< Figures 2 to 5 about here >

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<sup>18</sup> See Greene (2003:881) or <http://genstat.co.uk/doc/8doc/html/stats/KernelDensityEstimation.htm>

The general preference for leveling captured in the  $b_1$  coefficient does not directly address the issue of the ethically permissible range of earnings, and whether there is more concern with capping excessive rewards at the top of the distribution or limiting deprivation at the bottom. Figures 2 and 3 present the distribution of American attitudes to the Max / Mean and Mean / Min “should earn” ratios. As Figure 2 shows, there appears to have been a hardening of American attitudes towards excess earnings at the top — the modal value of the Max / Mean “should earn” ratio declines over time and becomes significantly more concentrated — at a level that is vastly different from the actual pay ratios reported in Table 4. As Table 4 also showed, these estimates of “should earn” inequality are conditioned on a very substantial under-estimate of actual pay differentials. Even given that under-estimate, it is notable how low the “should earn” ratio is. In contrast, attitudes to inequality at the bottom end have become more diffuse over time in the US. Figure 3 indicates that in 1987 data there was a noticeable clustering around a community norm of about 2.05 as an ethically permissible ratio of average to minimum earnings, but this consensus has eroded.

Figure 4 puts the distribution of preferences for leveling in the US, United Kingdom, Norway and Canada on the same graph. It is limited to a four-country comparison because additional countries clutter the figure visually, but its basic story can also be told with other countries’ data. The United States (with strong polarization) and Norway (with consensus) are poles of a continuum, with Canada (not entirely American in attitudes) and the United Kingdom (not entirely European in values) as intermediate cases. One way to summarize Figure 4 is to note that in all four countries there are a large number of people who are “levelers” — what is different about North America, and especially the United States, is that it also contains a substantial group who are satisfied with the status quo. As a result, the contrast between the United States and Norway is particularly striking. The bimodal distribution of Americans — with a convergence of attitudes around an acceptance of the status quo with little or no leveling

desired ( $0.9 < b_1 < 1$ ) and a second convergence at attitudes around substantial desired leveling ( $b_1 =$  approx. 0.5) - is apparent among both men and women, although with slightly different peaks.

Figure 4 indicates that there is a very strong convergence in Norwegian attitudes around a value of about  $b_1 = 0.66$ . However, if one could paint a picture of “social cohesion” in attitudes to inequality, it would probably look like Norwegian attitudes to a social minimum – i.e. the Mean / Min “should earn” ratio – see Figure 5. As other data in this paper has also indicated, Norwegians are on average in favor of reducing still further the already relatively small income gaps in Norway. In general, Norwegians stand out for social consensus and trust in the social capital literature, [see Helliwell (2003:25)] and for egalitarian and pro-welfare state attitudes - Svallfors (1997:295). Figure 5 shows a strong Norwegian consensus on the social minimum, while Figure 4 suggests a Norwegian convergence on desired leveling which is quite different from the UK, US or Canada.

Because Figure 4 does not indicate the distribution of preferences for leveling at different ends of the earnings distribution, Figure 5 compares the distribution of the Mean / Min Ratio of “should earn” incomes across countries. The relative unanimity of Norwegian opinion comes through very strongly, but there was clearly no similar consensus in the United Kingdom, Canada or the United States on relative minimum earnings in 1999.

## **6. Attitudes to government as the agent of re-distribution**

Even if attitudes to inequality have much in common across countries, citizens may still make different demands on their political systems if they have:

- (1) different perceptions of the feasibility of change in inequality or
- (2) different attitudes about whether government should be the agent of change.

Opinions or “values” about desirable social outcomes are only latent demands on the political system. Citizens have to believe (1) that something is desirable and (2) that it does not now exist, *and also (3) that it is possible, and (4) that it could and should be produced by government action* if they are to demand it from the political system. Citizens will not demand changes in social policy if they are convinced either that a desirable social end is hopelessly impractical or if they distrust the institutions that could implement that objective. Institutions thus play a crucial role in either translating values into policies, or in impeding their implementation.

< Table 5 about here >

Questions about attitudes to redistribution have been framed in a number of overlapping ways, in both the ISSP and in other internationally comparable data sets such as the World Values Survey. As Wegener and Liebigs (1995), Svallfors (1997) or Osberg, Schwabisch and Smeeding (2002) have found, international differences in responses about redistribution policy seem to be particularly sensitive to how exactly the role and responsibility of government is framed – but as Table 5 illustrates, on average Americans are considerably less likely than the citizens of other countries to say that it is the “responsibility of government” to reduce inequality. Mason (1995:69) notes that on the general question whether one can “trust in government to do what is right” US respondents show *more* trust than in many other countries, so American reluctance to rely on government is quite specific to redistribution. American respondents are, on average, least likely to agree that it is the responsibility of government to reduce income differences, and by a margin that is especially impressive given that respondents in the U S are starting from a considerably higher base level of inequality in market income.

