

“Fair” Inequality?

An International Comparison of Attitudes to Pay Differentials

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June 21, 2005

The authors would like to thank the Russell Sage Foundation for its financial support and the participants at the Russell Sage Workshops on Inequality on March 21, 2003 and May 20/21, 2004 and Christopher Jencks, Stephen Jenkins, John Myles, Jeff Racine, Leslie McCall and Shelley Phipps for their comments. The authors also emphasize their gratitude to Laura Turner, Kim Tran, Andrea Johnson, Nan Geng, Zhouran Zhou, Mary Santy, Kati Foley and Lynn Lethbridge for their excellent work with the data and manuscript. An earlier, and larger, version of this paper circulated under the title “An International Comparison of Preferences for Leveling”. All remaining errors are our own.

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Abstract

Are American attitudes to economic inequality different from those in other countries? This paper employs ISSP micro-data questions on what individuals in specific occupations “do earn” and what they “should earn” to distinguish value preferences for more egalitarian outcomes from other confounding attitudes and perceptions. We suggest a methodology for summarizing individual preferences for the levelling of earnings and use kernel density estimates to describe and compare the distribution of individual preferences over time and cross-nationally. Societal implications are discussed in closing. Subjective estimates of inequality in pay diverge substantially from actual data. Although Americans do not on average have different preferences for aggregate (in) equality, there is evidence for:

- (1) more polarization in attitudes among Americans;
- (2) similar preferences for “levelling down” at the top of the earnings distribution;
- (3) less concern for reducing differentials at the bottom of the distribution

10,763 Words

Keywords: Inequality, Fairness, Equity, Distribution, Cross-national comparisons

Are American attitudes to economic inequality different?

It is widely recognized that economic inequality in the United States is higher than in other affluent industrialized nations and that government in the United States does less to reduce the inequality of economic outcomes than do the governments of other countries¹. One hypothesis is that this is, essentially, what Americans want — that government (in) action reflects the preferences of the electorate and that Americans have different attitudes to inequality and redistribution than do the citizens of other countries². However, Kluegel, Mason and Wegener (1995) or Kelly and Evans (1993) are among those who have argued the alternative hypothesis: that Americans are not particularly different from the citizens of other affluent industrialized nations in social preferences for economic equity and the reduction of inequality. If so, the explanation for differences in economic, social and policy outcomes may be found in American attitudes to government as an agent of distributional change or in differences in the institutional structure of American politics. But the prior question is whether, or how, American attitudes to inequality in economic outcomes differ from attitudes elsewhere.

This paper begins by examining directly the responses in different countries to questions on attitudes toward economic inequality in the International Social Survey Program (ISSP) surveys of public opinion. It then discusses the problematic nature of seemingly simple summary terms like “inequality,” “redistribution” or “public preferences.” Section 2 argues that the battery of International Social Survey Program (ISSP) questions on what individuals in specific occupations “do earn” and what they “should earn” offers 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. Section 3 compares average attitudes in different countries to aggregate inequality, as summarized by the Gini index of “do earn” and “should earn” inequality. Section 4 examines average national perceptions of the maximum and minimum that people

¹ For a detailed discussion see Osberg, Smeeding and Schwabish (2004) and the references therein. Forster and d’Ercole (2005) provide recent international comparisons of inequality.

² In the economics literature, Alesina, di Tella and MacCulloch (2001), Alesina and la Ferrara (2001), Alesina and Angeletos (2003), Benabou and Ok (1998) and Piketty (1995) have discussed possible differences in attitudes to inequality in the United States, often in the context of presumed differences in attitudes to economic mobility. Delhey (1999) and Suhrcke (2001) and Ravallion and Lokshin (2001) have examined the differences between attitudes to inequality in the former communist countries and western nations. Interestingly, this literature typically makes no reference to the International Social Justice Project or other sociological research (for example, Kelly and Evans (1993) and Kluegel et al (1995) cannot be found in the bibliography of any of the papers cited above).

“should earn” and “do earn” and average preferences for the levelling of earnings. In Section 5 kernel density methods are used to describe the distribution of individual preferences for equality in different countries. Section 6 sums up, and discusses social implications.

Although it is hard to find support for the hypothesis of systematically different preferences on average for aggregate (in) equality in the United States, there is strong evidence for:

- (1) more polarization in attitudes among Americans (which is consistent with recent United States voting behaviour and opinion polling);
- (2) similar preferences for “levelling down” at the top of the earnings distribution (as in other countries); but,
- (3) less concern for “levelling up” at the bottom of the distribution than in other nations.

