Who Cares About Income Inequality?

On the eve of the lecture by the authors of *The Spirit Level* at the University of Auckland in May 2014, Tim Hazledine pointed to a 2006 international survey which found that New Zealanders were less supportive of redistributing income from the rich to the poor than people in most other nations in the survey. ‘I don’t think that leads to saying all is well’, Hazledine said. ‘I think inequality is a problem. But we have to understand why we tolerate it’; ‘We have to understand why we don’t have blood flowing in the streets’ (Collins, 2014).

Concern about the values that underlie our current levels of income inequality mirror a growing international unease over the social implications of rising inequality. Since *The Spirit Level* (Wilkinson and Pickett, 2009), several texts have offered further reasons for concern. One of these reasons is the tendency for inequality to increase. In *Capital in the Twenty-first Century*, Thomas Piketty observes how modern economic growth and the diffusion of knowledge have failed to reduce inequality, and carry a dynamic which may take inequality beyond its already historically high levels (Piketty, 2014). In *The Price of Inequality: how today’s divided society endangers our future*, Nobel laureate Joseph Stiglitz asks us to recognise that the new settler countries like the United States and New Zealand are no longer lands of opportunity for all, and how their inequality, especially at the top, is due to rent-seeking and therefore bad for growth (Stiglitz, 2013). Princeton’s Angus Deaton in an historical treatment links rising inequalities to growing differences in our health and well-being (Deaton, 2013). These treatments echo and support many of the concerns about New Zealand voiced by Max Rashbrooke in last year’s March issue of *Policy Quarterly* (Rashbrooke, 2014) and by those who contributed to his edited volume on inequality in New Zealand (Rashbrooke, 2013).

These concerns over inequalities are particularly important for New Zealand because we have become one of the more unequal societies in the OECD at the level of both the individual and the household (OECD, 2014b; Perry, 2014; Collins, 2014). However, such an international positioning is based only on objective measures of income. By contrast, we are far less aware of what people actually think...
subjectively about inequality – the level of inequality they regard as acceptable and what they think government’s role should be in redistributing income. It is these subjective views that are of interest in this article. Ironically, the views people themselves hold about inequality may be reason for an even deeper concern over the future of inequality in New Zealand.

Of central concern is the way in which current levels of both income inequality and redistribution in New Zealand are being sustained by the prevailing value distribution. Contrary to the thesis that inequality is imposed from above or from outside the country, and, implicitly, that growing inequality runs counter to most people’s wishes, the survey evidence presented below suggests that current levels of inequality are actually supported by the current balance of people’s attitudes to inequality and their views on their government’s role in redistribution.

Our attitudes towards income inequality and redistribution
Surveys administered to New Zealanders by the World Values Survey (WVS) in 1998, 2004 and 2011 and by the International Social Science Programme (ISSP) in 1996 and 2006 have opened a window on our attitudes to income inequality and what we want government to do about it. Surprisingly, few of these survey findings have received more than passing mention either in the New Zealand media or in academia.

Figure 1 shows the years in which these five surveys were administered. They are deliberately placed against the changing rate of unemployment over the last decade and a half. The first two surveys were administered in 1996 and 1998 when unemployment rates were relatively high at between 6 and 7%. The next two were fielded in 2004 and 2006 when the economy was growing rapidly and unemployment had fallen to between 3.5 and 5%. The fifth survey, in 2011, was undertaken when unemployment rates had again risen to between 6 and 7%.

Over the decade and a half covered by this sequence of surveys the level of income inequality in New Zealand remained relatively stable: the Gini index ranged between 0.30 and 0.33 (Perry, 2014) and the ratio of the top 20% to the bottom 20% (P80/P20 ratio) hovered between 2.42 and 2.74 (and between 2.54 and 3.12 after adjusting for housing costs). This last point is important for our interpretation of the survey evidence because there is empirical evidence that higher observed inequality will induce a greater preference for redistribution, as argued by one of the most influential political economy models (Meltzer and Richard, 1981). At the same time, while rising inequality does have direct and indirect effects on redistributive preferences, it is not just the level of inequality but also the structure of the inequality that matters (Toth, Horn and Medgyesi, 2014). An increase in inequality will ‘only partly convert into demand for redistribution as part of the inequality increase appears in the expectations and, therefore, in tolerance for (somewhat) larger levels of inequality’ (ibid, p.2).