Because international public opinion polling data report the answers to questions that respondents answer within a different concrete context, differences in the implicit frame of

reference of respondents can sometimes be important. For example, because Norway and the United States differ substantially in their current levels of income tax and social transfers, there is a different concrete meaning to a question such as: “If the government had a choice between reducing taxes or spending more on social services, which do you think it should do? 1) Reduce taxes, even if this means spending less on social services or 2) Spend more on social services, even if this means higher taxes.” A Norwegian “right-winger” could plausibly respond that there should be less redistribution and an American “left-winger” could say that there should be more, *even if they both actually wanted the same level of taxes and redistribution.*

When this question was actually asked in the 1996 ISSP, the percentage of Americans and Norwegians who were in favor of “more” spending on social services in 1996 was almost exactly the same (i.e., 60 percent in the United States and 59 percent in Norway). Other countries generally had fewer people in favor of more social spending (with higher taxes)—Australia (39 percent); Canada (43 percent); France (24 percent); Germany (40 percent); Italy (38 percent); Spain (56 percent); Sweden (43 percent); United Kingdom (71 percent). Notably it was the United Kingdom and United States—two countries with substantial recent growth in inequality—where respondents were most willing to say they were in favor of higher taxes and more social spending. Bonoli, George and Taylor-Gooby (2000:94) similarly find less desire for tax cuts and more enthusiasm for increased state spending in the UK and US than in European nations – albeit from a lower base level.

However, attitudes about spending on “social services” may not be quite the same as attitudes about “redistribution”. In discussions of “redistribution” it is often presumed that:

- (1) redistribution between rich and poor is in fact the objective of social transfers, and
- (2) the nation state is the community within which redistribution is desired.

With respect to the United States, many observers have questioned both assumptions.



Moss, for example, argues that from the first years of labour legislation in the United States, reform organisations “were motivated primarily by the problem of worker insecurity”(1996:2). The early proponents of social insurance were able to gather support across a wide spectrum of opinion, at a time when political discourse on labour issues was highly polarised, because of the ambiguous nature of social insurance proposals in combining radical and conservative objectives. Moss characterises the economist-reformers as “socially minded defenders of capitalism” (1996:14), who did not propose (as the Marxists did) to socialise capital, but instead proposed the socialisation of risk.

The movement for social insurance shifted the focus of American social policy from the relief of pauperism to the prevention of worker insecurity, which built on two themes that “since colonial times have pervaded the American discourse on poverty – the preference for prevention over relief and the distinction between the so-called worthy and the unworthy poor.” Moss:1996,39). The distinction between worthy and unworthy recipients of social support was maintained by separating the programmes intended for the employable from programmes meant for the non-employable, and by emphasising the contributory financing of social insurance programmes. As Moss puts it, the distinction between insurance and relief has, ever since, “cast a shadow of suspicion over all non-contributory forms of welfare and helped to narrow the scope of politically acceptable social policy in the United States” (1996:57).

One of the social costs of a set of programmes designed to safeguard the standard of living of the “honest worker” was its omission of benefits for socially marginalized groups. In the first years of Social Security in the US, agricultural laborers and domestic workers were excluded from coverage. Because African-Americans were then concentrated in exactly those occupations, they drew relatively little in benefits. Social Security coverage has since been broadened, and it has become a major income support for poor Americans, both black and white, but race and racism remain the big ugly elephants hiding in the tent of American social policy. As Lee and

Roemer (2004) put it: “Many authors have suggested that voter racism decreases the degree of redistribution due to an *anti-solidarity effect*: that (some) voters oppose government transfer payments to minorities whom they view as undeserving. We point to a second effect as well: that some voters who desire redistribution nevertheless vote for the anti-redistributive party (the Republicans) because that party’s position on the race issue is more consonant with their own, and this, too, decreases the degree of redistribution. We call this the *policy bundle effect*. The effect of voter racism on redistribution is the sum of these two effects.” Lee and Roemer (2004:33) numerically compute that during the period 1976-1992 voter racism reduced the US income tax rate by 11-18 percentage points; which decomposed about equally into the two sub-effects

## 7. Conclusion

This paper started with the observation that the United States has more income inequality than other developed countries, but government does less about it. This poses a problem for median voter “political economy” models, which predict that one should observe more, rather than less, income redistribution in the United States than in other affluent countries<sup>19</sup>. In partial response to the “missing redistribution” of American public policy, a recent literature has argued that there is something different about American values, compared to European attitudes, and that less redistribution is, essentially, what Americans want.