These findings are consistent with American trends in political and social polarization.

1. Attitudes to Inequality – and Conceptual Problems in their Interpretation

A seemingly straightforward way to find out whether people in different countries have different attitudes to economic inequality is to ask them directly. Table 1 reports the responses in a sample of OECD countries to the ISSP 1999, 1992, and 1987 survey modules on Social Inequality when individuals were asked the seemingly simple question: “In (your country) are income differences too large?” It is noteworthy that clear majorities, in all countries either “agree” or “strongly agree” with this statement. Although the United States had the highest percentage that “strongly disagreed” with the statement, this represented only 3.3 percent (in 1987) and 3.2 percent (in 1999) of respondents, and diverged notably from the 1992 survey (1.7 percent). Indeed, in all countries there are extremely few people who “strongly disagree” with this statement.

One 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. As Osberg and Smeeding (2004) document in greater detail, the ISSP asks about attitudes to redistribution and inequality in a number of overlapping ways – the key point is that the United States is *not* a clear outlier when one compares mean responses across nations [See also Kelly and Evans (1993), Kluegel et al (1995), Svallfors (1997) or Suhrcke (2001:8)].

However, what do survey respondents mean to say when they answer general questions about inequality or the fairness of “income differences”? One way to fix ideas about attitudes to inequality of outcomes³ is to suppose, by contrast, that an individual believed that he or she lived in a just society. In this case, such a person would believe that the actual earnings (Y_i^A) of all persons (both themselves personally and all other individuals) are equal to what they should earn (Y_i^*). Equation (1) summarizes the idea that people should earn what they do earn.

$$(1) \quad Y_i^* = Y_i^A$$

Some idea of minimum adequacy may be implicit in this attitude - i.e. a lower bound (Y_{\min}^*) on actual incomes in a just society, or what Smith (1776, 339) referred to as “those things which the established rules of decency have rendered necessary to the lowest rank of people”. Equation (2) expresses this idea.

$$(2) \quad Y_i^A > Y_{\min}^*$$

As well, some individuals may have the idea that it would be socially excessive if any individual’s actual income exceeded some upper bound (Y_{\max}^*), as expressed in (3).

$$(3) \quad Y_i^A < Y_{\max}^*$$

A just society could, therefore, be summarized as one which satisfies equations (1) to (3) and which can therefore be described in graphical terms as having a distribution of earnings as in line segment *ac* in Figure 1. Up to this point, the vocabulary does not exclude any of the possible sets of beliefs about an ethically acceptable distribution of earnings. The beliefs of a complete egalitarian can, for example, be summarized as constraining (2) and (3) such that $Y_{\max}^* = Y_{\min}^*$

³ A huge and fascinating literature on procedural justice (e.g. Molm et al, 2003) invariably finds that “process matters” for fairness judgments – but in this paper we focus on the perceived equity of outcomes.

- in which case the line segment *ac* collapses to a single point, and there is a single answer to the twin questions “What should I receive?” and “What should other people get?”. Alternatively, some people might believe that there should be no upper bound on ethically acceptable incomes — if so, Equation (3) loses any empirical content as Y_{\max}^* is infinitely large. Alternatively, if one thinks that there should be no lower bound to earnings, that amounts to specifying (in the terms of Equation (2)) that $Y_{\min}^* = 0$.

In the ISSP data, there are very few people who say they believe in completely equal earnings⁴. Aside from such complete egalitarianism, all belief systems about ethically acceptable earnings inequality share the property that if a person believes that they live in a just society and if that person is asked to estimate the relationship between what *other people* do earn and what *they* should earn [i.e. the relationship between Y_i^* and Y_i^A], a regression of the form of equation (4) would yield the result that $b_0 = 0$ and $b_1 = 1$.

$$(4) \quad Y_i^* = b_0 + b_1 Y_i^A$$

As it happens (see below), some people appear to believe — at least approximately — that the earnings distribution is fair (i.e. there is a fraction of the population whose personal estimates imply $b_0 = 0$ and $b_1 = 1$)⁵, but in all countries many people do not share this belief. An individual’s belief that there is systematic inequity in earnings can be thought of as the belief that some people get “too much” [$Y_i^* < Y_i^A$] while others get “too little” [$Y_i^* > Y_i^A$]. In graphical terms, such a perception of inequity can be represented as the line *de* in Figure 1, whose slope [$b_1 < 1$] can be taken as indicative of an individual’s desire for “levelling” of the earnings distribution, within their view of the acceptable range of incomes.⁶ In the remainder of this paper we will adopt the convention of referring to b_1 as an estimate of individual “preferences for

⁴ The ratio of egalitarians to respondents in the 1987, 1992 and 1999 Social Inequality waves of the ISSP in the United States was 7/1165, 6/1132 and 2/988. Among the 35,656 respondents in all surveys in all countries, only 212 (0.59 %) replied that all individuals should have the same wage.