An implicit assumption made by those who connect attitudes and inequality is that respondents are aware of the actual level of inequality. This is highly unlikely, and therefore the variation in subjective preferences present in opinion surveys like WVS and ISSP are likely to reflect both people’s preferences and their awareness of the actual levels of income inequality. Without appropriate experimentation, it is not possible to attribute the relative importance of each.

The following discussion begins with survey evidence on how New Zealanders view income inequality and the degree to which they support government’s redistribution of income. In section two these levels of support for government redistribution are compared to those held by residents of other countries. The final section foreshadows a future exploration of the way our views on income distribution vary across the population demographically and socio-economically, including their wealth and current and expected income.

How we view income inequality
The World Values Survey is undertaken by a global network of social scientists studying changing values and their impact on social and political life. The WVS is headquartered in Sweden and since 1981 has applied a common questionnaire to nationally representative samples in almost 100 countries, or almost 90% of the world’s population. The WVS question of interest here asks respondents to consider...
whether ‘Incomes should be made more equal’, a response of 1 denoting complete agreement. At the other end of the scale is the statement, ‘We need large income differences as incentives for individual effort’, with a 10 indicating complete agreement. The distribution of responses to the 1998, 2004 and 2011 surveys (waves 3, 5 and 6 respectively) is shown in Figure 2.

Two important features of New Zealand attitudes emerge from the histograms in Figure 2. The first is the remarkable lack of consensus on whether incomes should be more equal or less equal. Not only is the sample population fairly evenly split across the upper and lower halves of the 10-point scale, but there is little concentration of views. If anything, there is a polarisation, evidenced by the heaping of extreme views at both ends of the scale. As we will see below, this heterogeneity of opinion on inequality sets New Zealand apart from many other countries.

The second salient feature of Figure 2 is the shift in the distribution over time. In the first period, which was characterised by high unemployment, a slightly higher percentage favoured greater income equality: 47.2%>46.5% (assuming those not answering or who answered ‘don’t know’ are drawn randomly from the population). The second survey, in 2004, took place when the unemployment rate had dropped by half, which was accompanied by a rightward shift in redistribution preferences: 45.9%<48.9%, a feature consistent with the positive empirical relationship between unemployment and income inequality itself. The boom did not last, and by 2011 unemployment had climbed again to between 6 and 7%. Consistently, the distribution of preferences shifted back to the left, towards greater income equality: 50.9%>42.3%.

At the same time, we might want to question just how much these temporal shifts in preferences were due to the unusually high proportion of respondents taking one of the extreme positions, 1 or 10. In case the selection of the extremes is governed by a separate process, the mean score of the responses between the polar categories was calculated for each survey year, but they too follow a similar temporal pattern, rising from 5.69 to 5.70, then down again to 5.48.

In summary, the responses to the World Values Survey question on income inequality in New Zealand expose a remarkable lack of consensus on how income should be distributed. At the same time, successive administration of the question over three periods of varying growth indicates a sensitivity to changes in the macroeconomy – in the availability of jobs and hence income opportunities over the period – supporting the view that an increase in economic growth lessens pressure for government redistribution of income.

The WVS was not the only instrument used to gather attitudes towards income distribution in New Zealand over this period. Support for the same broad conclusions comes from the two ISSP surveys fielded over a similar time interval. In questions which complement those above, the ISSP focused on the role New Zealander’s believed their government should play in redistributing income.

### Should government redistribute income?

The International Social Survey Programme is an ongoing programme of cross-national collaboration which administers surveys under the auspices of the Leibniz Institute for the Social Sciences (GESIS). The programme brings together pre-existing social science projects and coordinates research goals, thereby adding a cross-national, cross-cultural perspective to the individual national studies.

The ISSP’s 1996 question asked: ‘What is your opinion of the following statement: “It is the responsibility of the government to reduce the differences in income between people with high incomes and those with low incomes”’. Respondents were asked whether they

