Inequality Interactions: The Dynamics of Multi-Dimensional Inequalities

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“Inequality” is a topic studied by several disciplines and numerous sub-fields.

- Both economists and sociologists focus on economic inequalities (income, consumption, wealth) among individuals and between groups.
- Sociologists and anthropologists in addition consider social inequalities such as social hierarchies, and domination and subordination.

The different dimensions of socio-economic inequality are deeply intertwined. This paper develops a set of new concepts to help us systematically analyse these *inequality interactions*.

Motivating example: Crenshaw's (1989) intersectionality

- 1965 Moynihan report on African Americans claimed that the Black community's ills were exacerbated by the predominance of female-headed households.
- Moynihan "depicted a deteriorating Black family, foretold the destruction of the Black male householder and lamented the creation of the Black matriarch," (Crenshaw 1989) and wanted to support the position of Black men in their community.
- That is, Moynihan hoped to reduce race inequality by strengthening the position of men in Black families, thereby worsening gender inequality.

This is a case of inequality interactions: Moynihan was proposing a change in one type of inequality which would imply a knock-on effect on another type of inequality.

Inequality interactions

I define an *inequality interaction* as a change in one inequality that has either a causal or an analytical relationship with another inequality.

I will consider two categories of inequality interaction:

1. The two inequalities are of the same dimension across different populations, such as when a change in interpersonal income inequality leads to a change in categorical income inequality.
2. The two inequalities are in different dimensions, such as when a change in income inequality leads to a change in status inequality.

Concepts for analysing inequality interactions

Inequality diversion is defined as a reduction in one form of inequality that is dependent on sustaining, or worsening, another form of inequality.

- This could be through analytical or causal mechanisms.

Inequality re-ordering is defined as a reduction in inequality between groups or categories, holding constant the interpersonal distribution of income.

- The categorical identities of those holding different positions in the distribution change in such a way as to reduce inequality between categories, but the positions themselves do not change.

1. Unidimensional inequality interactions: interpersonal and group inequalities

Motivations:

- Gender inequality tends to be lower in country-years with lower income inequality (Gonzales *et al.* 2015).
- Declining inequalities in Brazil between men and women, and between racial groups, were driven by the decline in interpersonal income inequality (Ikemura and Loureiro, 2017).
- African Americans improved their relative position in the income distribution in rank terms, but rising interpersonal inequality in the USA has offset this development to the point that racial inequality has not declined overall (Manduca 2018).

We analyse these interactions using a simple canonical policy of **progressive redistribution**: a proportional income tax combined with a flat benefit payment.

- This is a reasonable approximation to many fiscal systems.

The policy transforms an individual's income y_i to $y_i{}'$ as follows:

$$y_i' = (1 - t)y_i + b \qquad (1)$$

where t is the proportional tax rate and b is the benefit and $b = t\bar{y}$ where $\bar{y}$ is mean income.

The new distribution Lorenz-dominates the old distribution so interpersonal inequality necessarily declines.

This progressive redistribution in interpersonal inequality will automatically reduce between-group inequality.

This occurs because group means experience the same transformation as individual incomes: for any group G with population N_G and mean income $\bar{y}_G$ before the policy, mean income after the policy is

$$\bar{y}'_G = \frac{1}{N_G}\sum_{i\epsilon G}[(1-t)y_i + b] \qquad (2)$$
$$= b + (1-t)\bar{y}_G.$$

The effect on group means is therefore the same as the effect on individual incomes, resulting in a reduction in between-group inequality.

This simple analytical framework explains our first inequality interaction:

The reduction of interpersonal inequality through a canonical progressive redistribution also reduces between-group or categorical inequalities, *however we define those groups*.

- This occurs despite the fact that the definition of the policy makes no reference to groups or categories.

Progressive redistribution and intersectionality

The above also implies the following:

- If Black people have lower average earnings than white people, and Black women have lower average earnings that Black men, then this progressive redistribution will reduce the inequality between Black women and any other group.

For this reason, progressive redistribution in the interpersonal distribution supports Crenshaw's (1989, p. 167) insistence on “addressing the needs and problems of those who are most disadvantaged”.

Crucially, we do not need to know which groups are most disadvantaged in order for progressive redistribution to help them.

Inequality re-ordering

‘Liberal feminism’ is the view that we should reduce inequality between genders, while not interfering with other market-driven inequalities.

Left-wing feminists like Crenshaw and Fraser argue this neglects too many injustices. Fraser argues that political capital expended on reducing categorical inequalities should instead be used to reduce class inequality.

I consider these issues analytically using decomposable inequality measures such as the MLD or Theil, and the concept of *inequality re-ordering*.

For decomposable inequality measure L,

$$L = L_w + L_B \qquad (3)$$

where L_B is between-group inequality and L_w is a weighted average of inequality L_j within each group j.

- Inequality re-ordering means reducing between-group inequality L_B while overall interpersonal inequality L stays constant. It follows immediately that within-group inequality L_W must rise. (And if L is rising, L_W rises even more.)

⇒ This is a case of inequality diversion: a decline in one type of inequality comes at the cost of a rise in another type of inequality.

Examples

- The US elite: women and minorities have increased their participation in the US elite since the 1950s. But inequality between those women and minorities who have reached the elite and the rest has become wider (Zweigenhaft 2001).
- The global elite: poorer countries have increased their participation in the global top 1% rise at the expense of the advanced economies. But over the same period, total global inequality increased, and with it, inequality *within* countries (Anand and Segal 2017). Thus the rise in country diversity in the global elite occurred as the members of this elite increased their distance from their own national populations.
    - Segal (2021a) shows that Chinese elites converged with rich-country elites while diverging from their Chinese compatriots in both economic and social terms.