⁵ This could be either because individuals rationalize the current reality of their society (“what is, ought to be”) or because reality fits their prior social justice values (“what ought to be, is”). For present purposes we do not need to distinguish between reasons *why* $b_1 = 1$. Note that this paper focuses on the individuals’ evaluation of the fairness of the distribution of economic rewards *among others* and does not address the determinants of any personal dissatisfaction that individuals may have with their own rewards.

⁶ Note that the line segment *de* is drawn with a positive intercept b_0 . In an unjust society [$b_1 < 1$] in which some get “too much” while others get “too little”, one must expect $b_0 > 0$. Indeed, the combined assumptions that $b_0 = 0$ and $b_1 < 1$ would imply that $Y_i^* < Y_i^A$ for all persons (“just” incomes are always less than actual incomes). The “justice psychophysics” literature (see, for example, Wegener and Steinmann, 1995:156) often refers to the *Jasso ratio* [= $\ln(Y_i^A / Y_i^*)$ – see Jasso (1980)]. In terms of the present discussion, the Jasso ratio is equal to the antilog of b_1 under the assumption that $b_0 = 0$.

levelling”, which can be estimated, for any given person, across their responses identifying Y_i^* and Y_i^A in a set of occupations. However, equations (2) to (4) can also be read as indicating that three numbers are needed to express the degree of a person’s egalitarian preferences:

- (1) the ethical floor to minimum earnings (i.e. Y_{\min}^*);
- (2) the ethical ceiling to maximum earnings (i.e. Y_{\max}^*);
- (3) the desired degree of levelling, relative to the current income distribution, among “acceptable” incomes (i.e. b_1).

A person with a belief system summarized graphically by *de* would perceive a gap between actual and fair income for someone at income Y_1 [i.e. $Y_1^* - Y_1^A = \Delta Y_1 > 0$] for people at the bottom of the distribution with actual income Y_1^A . Presumably this income gap is something that could be filled by redistribution. In Figure I, one can call income level Y_j the “just desserts” income, since $Y_j^* = Y_j^A$. If the relationship between Y_i^* and Y_i^A is linear, as in equation 4, the “just desserts” income can be calculated as equal to $b_0 / (1 - b_1)$. On the other hand, in Figure 1 an individual at an earnings level such as Y_2^A , who is making more than Y_j^A , is someone who, according to belief system *de* has “too much” [$Y_2^* - Y_2^A = \Delta Y_2 < 0$]—a social problem of excess that could presumably be solved by taxation.

Thus far, the discussion is fairly straightforward, but it can be used to illustrate some of the ambiguities in the idea of “redistribution” and the potential pitfalls in simply asking whether people are in favour of more or less redistribution, without further clarification. In Figure 2, the line labelled A is reproduced from Figure 1, and can be thought of as a particular set of attitudes towards inequality of individual earnings (this could be the attitudes of a person, or a group of people, or a nation).

However, in Figure 2 another set of attitudes is also portrayed [labelled B]. In this set of attitudes, all incomes less than Y_2 are thought to be “too low” — which implies that more people are potentially deserving of higher income. Indeed, those people with earnings in the interval [Y_j to Y_2] were seen in the first set of attitudes as being overpaid and are now seen as underpaid — if the remedy for unfair incomes lies in the tax/transfer system, they potentially shift from taxpaying to transfer receiving status. Those in the income range [Y_1 to Y_j] were previously seen as underpaid, but are now seen as even more deprived. However, the income gap under belief system B for the least well off is less than under A — for those at the very bottom of the income

distribution, $Y^*(B) < Y^*(A)$. One way of summarizing, if one compares these two sets of attitudes, is that the main sympathy in attitude set B is for the “middle class”, but there is less concern for the deprivation of the very poorest.

A number of researchers (e.g. Shepelak and Alwin (1986), Alwin (1987), Younts and Miller (2001) have used the *Jasso ratio* (see Jasso:1978, 1980), which expresses the “Justice Evaluation (JE)” of an outcome as: $JE = \ln(\text{actual earnings} / \text{just earnings})$. (Jasso 1978:1414) argues that “The justice evaluation score associated with an individual who earns exactly his or her just earnings would be zero, which is the logarithm of the ratio one”. Because this formulation implicitly assumes $b_0 = 0$, discussion of inequality of outcomes within this framework⁷ cannot consider the possibility of the sort of value divergence portrayed in the comparison of attitude set A and B in Figure 2. However, it is easy to imagine that individuals might differ in this way, which implies a significant ambiguity in interpreting their responses to summary questions about inequality comparisons.