<table>
<thead>
<tr>
<th>Year</th>
<th>1–4</th>
<th>5–6</th>
<th>7–10</th>
<th>NA, DK</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>32.0</td>
<td>27.5</td>
<td>34.2</td>
<td>6.4</td>
<td>100</td>
</tr>
<tr>
<td>2004</td>
<td>32.7</td>
<td>23.2</td>
<td>38.4</td>
<td>5.6</td>
<td>100</td>
</tr>
<tr>
<td>2011</td>
<td>37.3</td>
<td>22.5</td>
<td>33.4</td>
<td>6.7</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: WVS. The ‘longitudinal’ series for all countries along with a mapping feature is available for online analysis at www.worldvaluessurvey.org/WVSContents.jsp.
(1) Agree strongly; (2) Agree; (3) Neither agree nor disagree; (4) Disagree; (5) Disagree strongly. Ten years later, in 2006, the same question was asked again but the response options were reduced from a five- to a four-point Likert scale, as follows: (1) Definitely should be; (2) Probably should be; (3) Probably should not be; (4) Definitely should not be. A comparison of the responses to the 1996 and 2006 ISSP surveys in Figure 3 suggests a reduction in support for redistribution over the intervening decade, a result which is consistent with the apparent decrease in preference for greater equality observed over the first two WVS surveys. In 1996 only 43.37% disagreed or strongly disagreed that it is government’s responsibility to reduce income differences between the rich and the poor in New Zealand. By 2006 this had risen to just over half, to 50.21%. The fact that both surveys were administered first in high and then in low unemployment periods likely accounts for at least some of the shift in attitudes towards income inequality.12

As it turns out, these ISSP results for New Zealand are relatively unusual internationally, and this raises questions about the particular socio-economic conditions and political and historical context conditioning New Zealander’s attitudes towards their government’s role in redistribution.

International comparisons

A comparison of the New Zealand responses with those from 19 other countries answering the same survey in 1996 and 2006 is instructive. Figure 4 shows how the proportion selecting each response category of the government redistribution question was distributed across the 19 countries. (The countries are listed in note 1 to Figure 4.)13

The first of the five box plots in Figure 4 captures the proportion in each of the 19 countries who ‘strongly agreed’ that it is the responsibility of government to reduce income differences. The ‘NZ’ marker indicates the position of the New Zealand proportion on the left scale. The highest percentages were Slovenia at 51.73%, Russia at 43.28% and France at 42.9%. New Zealand sits third-to-last at only 15.10%, behind Australia at 17.29% and Canada at 17.69%, but above the US at 12.1% and Philippines at 9.2%. In other words, in the mid-1990s New Zealand was one of the countries least likely to strongly support income redistribution, and this is in spite of considerable publicity given to the increasing income

![Figure 3. ‘Is it government’s responsibility to reduce income differences between the rich and poor?’ ISSP New Zealand, 1996 (n=1139) and 2006 (n=1165)!

![Figure 4. ‘It is the responsibility of the government to reduce the differences in income between people with high incomes and those with low incomes.’ The distribution per country by response category as surveyed by ISSP in 1996

Note 1: The following table aggregates the percentages over the first and last response categories:

<table>
<thead>
<tr>
<th>Year</th>
<th>1–2 (agree strongly or agree)</th>
<th>3</th>
<th>4/5 (disagree or disagree strongly)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>38.02</td>
<td>18.61</td>
<td>43.37</td>
<td>100%</td>
</tr>
<tr>
<td>2006</td>
<td>49.79</td>
<td>X</td>
<td>50.21</td>
<td>100%</td>
</tr>
</tbody>
</table>

Note 2: Details of the sample design and response rates of the ISSP survey may be found at http://www.issp.org/.

Source: ISSP

Note 1: The 19 countries present in both the 1996 and 2006 ISSP samples are: Australia, Canada, Czech Republic, France, Hungary, Ireland, Japan, Latvia, Netherlands, New Zealand, Philippines, Poland, Russia, Slovenia, Spain, Sweden, Switzerland, Great Britain and the US.

Note 2: As is conventional in box plots, the shaded box covers the inter-quartile range (IQR), with observations divided in half by the horizontal median line (Tukey, 1977). The ‘whiskers’ extend to the lower and upper adjacent values which are <=1.5 x IQR. The dots are outliers, those beyond 1.5 x IQR (inter-quartile range) (Cox, 2009).

Source: ISSP 1996. The figures from which these box plots have been drawn are available on request.
inequality in New Zealand at that time. In this case, New Zealanders’ relatively weak support for redistribution is consistent with conclusions drawn from an earlier inspection of this same survey (Humpage, 2011).

An inspection of the remaining four box plots in Figure 4 shows that when people are asked about the prospect of their governments redistributing incomes (the right end of the figure), countries differ much more from each other than when they are asked about maintaining the status quo (the middle ‘agree’ plus ‘neither’ categories). In this case New Zealand sat the middle of the distribution. However, a certain proportion of respondents in each country disagreed with the proposition that the government had a responsibility to redistribute, and New Zealand had one of the highest such proportions. Those who ‘strongly disagree’ with further redistribution made up 14.14% in New Zealand, well ahead of Australia at 11.24%, but fourth behind Canada at 19.37%, the US at 18.99% and Japan at 17.86%.