2. Inequality interactions across economic and social dimensions

Meritocracy

Meritocracy is an ideology and a form of social organization that is envisioned as a way to reduce inequalities due to social position at birth.

I argue that it implies inequality diversion because in practice meritocracy tends to exacerbate two other forms of inequality:

- Meritocracy legitimizes income inequality.
- Meritocracy reinforces status inequality.

Meritocracy and income inequality

The term “meritocracy” was coined by British sociologist and revisionist socialist Michael Young in his 1958 satire *The Rise of the Meritocracy*.

Young predicted that classification by ability would lead to **wider gaps** between classes, because the gaps would be seen as **justified**.

- Consistent with this, Mijs (2019) finds that the level of inequality correlates positively across countries and over time with belief in meritocracy.

The recent international literature on elites helps explain the legitimation mechanism:

- Argentina: a new managerial class created in the 1990s justifies itself as meritocratic; and traditional elite families refer to the merit of their forefathers (Luci and Gessaghi's 2016).
- Hecht (2017) in London and Krozer (2018) in Mexico find that the very rich explicitly justified their incomes based on the idea that the market rewards merit.

Moreover:

- Meritocracy can be cited to oppose egalitarian policies: in India opposition to affirmative action for disadvantaged castes is based on the argument that it will “displace competitive merit so as to undermine the efficiency of public institutions” (Mosse 2018).
- Elites use educational expenditures to invest in ‘merit’ for their children, exacerbating income inequality and reducing intergenerational mobility.

Meritocracy and status inequality

Meritocracy does not just legitimate income inequality, but it also creates a new social hierarchy of superior and inferior persons.

- The poor are "bound to recognise that they have an inferior status – not as in the past because they were denied opportunity; but because they *are* inferior" (Young 1958).
- Meanwhile at the top of the distribution, "the eminent know that success is a just reward for their own capacity, for their own efforts, and for their own undeniable achievement. They deserve to belong to a superior class".
  - This is consistent with the elite studies above.

Professional women and domestic service

- We saw that gender inequality has declined globally. In particular many highly-paid professions are now open to women that were closed to them some decades ago.
- Given that inequality within countries has not declined over the same period, the analysis above implies that inequality *within* genders has increased.
  - Indeed, rising inequality makes domestic service cheaper for professionals.
- As part of this, employment of low-paid service workers has increased (Hairong, 2008 on China; Goos, Manning and Salomons, 2009 on the US; Autor and Dorn, 2013 on Europe).
- In many cases, new professional classes of working women employ domestic workers to perform domestic work that is assumed to be women's responsibility.

A long-running debate within feminism: should highly-educated women employ domestic servants in order to allow them to work professionally?

- Flanagan (2004): “many of the gains of professional-class working women have been leveraged on the backs of poor women”.
- Bowman and Cole (2009): hiring a housecleaner “displace[s] inequality from the male-female axis to the householder-housekeeper axis”.

I consider how this potential inequality diversions from this reduction in gender inequality to **income inequality** and **social inequalities**.

The income dimension

When professional women enter the labour market, they remove their labour from domestic work and increase demand for domestic work (relative to the counterfactual of a man doing the same highly-paid job).

⇒ The price of domestic work should increase.

⇒ This would be expected to *reduce* income inequality among women (and overall) by increasing the pay of domestic workers, who are at the bottom of the wage distribution.

This is a potential *positive* inequality interaction.

The social dimension

Does domestic work increase status hierarchies, and relations of domination and servitude?

- Tronto (2002): domestic work implies a more intimate relationship with the employer, and expectations by the employer that the domestic worker should be motivated by *affect*.
- Rollins (1985): it is “an extreme and ‘pure’ example of a relationship of domination in close quarters”. She reports that in her interviews with domestic servants, “all domestics concurred that employers appreciated some forms of deference and outward signs of subservience” (p. 147).
- Ehrenreich (2001): “this is not the kind of relationship that I want to have with another human being”.

On the other hand, Meagher (2002) in her interviews finds that domestic workers do not perceive their work as degrading.

- She also points out that when it is formal, with clear contracts, the work need not involve domination and subordination, nor greater social hierarchy than other jobs.
- Consistent with Hairong's reports of a rich Chinese complaining that she has to consider her servant's well-being and treat her better than her counterparts in South Africa.

Moreover, it will depend on the degree of economic inequality:

- Higher income inequality in the sense of 'entitlements over labour' (the affordability to the rich of employing a typical worker) will tend to exacerbate social hierarchies and domination (Segal 2021b). Equally, if this inequality is low – i.e. domestic workers are expensive for employers – we would expect less unequal social relations.

I have argued that several important topics in the literature on inequality can be seen as varieties of inequality interaction, where the concepts of *inequality diversion* and inequality *re-ordering* can help clarify the issues.

- Some unidimensional interactions can be studied analytically using the tools of inequality measurement.
- Inequality interactions across economic and social dimensions, on the other hand, are contingent empirical causal relationships within a given society.
    - For this reason, they can in principle be ameliorated via intervening factors.

Primary inequality reduction	*Secondary inequality effect*	*Intervening factors*
Progressive redistribution: interpersonal income inequality ↓	Between-group or categorical income inequality ↓	None (analytical relation)
Inequality reordering: categorical income inequality ↓	Within-group inequality ↑	None (analytical relation)
Meritocracy: inequality due to birth status ↓	Income inequality ↑ Status inequality ↑	• Public provision of education • Pre-existing level of inequality
Gender inequality among professionals ↓	Income inequality ↓ Status inequality ↑ Domination ↑	• Public provision of social reproduction services • Pre-existing level of inequality