Would someone with belief set A be more or less likely to report there is “too much” inequality than someone with belief set B? Under belief set B, more people are seen as “under paid”, but the perceived degree of deprivation for the least well off is greater under belief set A. Is attitude set B more favourable to “redistribution” than attitude set A (because more people, further up the distribution of earnings, are seen as potentially deserving of transfers) or less favourable (because those at the very bottom of the hierarchy are seen as deserving smaller transfers)?

In the terms used in this paper, belief system A exhibits greater preferences for “levelling” than belief system B ($b_{1A} < b_{1B}$), but it is not necessarily clear if someone were asked whether they were in favour of “reducing income differences between the rich and the poor” that it would be a person with beliefs A or B who would be more in favour, since each would identify a different set of persons as “the poor”. Further, it is entirely unclear whether a society with attitude set A would want to spend more in equalizing net income transfers than a society with attitude set B, or less. Figures 1 and 2 contain no information about the percentage of the

⁷ In a just society, $Y_i^* = Y_i^A$ and $JE = 0$, in Jasso’s terminology. But $JE = \ln(Y_i^* / Y_i^A) = 0$, implies $\ln(Y_i^*) - \ln(Y_i^A) = 0$, which implies $\ln(Y_i^*) = \ln(Y_i^A)$ which can only be true if $b_0 = 0$ and $b_1 = 1$ in Equation 4 above. Note that $b_0 > 0$ can be interpreted as the idea that individuals unable to earn any income should, even if $Y_i^A = 0$, still receive some basic level of subsistence – which can be seen as the basic guarantee in the “Guaranteed Annual Income” idea. The idea of basic economic “human rights” (such as those codified in Article 25 of the UN Universal Declaration of Human Rights, and elsewhere – see Osberg (2001)) also implies $b_0 > 0$.

population who are at each level of actual income. Without information as to the population density of Y_i^A one cannot know whether the aggregate volume of taxes and transfers required to give effect to belief system A or to B is larger, or whether either set of transfers is feasible⁸.

When survey respondents use the term “inequality” do they mean to describe the ratios of incomes of individuals or the frequency distribution of incomes in a population? So far, this section of the paper has been examining “economic inequality” in the sense of “differences between individuals in economic outcomes”. The term “inequality” is often used in this sense — for example, in the discussion of wage inequality between production workers and corporate executives, or when the average earnings of racial, ethnic or educational groups are being compared. Arguably, the respondents to the ISSP question cited in Table 1 may have had this interpretation. When the term “inequality” is used to mean “individual differences,” it is enough to know the relative income (or wealth or earnings) of each type of person. The number of people with similar economic outcomes is not necessary information for the calculation of such income (or earnings) ratios.

However, the income ratio between types of persons is only part of “inequality” in the distribution of income in a population. To calculate a single parameter statistical index of income inequality (such as the Gini ratio, Theil index or the coefficient of variation) one needs to know the population density of particular incomes. When Atkinson wrote his fundamental article on comparisons of inequality measurement in 1970, he started with the basic idea of “comparing two frequency distributions $f(y)$ ”—and his contribution was to note the potential ambiguity in international rankings of inequality when frequency distributions differ such that the Lorenz curves of the cumulative distribution cross (Atkinson, 1970). “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 much of the economics literature – in particular, that cited in Footnote 2).

Since this paper is about public attitudes to “Inequality”, 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 estimate $f(y)$ — the relative frequency of different levels of income. There is a good deal of evidence that survey respondents do not accurately estimate the

⁸ Note also that the political attitudes of individuals are only in a very vague sense constrained by actual budgetary feasibility.

proportion of the population with particular incomes. For example, Kluegel et al (1995:201) report that subjective estimates of the perceived frequency of ‘middle class’ incomes depend heavily on the respondent’s own socio-economic position⁹. 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*.

Although it is true that 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 – i.e. $f(y)$ – 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 powerful¹⁰”. It is often not clear whether an aversion to greater inequality (in the statistical sense) is an aversion to the numbers of people who earn incomes at particular ratios or to greater relative income gaps between particular groups.¹¹

As well, although the ongoing political debates on inequality are evidence of within-country dispersion in attitudes to inequality, much of the international comparisons literature relies on the mean or median score (e.g. Table 1) to summarize cross-national differences. Regression based models (such as those reported in Kluegel et al (1995) similarly report the central tendency of a conditional distribution. However, does a measure of the central tendency of the distribution of attitudes tell us what we need to know in order to understand the political

⁹ Academics who have surveyed the students in their classes commonly express surprise that very affluent students often report themselves to be “middle class” – a misestimate that is actually quite normal, across all income classes.