One way of appreciating the unusual distribution of New Zealanders’ preferences for income (re)distribution is to compute the entropy of the distributions shown in Figure 3 for each country. Entropy in this context is a measure of uncertainty as to which response category a randomly selected person might choose. New Zealand exhibits a very high entropy in 1996, meaning there is a fairly even chance that any one of the five degrees of support for redistribution will be selected. By contrast, in a number of countries, such as Slovenia, Spain, Poland and Russia, the largest proportion of the population strongly agree that ‘It is the responsibility of the government to reduce the differences in income between people with high incomes and those with low incomes.’ New Zealanders, however, are relatively unconstrained in expressing their personal views, and the resulting diversity is reflected in the high entropy or evenness of our distribution.

A similar situation prevailed ten years later when New Zealand occupied second position to the US in entropy terms, exhibiting 99.2% of the maximum possible level of uncertainty over the four response categories in 2006. Again, in contrast, choices made by residents in the eastern European countries of Hungary, Russia, Poland and Slovenia were considerably more certain (Russia’s entropy as a percentage of the possible maximum was only 69%, for example).

Conclusions
So, who does care about income inequality, and what do New Zealanders believe government’s role should be in redistributing income? An indifferent population would be clustered around the mid-points of the inequality and redistribution scales used in the above surveys. To the extent that New Zealand’s relatively uniform, high-entropy distribution is a marked departure from such a pattern, New Zealander’s do care about income distribution and the role their government should play. However, what they care about differs markedly. The
survey results presented above indicate a fine balance between those who would like to see less and those who would like to see even greater income inequality. A similar wide dispersion of views is apparent when New Zealanders are asked about the government’s role in redistributing income. What on the surface is surprising about these results is that, despite growing evidence of the negative effects of inequality on society as a whole, fewer than half of us believe incomes should be made more equal or that government has a responsibility to do more to reduce income differences between people with high and low incomes. And this takes us back to the beginning, and why we do not, in Tim Hazeldine’s words, have ‘blood flowing in the streets’.

Another, longer paper would be required to begin to explain why New Zealanders hold the attitudes they do. An analysis of unit records from successive New Zealand electoral surveys (Humphage, 2014) suggests that people support redistribution when it appears to be to their personal advantage and resist it when they are less likely to benefit, a result which is consistent with the international evidence (Guillaud, 2013). The cyclical differences in levels of support for (in) equality and redistribution shown above are consistent with such a view and the suggestion that redistribution preferences are sensitive to expected as well as current income.

While belief in social mobility and the associated wish of individuals not to constrain their own future income by advocating greater redistribution applies in many countries, the evidence presented above does not explain why New Zealanders are relatively much more conservative, nor why we exhibit a wider spectrum of preferences for inequality and redistribution than a selection of other countries. Answering that question would require a comparative analysis of the peculiarities of New Zealand culture and institutions as they currently influence attitudes to inequality.16

In December 2014 the OECD published empirical evidence of the negative effect income inequality has on economic growth (OECD, 2014a). The support historically high levels of inequality continued to receive from the majority of individuals in New Zealand through the first decade of the 2000s may, therefore, be a classic case of what Thomas Schelling earlier referred to as the tyranny of micro motives – the propensity of quite rational individuals to collectively generate irrational social outcomes (Schelling, 1978). It is no accident that Schelling’s primary example of such irrationality is residential segregation, which I will discuss in a companion article in a later issue of Policy Quarterly.