But are basic American attitudes to inequality different from those elsewhere — and if so, how? This chapter has argued that survey data provide no real support for the hypothesis of American exceptionalism in fundamental values about economic inequality, but because many issues may be bundled together in responses to summative questions on “inequality,” it is

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<sup>19</sup> The over-time trends within countries are no kinder than to the median voter hypothesis than the cross-sectional evidence – see Kenworthy and McCall (2005:16).

important to distinguish between individuals' cognitive *estimates* of the size, prevalence and type of economic differentials and their ethically based *values*. The chapter therefore compared what people in different countries think others “should earn” compared to what they think others actually “do earn”. When it comes to differences between the middle and the bottom of the income distribution, as Figure 5 illustrated, the Anglo-American countries as a group clearly have a less strong consensus on a social minimum than is common in Europe.

However, although *on average* Americans do not stand out as being particularly different from other countries in their responses to many questions about attitudes to inequality, the comparison of median or mean opinions hides an important part of the story. The United States appears to be a country with both greater under-estimation by respondents of the actual degree of inequality in earnings and much more polarization of attitudes to income leveling than is common elsewhere — and increasingly so over time. The bimodality of American attitudes to leveling is particularly striking.

What might this mean for public policy?

In a series of recent papers, Baron and McCaffery (2004, 2005) have presented persuasive experimental evidence that popular perceptions of redistribution policy by the state are highly susceptible to “spin.” Support for a particular tax measure is strongly affected by the nature of the tax system and by the way it is framed, or presented. One can describe the same tax in dollar values, or in percentage impacts. One can portray a tax differential between person A and person B as a benefit for A, or as a penalty for B. One can use different labels — “user charge” or “tax” or “fee.” Analytically, none of this should matter for public perceptions — but it all does.

In thinking about attitudes to inequality, some sociologists have also argued that it is common for individuals to have a “split-consciousness,” since the same person will often report both support for egalitarian principles (such as distribution according to need) and support for

inegalitarian attitudes (such as the moral depravity of the poor). Kluegel et al (1995:206) summarize the results of a cross-national comparison of attitudes as indicating that social stability depends more on *self-canceling* beliefs among the working class than on their uncritical acceptance of the legitimacy of inequality. Because people may shift back and forth between somewhat contradictory attitudes, they conclude: “The presence of a bicausal view of poverty and wealth has implications for the politics of welfare state redistribution. It presents a fertile ground for framing effects as political actors compete to make salient either the social explanations of poverty and wealth in support of redistribution or the individual explanations to motivate opposition to the welfare state.”

If this is true, and if the “framing” of policy choices can affect attitudes, public opinion on income redistribution policy may potentially be molded over time. Such manipulation may be particularly feasible in the US. In addition to the ambiguities of social insurance and the prevalence of a “split-consciousness” in ethical values (which are also present in other countries), the polarization of American attitudes to income leveling, the influence of lingering racism, and the impact of well-financed lobby groups are three factors which are uniquely important in the US. The bottom line is that when popular attitudes to specific redistribution policies to change inequality can be manipulated, mistrust of government’s *means* to reduce inequality can dominate a desire for the *end* of greater equality.

All the same, this paper found a trend over time for Americans to become *less* tolerant of inequality at the top end of the income distribution, and in international comparisons the United States is not very different from other countries in aversion to wide differences in income between the middle class and the very affluent. Other researchers have found an empirical trend to widening actual differentials at the top of the United States income distribution. This paper has found public attitudes to inequality that have hardened in the United States *against* excessive wage differentials at the top end and it has found evidence of *increasing polarization* of attitudes

to income leveling. Although it is hard to specify exactly the long-term implications for political economy of a polarization of attitudes and a widening discrepancy between public perceptions of actual and fair top-end inequality, this does not sound like a likely recipe for social or political stability.

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**Table 1**  
**Attitudes to Inequality: Are Income Differences Too Large?**

<i>Country</i>	<i>Year</i>	<i>Neither</i>					<i>Total</i>
		<i>Strongly</i> <i>Agree</i>	<i>Agree</i>	<i>Agree Nor</i> <i>Disagree</i>	<i>Disagree</i>	<i>Strongly</i> <i>Disagree</i>	
<b>Austria</b>	1999	40.4	45.8	9.1	4.7	0	100
	1992	35.4	46.7	10.4	6.1	1.4	100
	1987	46.9	43.0	5.4	4.0	0.7	100
<b>Germany</b>	1999	20.5	55.2	14.3	9.1	0.9	100
	1992	30.5	53.4	9.0	6.4	0.6	100
	1987	25.2	50.8	13.0	9.4	1.7	100
<b>France</b>	1999	60.3	27.2	7.4	4.5	0.7	100
<b>Netherlands</b>	1987	19.0	47.4	13.0	17.6	3.0	100
<b>Italy</b>	1992	53.2	36.3	6.3	4.0	0.2	100
	1987	43.6	43.5	6.9	5.4	0.7	100
<b>Spain</b>	1999	35.9	53.4	7.4	3.1	0.2	100
<b>Norway</b>	1999	22.4	50.1	13.8	12	1.8	100
	1992	22.3	48.5	14.4	12	2.8	100
<b>Sweden</b>	1999	29.2	41.9	18.1	8.4	2.4	100
	1992	24.4	35.1	21.9	13.6	5.0	100
<b>UK</b>	1999	31.7	50.6	11.6	5.4	0.6	100
	1992	36.3	44.9	10.7	7.1	1.1	100
	1987	26.8	48.9	12.7	10.0	1.4	100
<b>US</b>	1999	25.0	41.2	21.5	9.2	3.2	100
	1992	27.7	49.4	11.4	9.7	1.7	100
	1987	14.9	43.1	22.4	16.3	3.3	100
<b>Canada</b>	1999	28.1	42.5	15.7	11.2	2.6	100
	1992	25.3	45.3	16.2	11.2	1.9	100
<b>Australia</b>	1999	17.8	53.1	17.1	11.6	0.4	100
	1992	18.3	44.8	19.2	15.8	1.9	100
	1987	13.8	46.9	18.9	18.1	2.3	100