¹⁰ Respondents to the 1987, 1992 and 1999 ISSP waves were asked whether they strongly agree, agree or disagree or strongly disagree with this statement – in all countries, the mean response is somewhere between “no opinion” and “agree” – see Osberg, Smeeding and Schwabish (2004).

¹¹ Imagine a society composed of lawyers earning \$100,000 and carpenters earning \$25,000. These income ratios are all that one needs to know if the focus of enquiry is inequality in the “differences between individuals” sense, but discussion of inequality in the $f(y)$ “distribution within a population” sense requires knowledge of the relative numbers of lawyers and carpenters. 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. In general, if $y_i = X_i \beta + u_i$ (where y_i is a person’s income, their characteristics are described by a vector X_i and the returns to those characteristics are summarized in the vector β , with the unexplained component u_i , where $E(u_i) = 0$), then the frequency distribution $f(y)$ and any inequality statistics (e.g. the Gini or Theil indices) calculated from it depend on $f(X_i)$ and on β , as well as on u_i . But inequality in the “average difference between types of persons” sense is only about β .

economy of inequality? Glaeser et al (2004) are representative of a recent political economy literature arguing that “strategic extremism” by political actors (who must compete both in effective mobilization of their own base of support and in attracting support from their opponents) may produce polarization in policy positions and attitudes. Although the same median or average attitudinal score could be produced in a society with a tightly compacted uni-modal distribution of attitudes, or by a polarized or bi-modal distribution of attitudes, political dynamics are likely to be quite different in these two societies. While a society that is uni-modal may tend to be stable in its policies, majority rule in a polarized, bi-modal society means that the polity will be governed by whichever extreme can (perhaps temporarily) tempt the median voter to their side. In such cases, instability in policies and continual conflict are the more likely scenarios, which implies that understanding why these differences in preferences arise becomes particularly important.

2. What People “Do Earn” and “Should Earn”

Although a large literature has analyzed the statistical data to examine whether income inequality is objectively increasing, political attitudes and behaviour 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 a person’s attitudes to inequality are conditioned on their perception of “facts” it is desirable to 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 rounds of 1999, 1992 and 1987.

Respondents were asked to estimate what salaries people in various jobs *do actually earn* and subsequently were asked what they *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 minister¹². [Respondents were also asked

¹² In this paper, we exclude the respondent’s own occupation, since we want to focus on attitudes to inequality in society, not perceived personal injustice. We experimented with using or not using the data on what judges and

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.¹³

Attitudes toward inequality mingle empirical beliefs regarding the magnitude of income ratios, the frequency density of incomes, and the processes that determine income levels – as well as ethical evaluations of both process and outcomes. The key advantage of using the “do earn / should earn” question format is that many of these confounding issues are held constant at the respondent level. In the ISSP data, attitudes to what specific occupations “should earn” can be conditioned on what the individual believes they “do earn” so that individual errors of estimation of actual earnings can be directly controlled for.

In a general discussion of inequality, empirical estimates of the importance of capital income for “the rich”, the processes which generated market income (e.g. the extent of inherited wealth), and the size and frequency of transfer payments are all mingled with attitudes toward earnings inequality. The subjective awareness of survey respondents of the size and distribution of these income sources is subject to great empirical errors, and there is much controversy in the ethical evaluation of income generating processes. However, the “do earn / should earn” ISSP questions are clearly restricted to differences in labour market earnings of specific occupations - thereby avoiding the complex set of issues surrounding the importance and evaluation of different income sources. Since ISSP respondents are not asked to estimate the empirical frequency of occupational types, their judgments (both empirical and ethical) about the frequency density of income levels cannot be known. This paper therefore focuses on respondents' preferences for levelling - i.e. reducing economic inequality in the sense of lessening differences between individuals in economic outcomes.

The ISSP questions are phrased in terms of occupational earnings, and respondents are not asked to consider any vignettes detailing complexities of household size, composition or

cabinet ministers “do earn” and “should earn”, because we worried that these responses may mingle individual attitudes to government with preferences for levelling in occupational rewards – but in practice it makes no detectable difference.