1 By 2010 the New Zealand Gini coefficient of 0.32 was 16th in the ranking of the 34 OECD countries; the most unequal was Chile (0.50) and the least unequal was Iceland (0.24). For a review of ongoing OECD research on income inequality see http://oecd.org/social/
3 The PRG/R20 ratio summarises the relative distance in the income distribution between high household incomes (those in the 80th percentile) and low household incomes (those in the 20th percentile). The higher the ratio, the greater the level of inequality (ibid).
4 The Gini coefficient as such does not indicate the structure of inequality and quite different patterns of income distribution can give rise to the same single coefficient.
5 There is evidence that people surveyed do not appreciate the full extent of income inequality, although the degree can vary internationally (Osberg and Smeeding, 2006). At the same time, there is also a positive correlation between inequality levels based on ‘ought to earn’ incomes and the Gini index (Anderson and Yaish, 2012). In the case of New Zealand, Peter Skilling (AUT) surveyed over 1000 people using the online Buzz Channel/Market research service and found that most people thought the top 20% wealthiest New Zealanders owned just over half the wealth (51.8%), that the next 20% owned 18.3% of the wealth, and the bottom three 20% slices of the population by wealth owned 14.6%, 9% and the poorest quintile 6.3%. As Skilling points out, the official figures are quite different and they indicate that the richest 20% owned 70% of the wealth, with 18% in the hands of the second-richest quintile and 10% in the hands of the middle quintile. Just 2% was owned by people in the fourth quintile, while the bottom owned nothing.
6 The New Zealand sampling frame was an electronic version of the electoral roll and covered an age range of 18-90 years. The roll drawn was stratified by five-year age cohorts and by parliamentary electorates. The self-administered postal survey was posted to 2024 people throughout New Zealand on 24 September 1998. Sample size was 1201 and the response rate was 65.3%. Special attempts were made to increase the response rate from low household income areas.
7 Excluding the proportions given under the table who returned the No answer and Don’t know options.
8 It is possible to test this hypothesis using the underlying unit record data but this has not been attempted here.
9 This positive relationship has been well documented for US males, 1947-73 by Beach, who noted a ‘definite pattern of cyclical sensitivity that is particularly strong at the bottom end of the income distribution’ (Beach, 1977, p.64). Using a similar series for almost the same years, Blinder and Esaki estimated that ‘each one percentage point rise in the unemployment rate takes about 0.26%–0.30% of the national income away from the lowest 40% of the income distribution and gives it to the richest 20%’ (Blinder and Esaki, 1978, p.607). The evidence for New Zealand is therefore quite regressive. I am unaware of similar calculations having been undertaken in New Zealand, but they are clearly relevant to the current discussion.
10 The only other published reference to the results of the 2004 World Values Survey I am aware of (Camrol et al., 2011) reaches the same conclusion on the basis of the first of the two WVS surveys noted above. The analysis showed ‘slightly more leaning towards individual responsibility than collective responsibility’ (p.8) and how a minority were in favour of government redistribution in favour of the less well-off. They go on to observe how ‘a clear majority of those surveyed prefer to blame the poor for their position and that they poor are responsible for their position’ (ibid). The survey results showed ‘no clear mandate to actively decrease inequalities through redistribiting income’ (ibid).
11 Similarly, the only survey to concentrate on the relative inequality which is of course intimately related to expected income (Morrison, 2014).
12 The results of these data Louise Humphage has suggested that, since the significant number of neutral answers, there was a significant shift away from supporting greater redistribution, even during the 1990s when there was high unemployment and much media coverage of poverty and inequality (Humphage, 2011). Although the Ministry of Social Development indicated in 2008 that actual income inequality increased rapidly during the decade covered in her Table 3, the number of people agreeing that New Zealand was an unequal society decreased slightly, from 68% in 1984 to 60% in 1999. She notes that it is difficult to ascertain whether this was the result of slightly different questions being asked, a growing tolerance of inequality influenced by neo-liberal rhetoric focused on self-reliance, or whether the public genuinely believed that equality had improved as the economy regained its strength. But the fact that almost a third of MSP (2000) respondents in 1999 (30%) agreed with the statement that outcomes were necessary for New Zealand’s prosperity suggests that neo-liberal discourses did have some impact.
13 Although we confine the 19-country comparison to 19 of the 33 countries analysed in 2006, both the distributions and the relative position of the New Zealand responses remain very similar when all the available countries are considered. The same is true of the difference between the 19- and 26-country comparisons in 1996.
14 Letting pi be the probability a randomly selected New Zealander will select category i (Strongly agree through Strongly disagree), the entropy is the sum of pi.log(pi) over the response categories i=1,…,5 (Theil, 1972, p.6). The maximum (i.e. 0) occurs when all the available countries are considered. The same is true of the difference between the New Zealand responses and the maximum. The entropy calculations are available on request.
15 Such views are well illustrated in Hazeldine’s Taking New Zealand Seriously: the economics of decency, for example (Hazeldine, 1998).
16 At the same time, it is important to recognise the possible ambiguity which can lie behind responses to surveys. Louise Humphage notes, for example, how difficult it is to tease apart if and when the answers respondents offered to survey questions reflected their values and beliefs, their particular experiences of the neo-liberal reform, or their susceptibility to the political debates and discourses articulated by the political elite via the mass media’ (Humphage, 2011, p.11).

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