Source: ISSP 1999, 1992, 1987

**Table 2**  
**Opinions about Inequality**

<i>Country</i>	<i>Year</i>	<i>Inequality continues to exist because it benefits the rich and powerful.</i>	<i>Large income differences are necessary for a country's prosperity.</i>	<i>Knowing the right people – how important is that for getting ahead in life?</i>	<i>Well-educated parents – how important is that for getting ahead in life?</i>
		1 (strongly agree) to 5 (strongly disagree)	1 (strongly agree) to 5 (strongly disagree)	1 (essential) to 5 (not important at all)	1 (essential) to 5 (not important at all)
<b>Austria</b>	1999	2.65	4.10	2.17	
	1992	2.28	3.69	2.18	2.94
	1987	2.22	3.40	2.12	2.74
<b>Germany</b>	1999	2.45	3.66	2.50	
	1992	2.03	3.60	2.45	2.94
	1987	2.26	3.31	2.35	2.80
<b>France</b>	1999	2.01	3.92	2.71	
<b>Netherlands</b>	1987			2.68	3.11
<b>Italy</b>	1992	2.07	3.24	2.14	2.78
	1987	2.13	3.66	2.00	2.79
<b>Spain</b>	1999	2.25	3.68	2.35	
<b>Norway</b>	1999	2.46	3.71	2.92	
	1992	2.22	3.60	3.46	3.46
<b>Sweden</b>	1999	2.66	3.67	2.62	
	1992	2.54	3.16	2.80	3.16
<b>UK</b>	1999	2.74	3.71	2.81	
	1992	2.32	3.49	2.78	2.99
	1987	2.36	3.26	2.70	3.04
<b>US</b>	1999	3.26	3.68	2.94	
	1992	2.51	3.31	2.65	2.72
	1987	2.65	3.05	2.67	2.80
<b>Canada</b>	1999	2.67	3.90	2.57	
	1992	2.29	3.65	2.74	2.93
<b>Australia</b>	1999	2.53	3.45	2.91	
	1992	2.43	3.24	2.62	3.03
	1987	2.50	3.10	2.89	3.28

Data source: The International Social Survey Programme

**Table 5**  
**Inequality and Attitudes to the Role of Government**

<i>Country</i>	Is it the responsibility of government to reduce income differences?		It is the responsibility of government to reduce income differences.		Those with high incomes should pay: 1 (much more) to 5 (much less) tax than those with low incomes	
	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>	<i>Male</i>	<i>Female</i>
<b>Austria</b>	1.99	1.93	2.20	2.14	1.86	1.86
<b>Germany</b>	2.14	2.01	2.48	2.36	1.80	1.79
<b>France</b>	1.80	1.74	2.22	2.04	2.15	2.02
<b>Netherlands</b>	2.24	2.05	2.81	2.56		
<b>Italy</b>	1.92	1.81	2.25	2.19	1.83	1.85
<b>Spain</b>	1.66	1.58	2.14	2.08	1.90	1.93
<b>Norway</b>	2.10	1.83	2.67	2.39	2.14	2.04
<b>Sweden</b>	2.36	2.01	2.57	2.23	2.10	2.08
<b>Denmark</b>	2.73	2.54				
<b>UK</b>	2.14	1.99	2.51	2.44	1.94	2.01
<b>US</b>	2.90	2.69	3.29	3.04	2.23	2.18
<b>Canada</b>	2.60	2.34	2.99	2.89	2.10	2.17
<b>Australia</b>	2.57	2.50	2.94	2.88	2.12	2.18
<b>Average</b>	2.26	2.10	2.59	2.44	2.02	2.01

Note: Cell entry reports average response in all years question was asked, 1985-1999.