¹³ For a more complete discussion see Appendix A of Osberg and Smeeding (2004)

“need” for income. There is little reason for respondents to systematically impute a different age, disability status, number of household members, or different aggregate earnings of other household members, to any of the occupations listed. Hence, the “do earn / should earn” questions are not confounded by concern with the adequacy or excess of household consumption possibilities that is driven by number of household members, disability status, age, etc. The implied context for each occupation is full time earnings, which abstracts from the differences in income produced by variations in labour supply or unemployment or the number of earners in a family.

3. Average Preferences for “Aggregate Inequality” Across Countries

One way to summarize each ISSP respondent’s attitudes to “inequality” is to calculate both the respondent’s perception of the actual degree of “aggregate inequality” (as summarized below by the Gini index of inequality¹⁴ of estimated actual earnings – GiniA) and their perceived equitable degree of inequality (as summarized by GiniE—the Gini index of inequality of what each occupation “should earn”). The ratio between GiniE and GiniA is, for each respondent, an indication of how much their own estimate of the actual degree of inequality in income ratios diverges from their own estimate of “equitable” inequality.

Table 2 presents the results for a variety of nations and Figure 3 plots the average values of GiniE and GiniA by country. 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 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 perception of earnings inequality in the United States was not very different from that of Australia, New Zealand, Canada, or Germany, despite very substantial real differences in earnings inequality in these nations (Gottschalk and Smeeding, 1997; 2001). Indeed, the average subjective perception of

¹⁴ In doing this calculation, the implicit assumption is 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. 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 – but to conserve space are not reported here. 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”.

earnings inequality in the United States was below the average of all countries, although actual data shows more earnings inequality than in any other nation.

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. Other countries have an average level of “should earn” inequality around 0.34, while United States responses averaged 0.35.

The third column of the table is the one that arguably has the most direct 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. As Column 3 notes, 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.

Another way to look at preferences for equality is to estimate the relationship, across countries, between average perceptions of “ethical inequality” (“what ought to be”) and average perceptions of “actual inequality” (“what is”). As the regression line in Figure 3 indicates, there is a strong correlation ($R^2 = 0.78$). At the margin, when average perceived actual inequality is higher, average “ethical” inequality is higher by about two thirds (0.674) as much. However, one must caution that a cross-sectional correlation cannot reveal causation (i.e. whether habituation to higher actual inequality produces higher norms of inequality, or whether less ethical aversion to inequality produces greater actual inequality). Nevertheless, Figure 3 does clearly indicate that the United States is not an outlier — at least in average responses. There is, therefore, little basis

in this ISSP data for an argument that Americans are, on average, more or less tolerant of earnings inequality than the citizens of other (non-Scandinavian) countries.¹⁵

However, Figure 3 presents a highly aggregated picture of attitudes – in two senses: (1) the attitudes about inequality of all individuals within each country are summarized in the average attitude and (2) “inequality” is summarized by the Gini index. Since Section 5 will emphasize the importance of heterogeneity in attitudes to inequality, Figure 4 presents, for the United States, UK, Canada and Norway a kernel density plot of the distribution of the ‘tension’ in attitudes to “Should Earn Inequality” and “Do Earn Inequality” (i.e. the distribution across respondents in each country of the GiniE/GiniA ratio). For most of the distribution, it is not easy to discern differences among these four nations – but Canada, the UK and Norway have a modal peak in the 0.75 range, while in the United States distribution there is a flattish segment and a peak at 1.0.

4. Is it Inequality at the top or at the bottom which matters more?

Calculation of a summary measure of inequality (such as the Gini index) does not directly reveal the extent of the ethically acceptable range of earnings — or whether individuals are on average more accepting of inequalities at the top or the bottom of the distribution. In the ISSP data there is a broad measure of concurrence across countries in which occupations “should earn” the most and the least,¹⁶ and the list of occupations contains an example from both the very top (chairman of a large national company) and the very bottom (unskilled worker) of the earnings distribution. Although respondents are undoubtedly aware that there are also some people (like professional athletes) with incomes that may be as high or higher than the chairman of a large national company, such people have a celebrity status that may remove them from “normal” earnings comparisons. This paper therefore takes the range of occupations identified in the ISSP as proxies for the range of actual pay, and compares the maximum and minimum “should earn” incomes of each respondent, as proxies for Y^*_{\max} and Y^*_{\min} .

¹⁵This similarity in attitudes to earnings inequality occurs in the context of substantially differing levels of social transfers and public expenditures - see Osberg, Smeeding and Schwabish (2004). If the issue in evaluating inequality is “inequality in consumption possibilities” then a higher common “social wage” implies relatively less importance for market income as a source of effective consumption – an argument that would have predicted *less* emphasis on inequality of earnings in the Scandinavian countries.

