

From Spatial to Economic to Political Inequality and back Again

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Outline of talk

1. Space, Inequality and Political Reform
2. Social Interactions
 - Social Interactions and Innovation
 - Social Interactions and human capital accumulation
3. Spatial Inequality and global inequality
4. Persistent Inequality: US: mobility and inequality
5. Gender inequality in the US: bright spot
6. Income growth and income inequality
7. Policy tools depend on aims

Facets of inequality

- Persistence of inequality: Not so surprising
- Dimensions of inequality?
- How space matters for inequality
Within countries vs. across countries
- Pan-European perspective: “West” vs. “East”
- Political response:
Local, national, global
- Policy tools

Facets of inequality

- Persistence of inequality: Not so surprising
- Dimensions of inequality?
- How space matters for inequality
Within countries vs. across countries
- Pan-European perspective:

Cleisthenes reforms in Classical Athens

- Cleisthenes, prescient social network theorist, born 570 BCE, rearranged political representation in Classical Athens, 508 BCE: so that rural, suburban and urban communities (demoi) to aggregate information
- Also, enacted *ostracism*: sending political figures into exile; used only 15 times, its threat important
- Political reform: equal rights for all “free” male citizens

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Social Interactions and Innovation

- Just as crowded parties are the best, innovations originate in interactions, adopted by entrepreneurs in pursuit of profit
- “Monopolies” protect them until widespread
- Increasing urbanization confer advantage to cities, but their prosperity did not take hold until advances in public health stopped infections that made them depend on fresh bodies from the hinterland
- Nowadays, urban areas, not necessarily low- as well as super-high density, carrying the torch of innovation

Social Interactions and Innovation: the archipelago metaphor

- Joshua Lederberg, Nobel Laureate, Physiology or Medicine, 1958, on the role of New York played in his scientific career because of its distinctive combination of richness and scale of interaction. In his own words:

“It was, and is, a communication network. New York is a super-university. Evolutionists will tell you that you get the most rapid diversification of species where you have an archipelago, where you have islands that are not totally isolated from one another but have sufficient isolation so that each one can develop a distinctive flavor and sufficient communication so that there is some gene flow between them.”

Urban interactions make the global local in the sense that different people who benefit from one another can easily interact, deliberately or by chance!

Social Interactions and human capital accumulation

- Individuals in residential neighborhoods, schools, workplace, random encounters, serendipity
- Firms: proximity to suppliers, and to competitors; main ingredient of new economic geography
- Individuals: neighborhood effects, peer effects, role models
- Accumulation of human capital depends on the human capital of parents, of course, but also of neighbors
- People are not randomly thrown into neighborhoods, they self-select, subject to their preferences and means
- residential sorting and spatial income inequality contribute to national income inequality.
Exacerbated by informational divides and associated *aspatial* interactions
- Could the political process reverse it?

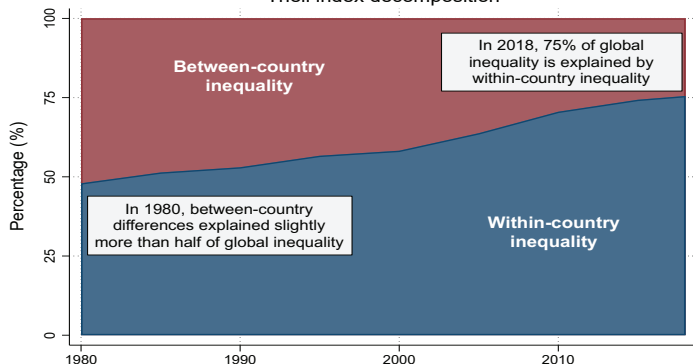
Spatial Inequality and global inequality

- Disturbing pictures: Lucas Chancel, “Ten facts about inequality in advanced economies”

2018 75% of global inequality explained by within country inequality; Theil index

Spatial Inequality and global inequality

Figure 9. Global income inequality: between vs. within country, 1980-2018
Theil index decomposition



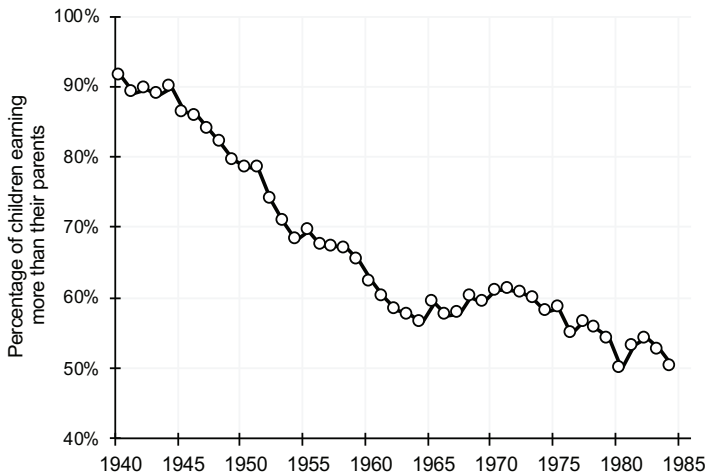
Source: Author based on WID.world (2019) and own updates. Distribution of per adult pretax income measured at PPP. See [wir2018.wid.world](#) and [methodological appendix](#).

Figure 1: Global income inequality: within vs. between, Chancel (2019)

US: mobility and inequality

The rise of inequality has not been counterbalanced by an increase social mobility.