**Table 3**  
**Comparison of Actual and Ethical Inequality in 1999 – Gini-coefficients**

<i>Country</i>	<i>Average Gini Index of Salaries People “Do Earn” (GiniA)</i>	<i>Average Gini Index of Salaries People “Should Earn” (GiniE)</i>	<i>Average Ratio of GiniE/ GiniA</i>
<b>Austria</b>	0.41	0.32	0.78
<b>Germany West</b>	0.41	0.34	0.82
<b>Germany East</b>	0.43	0.32	0.74
<b>France*</b>	0.52	0.38	0.74
<b>Portugal</b>	0.45	0.33	0.73
<b>Spain*</b>	0.34	0.22	0.65
<b>Norway</b>	0.30	0.21	0.73
<b>Sweden</b>	0.35	0.22	0.65
<b>UK</b>	0.49	0.36	0.73
<b>US</b>	0.43	0.35	0.82
<b>Canada</b>	0.45	0.33	0.76
<b>Australia</b>	0.42	0.31	0.74

Data Source: International Social Survey Programme

Note: \*\* Spain and France reported “net income” but other nations asked for “Before Tax” salary. Respondents were asked what salaries people in various jobs do actually make and what they should make. Jobs considered included skilled factory worker, doctor in general practice, chairman of a large national company, lawyer, shop assistant, owner/manager of a large factory, judge in the country’s highest court, unskilled worker and federal cabinet minister. Gini Indices were calculated for each respondent if they answered more than seven jobs in both the ‘do earn’ and ‘should earn’ categories, and if the jobs answered in the ‘do earn’ and the ‘should earn’ categories were the same.

**Table 4**  
**The Actual and Estimated Earnings of Chief Executive Officers and Production Workers**

<i>Country</i>	<i>Actual CEO Compensation and Pay of Production Workers in Manufacturing, 2001 (US\$)</i>				<i>Country</i>	<i>Subjective Average "Do Earn" Estimates From ISSP, 1999 (US\$)</i>			
	CEO Compensation	Production Worker in Manufacturing (4)	CEO/Worker Pay Ratio	Country Rank by Ratio		CEO Compensation (5)	Skilled Worker in Manufacturing (6)	CEO/Worker Pay Ratio	Country Rank by Ratio
<b>Germany (1)</b>	461,738	26,465	17	7	Germany	158165	24408	6.6	7
<b>UK (1)</b>	711,403	22,654	31	4	UK	292715	24383	12.2	2
<b>France (3)</b>	542,622	16,699	32	3	France	259313	15307	17.5	1
<b>Sweden (3)</b>	442,188	21,192	21	5	Sweden	116439	24202	4.8	8
<b>US (1)</b>	1,305,012	29,391	44	1	US	218601	30161	8.3	5
<b>Canada (2)</b>	481,651	23,436	21	6	Canada	250422	27695	9.4	4
<b>Australia (3)</b>	649,137	19,582	33	2	Australia	141987	20556	7.3	6
<b>Japan (1)</b>	485,941	29,974	16	8	Japan	540122	56211	10.5	3

Notes:

1) Average of Total CEO Compensation from The Galt Global Review (1999) and from BBC News (2001):

2) The National Post Business Magazine's annual CEO Scorecard: average CEO compensation of Canada's 150 biggest companies by their firms' three-year share-price return.

3) CEO compensation data for Australia, France & Sweden from BBC

The Galt Review: [www.galtglobalreview.com/world/world\\_ceo\\_salaries.html](http://www.galtglobalreview.com/world/world_ceo_salaries.html)

BBC News: <http://news.bbc.co.uk/1/hi/business/1456723.stm>

[www.nationalpost.com/nationalpostbusiness/archives/20021105/story.html?id=C47FA126-D194-42F1-BDD4-247D44F89560](http://www.nationalpost.com/nationalpostbusiness/archives/20021105/story.html?id=C47FA126-D194-42F1-BDD4-247D44F89560)

(4) Manufacturing Pay:

Source: <ftp://ftp.bls.gov/pub/special.requests/ForeignLabor/suptab.txt> (Table 5)