¹⁶ We have compared across countries the “should earn” and “do earn” occupational rankings, which are essentially the same in the countries examined.

Table 3 presents data on the “Maximum/Minimum” “should earn” ratio in 1999 ISSP data as an indicator of the full range of ethically acceptable incomes, but it is also of interest to know whether differences across countries are primarily in terms of an aversion to excess at the top, or a dislike of deprivation at the bottom — hence it also presents the “Maximum/Mean” and “Mean/Minimum” “should earn” ratios (i.e., the “Max/Mean” is calculated, for each respondent, as their estimate of maximum ‘should earn’ income (Y^*_{\max}) expressed as a ratio of the mean “do earn” income which they estimate, and the “Mean/Min” is the respondent’s mean estimate of “do earn” income expressed as a ratio of their estimate of minimum ‘should earn’ income (Y^*_{\min})). As indicators of the central tendency of the distribution of attitudes to each issue, it presents both the mean and the median, calculated across all respondents in each country. In the Appendix, Table A1 presents the comparable 1992 results and Table A2 presents 1987 data.

Some generalizations can clearly be made. In the 1990s, there are big differences between countries in the overall range of acceptable outcomes (e.g. in 1999, the largest median Max/Min ratio was in France (7.5) which was nearly three times the smallest median Max/Min ratio (Norway — at 2.6)). However, there are relatively small cross-national differences in ethically acceptable income ratios at the top (in 1999, the lowest Max/Mean median ratio was Spain at 1.556 while the largest was Germany, at 2.166). Cross-national differences were most apparent at the bottom of the distribution, where the range was from 3.487 in France to 1.667 in Norway. As Table 4 indicates, the data that is available indicates that the earnings ratio between production workers and Chief Executive Officers varies between approximately 20:1 and 50:1. Actual pay gaps are therefore much larger than both the “do earn” estimates and “should earn” ratios.

Notably, despite the fact that in the real world the earnings ratio at the top is likely to be an order of magnitude greater than the ratio between average incomes and those of the least skilled, the “should earn” ratio at the top is always of the same order of magnitude as the “should earn” ratio at the bottom. Norway and Sweden have the smallest range of ethically acceptable incomes, particularly at the bottom end. In rank terms, Australia is next in minimum range (although there is a considerable quantitative jump between Scandinavia and Australia). Again, in this data on attitudes to the range of inequality, there is little support for the hypothesis of “American exceptionalism”, in the sense of a clear difference in attitudes of a magnitude that might help explain the difference in public policy to inequality. Looking at the median and mean

“Max/Mean” ratios — i.e. the “average person’s” tolerance of inequality at the top end of the distribution — 1992 and 1999 data put the United States almost exactly in the middle of the pack of nations surveyed. In 1987 data, the United Kingdom appears as most tolerant of a wide range of incomes at the top end, with the United States in second place — but the difference amongst the set of countries is not large.

A remarkable feature of the data is how small (approximately 3:1) the ethically acceptable ratio between the salary of the chairman of a large national company and the average¹⁷ was thought to be in 1987. It is also notable that there was, in 1992 and 1999, a *downward* trend in mean and median United States perceptions of the acceptable Max/Mean ratio. It is therefore not easy to argue that the much larger, and widening, gap between average earnings and executive compensation in the United States, compared to other countries, is consistent with some uniquely American set of inequality-tolerant values.

Differences between the United States and other countries are easier to find in attitudes to the acceptable range of inequality at the bottom of the income distribution. In both 1987 and 1992 data, the United States was the country with largest median and mean estimates of the acceptable “Mean/Min” ratio. Tolerance of income gaps between the poor and the middle class was considerably larger in the United States than in other countries and grew consistently from 1987 to 1992 and from 1992 to 1999. Since the median and mean Canadian estimates of the acceptable Mean/Min ratio grew from being substantially less, to slightly more, than in the United States, it is possible that the data indicate the emergence of a “North American” perspective on low end inequality which is relatively tolerant of poverty.

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.¹⁸ 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. The differences between individuals in their assessment of the desirable degree of “levelling” can be estimated from the ISSP micro data. Since each individual respondent

¹⁷ Note that this is the average across occupations, not weighted for population frequency, and therefore does not correspond exactly to average earnings as reported by national statistical agencies.