Figure 10. Absolute mobility in the US, 1970-2014



US: mobility and inequality, cont/d

The rise of inequality has not been counterbalanced by an increase social mobility.

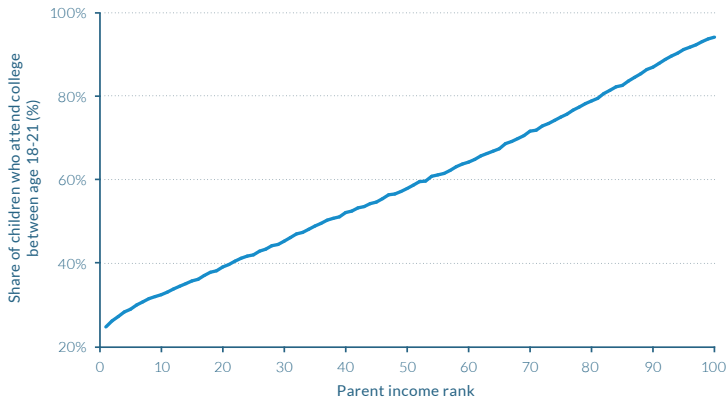


Figure 3: Children's college attendance and parent income rank, cohorts 1980-82, Chetty et al. (2014)

US: declining gender inequality, a bright spot

BUT gender inequality remains high among top income and wealth groups

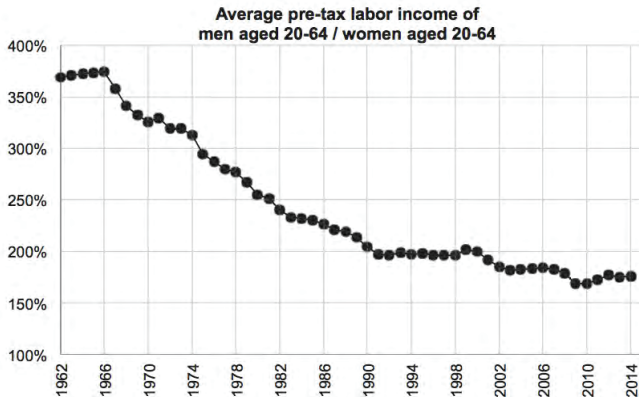


Figure 4: Gender Inequality in the US, 1962–2014. Piketty et al. (2014)

Income growth and income inequality: Chancel (2019)

Little known divergence

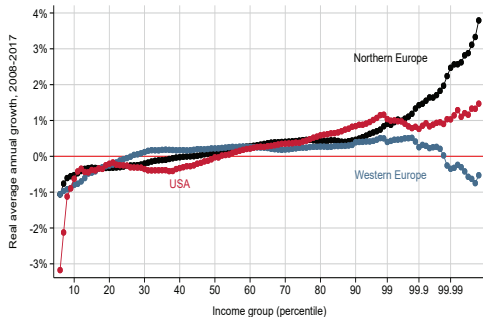


Figure 5: Income growth and the income distribution, Europe and US, 2008-2017

Policy tools depend on aims: Peterson Institute Conference

Aiming at:

- Bottom of the income distribution? health care, education, minimum wage, jobs, transfers and macro policies
- Middle of the income distribution? public spending on education, good jobs, trade agreements, promotion of innovation, safety nets and social insurance
- Top of the income distribution? estate taxation, regulation and antitrust laws, wealth taxation

	Pre-production	Production	Post-production
What kind of inequality do we care about?	Bottom Endowment policies (healthcare, education); universal basic income	Minimum wage; job guarantees	Social transfers (e.g., earned income tax credit); full-employment macro policies
	Middle Public spending on higher education	"Good jobs" policies; industrial relations and labor laws; sectoral wage boards; trade agreements; innovation policies	Safety nets; social insurance policies
	Top Inheritance/estate taxes	Regulations; antitrust laws	Wealth taxes

Can no longer refrain

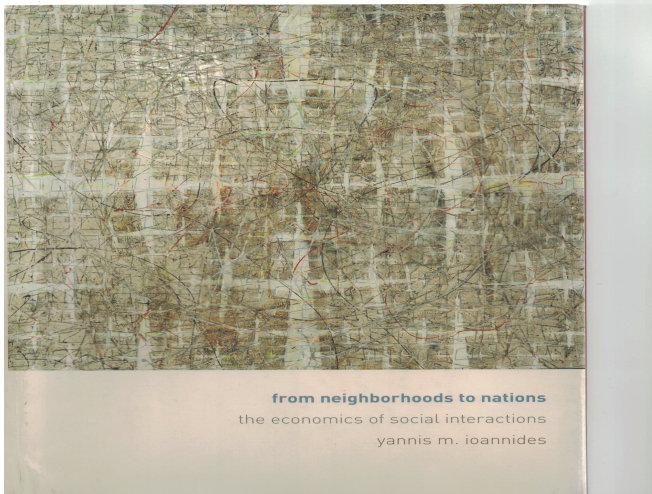


Figure 7: From Neighborhoods to Nations: The Economics of Social Interactions. Princeton UP (2013)

How could democratic political processes reverse increasing inequality?

This presentation is based on

Chancel, Lucas. "Ten facts about inequality in advanced economies."

Presented at the conference "Combating Inequality: Rethinking Policies to Reduce Inequality in Advanced Economies." October 18, 2019.

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**THANK YOU FOR
LISTENING!**

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