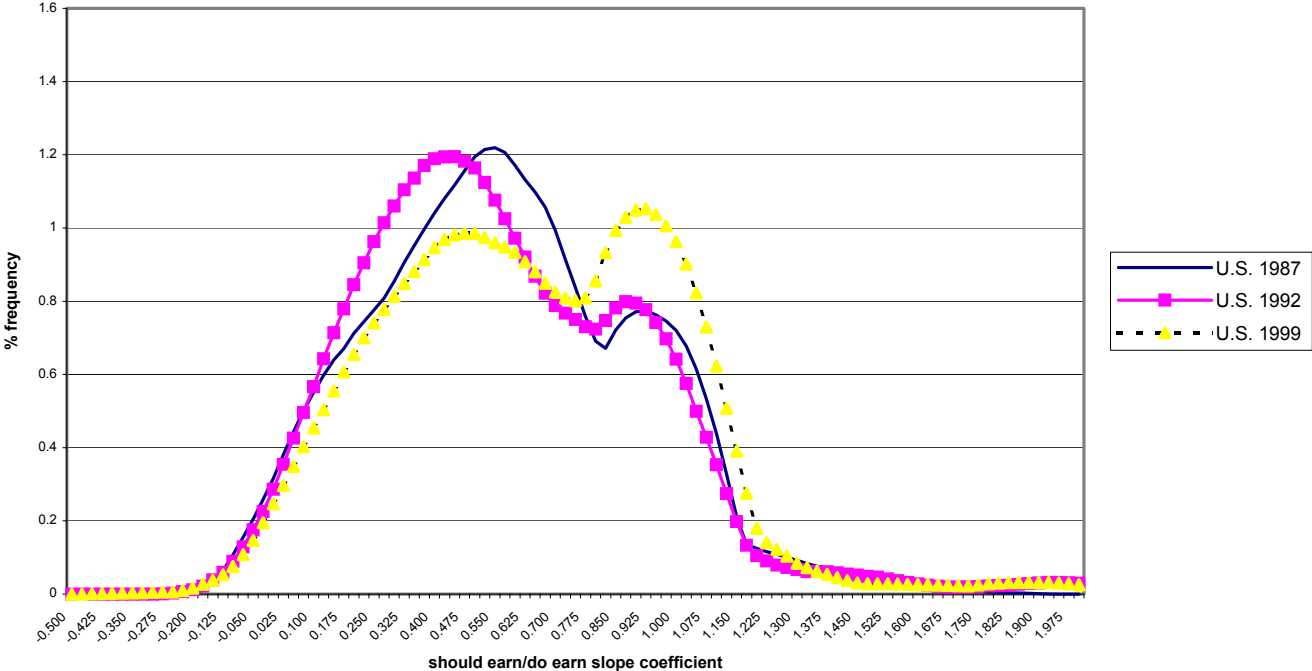
Annual Hours worked per person: [www.dol.gov/ILAB/media/reports/oiea/chartbook/chart19.htm](http://www.dol.gov/ILAB/media/reports/oiea/chartbook/chart19.htm)

Annual Hours worked per person in Canada: [www.pbs.org/now/politics/workhours.html](http://www.pbs.org/now/politics/workhours.html)

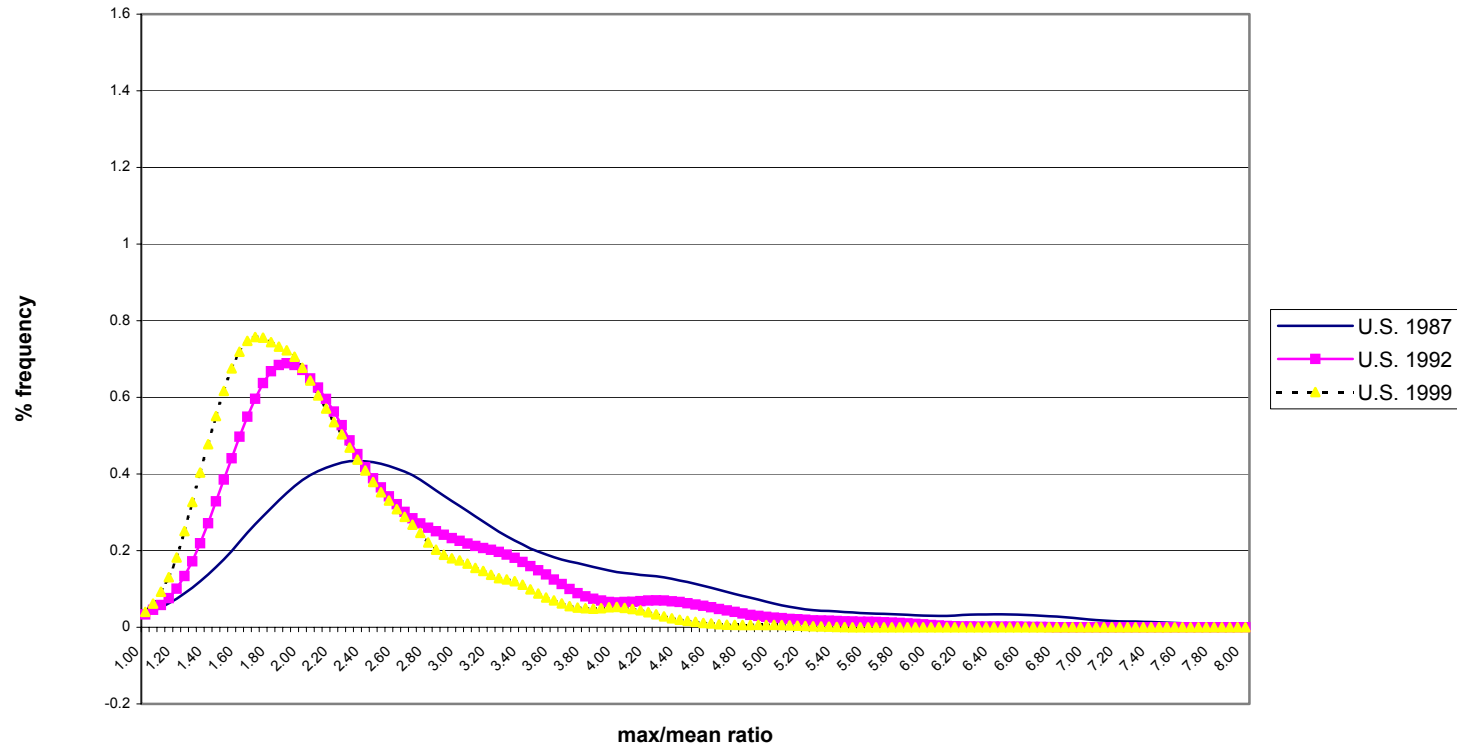
(5) In ISSP, earnings of "the chairman of a large national corporation".

(6) In ISSP, earnings of a "skilled worker in a factory".

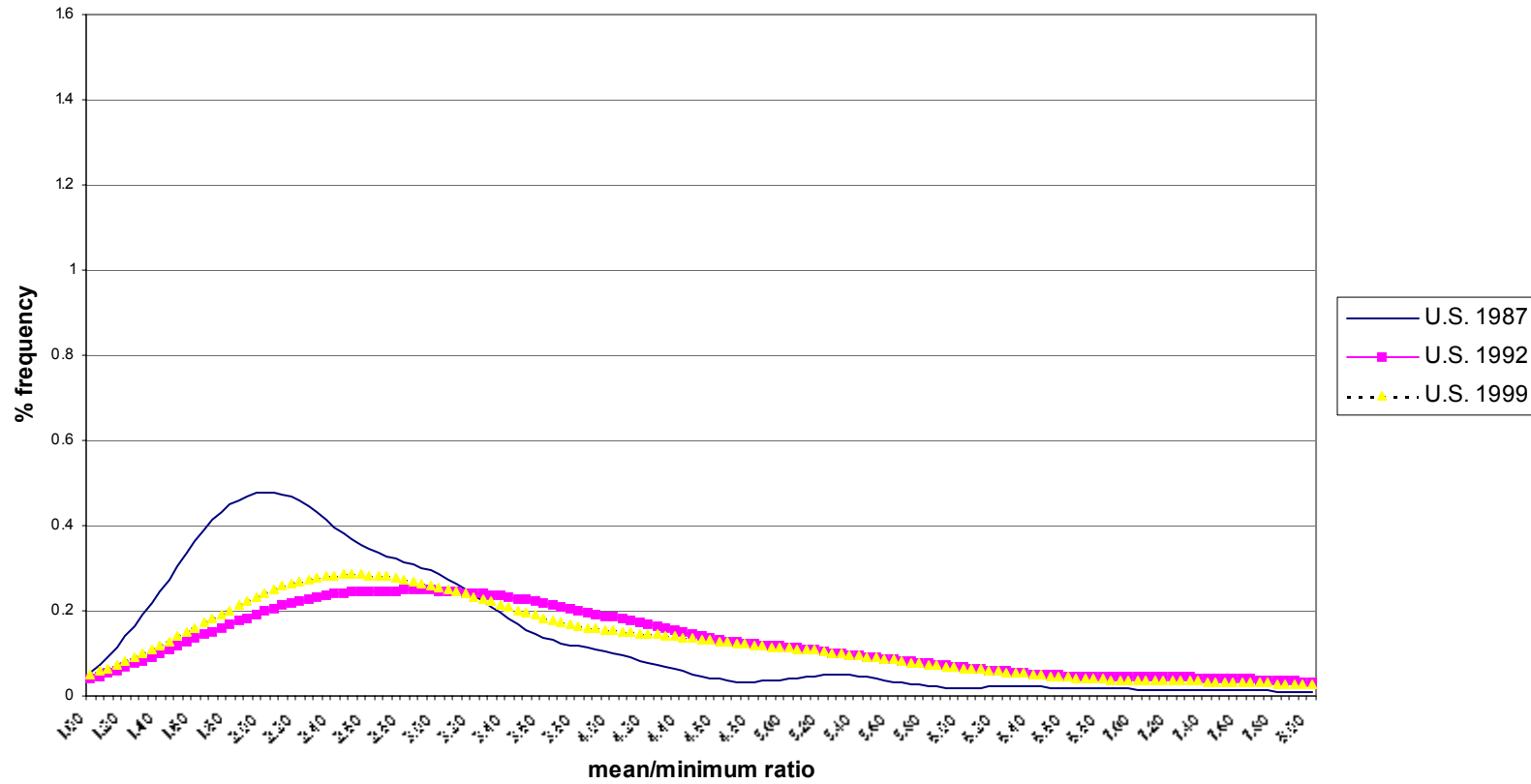
**Figure 1**  
**The Distribution of Preferences for Leveling in the United States 1987-1999:**  
**"Should Earn" / "Do Earn"**



**Figure 2**  
**The Distribution of Attitudes to "Should Earn" Inequality**  
**- Maximum/Average Earnings Ratio**  
**USA 1987, 1992, 1999**

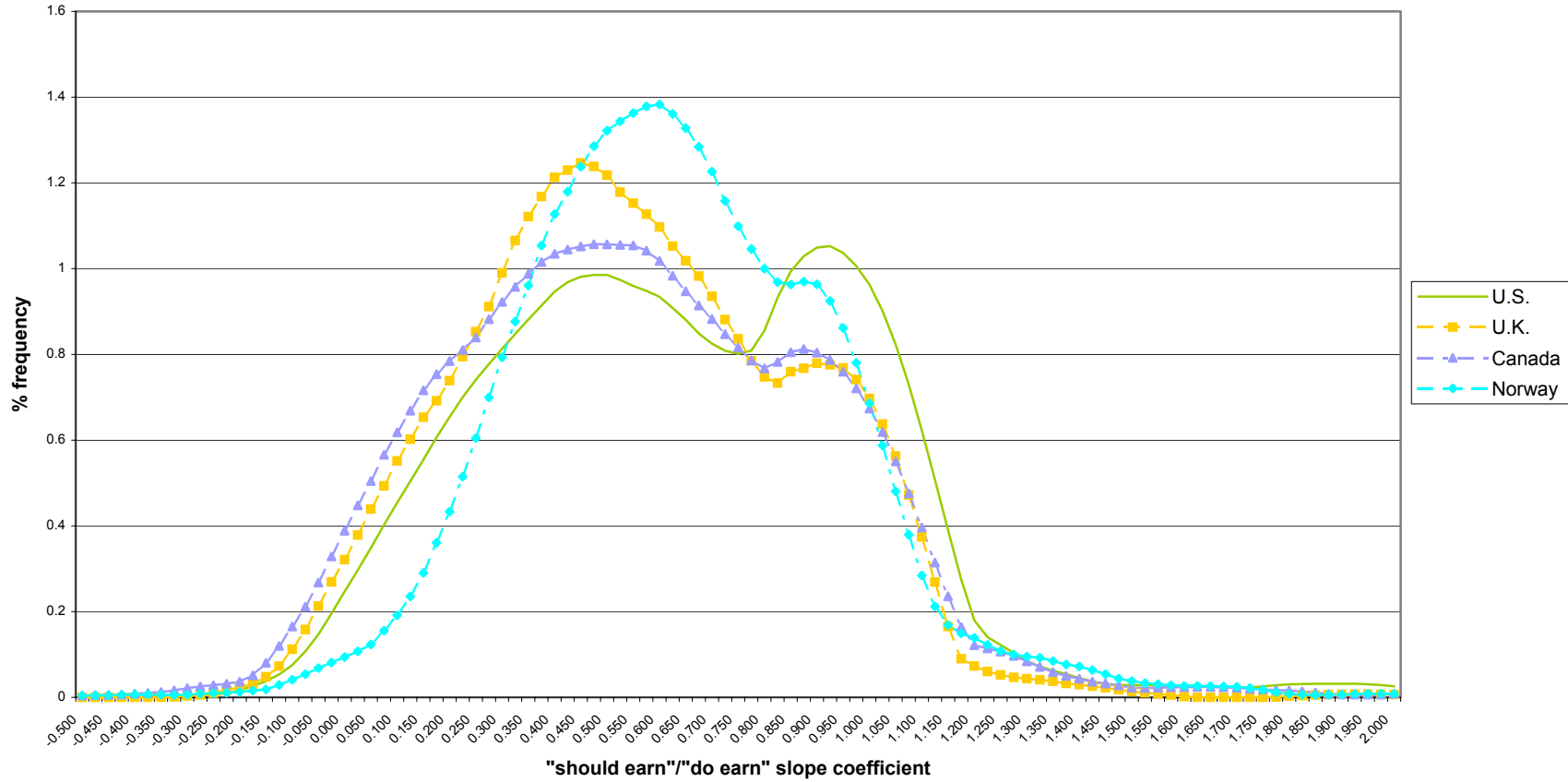


**Figure 3**  
**The Distribution of Attitudes to Low Wages**  
**Ratio of Average "Should Earn" to Minimum "Should Earn"**  
**USA 1987-1999**





**Figure 4**  
**United States, United Kingdom, Canada & Norway 1999:**  
**Distribution of Preferences for Leveling of Earnings**



**Figure 5**  
**United States, United Kingdom, Canada & Norway:**  
**Distribution of Attitudes to Average "Should Earn" / Minimum "Should Earn" (MeanMin) Ratio**