¹⁸ See Kelley and Evans (1993) Tables documenting this assertion are also available on request from the authors but are omitted here for space reasons.

reported 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 following the specification of Equation 4 in Section 1 [i.e. we estimate a 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 for occupation i is, at the margin, captured by the b_1 coefficient, which is taken here as an individual’s preferences for the levelling of pay. For most people, $b_1 < 1$, since most respondents think that some levelling is desirable. However, attitudes to inequality are bounded, (i.e. when $b_1 = 1$) by the attitude that no levelling at all is desirable, since some respondents report that “should earn” = “do earn”.

Table 5 reports the mean and median b_1 or “levelling” coefficient estimated from the 33 ISSP surveys. If one thought that there was less egalitarianism (in the sense of a desire for a levelling of earnings) in American values than in other countries, then one might expect to observe a systematically higher b_1 coefficient in the United States than elsewhere — but that is not the implication we take from Table 5. In 1987 and 1999 data, the median and mean b_1 coefficient in the United States was above the mean for all country years but in 1992 it was below. The average rank of the United States (over all three surveys) was 16th for the median b_1 coefficient and 13th for the mean b_1 coefficient – which is pretty close to the middle of our set of 33 nations.

Table 5 is consistent with much other data reported in this paper, with Norway and Sweden average preferences for levelling are stronger than is typical elsewhere. The average and median estimate for Australia in 1987 is inconsistent with the other years’ data for Australia in Table 5 and with other data, which suggests that a rogue result is possible, therefore adding caution to the interpretation of results for countries for which only one year of data is available. For the United Kingdom, however, all three survey waves concur in the conclusion that mean and median preferences for levelling in the United Kingdom are relatively high by international standards — the average United Kingdom rank was 26th for the median b_1 coefficient and 29th for the mean b_1 coefficient (where 33 would be the rank of the country with greatest preference for levelling).

Table 5 provides a caution against assuming there is a general female proclivity to greater egalitarianism. Columns 5 and 6 report the difference between male and female responses —

where a positive difference indicates that the median (or mean) male respondent has less preference for levelling (indicated by a higher b_1 coefficient) than the median (or mean) female, and a negative differential indicates men to be more inclined to level earnings. Interestingly, male-female differences are often quite small in size and also fluctuate in sign. Although Canada, Australia and the Scandinavians show a tendency for the median (average) female to be more levelling than the median (average) male, in the United Kingdom and the United States, the gender differential fluctuates in two of three years, the median (average) American woman is more levelling than the median (average) American man, while in two of three years, British men are more levelling than British women.

5. The Distribution of Preferences for Equality

Up to this point, national preferences have been summarized in terms of a measure of the central tendency of the distribution of attitudes - the median or mean individual. However, if attitudes to inequality are highly polarized, the distribution of attitudes to inequality might be poorly summarized by measures of central tendency and the characterization of societies as being “*on average*” more or less egalitarian in preferences may be highly misleading. As the final column of Table 5 indicates, there is a substantial variation of individual attitudes to levelling — more so in the United States than in most other countries.

Those people who think the existing distribution of earnings is fair will report $Y_j^* = Y_j^A$, implying that for them $b_1 = 1$. To the extent that respondents support the status quo, there will therefore tend to be an accumulation of b_1 estimates at $b_1 = 1$. Kernel density methods offer a way to assess how the distribution of levelling tendencies varies across countries and Figure 5.1 presents estimates of the distribution of preferences for levelling in the United States in 1987, 1992 and 1999. A notable feature of American attitudes is their bimodality. In all three years there is clear spike at $b_1 = 1$, as well as substantial clustering around a levelling 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, perhaps signifying greater acceptance of current inequality of rewards.

Although the b_1 coefficient may capture an overall preference for levelling, it does not directly address the issue of the ethically permissible range of earnings, not whether there is more concern with capping excessive rewards at the top of the distribution or limiting deprivation at the bottom. Figures 5.2 and 5.3 present the distribution of American attitudes to the Max / Mean¹⁹ and Mean / Min “should earn ratios. Notably, as Figure 5.2 shows, there appears to have been a hardening of American attitudes towards excess earnings at the top — the modal value of the Max / Mean ratio declines over time and becomes significantly more concentrated (see also Tables 3 to 5) — at a level that is vastly different from the actual pay ratios reported in Table 4. In contrast, attitudes to inequality at the bottom end have become more diffuse over time. Figure 5.3 indicates that in 1987 data there was a noticeable community norm of an ethically permissible deviation of minimum earnings from the average, but this has eroded.

Figure 5.4 compares male and female preferences for levelling in 1999 United States data — the “gender gap” in preferences for greater levelling is clearly apparent, but both American males and females have a bimodal distribution of preferences. In Figure 5.5, Canadian men and women are compared — the tendency to bimodality among men is very slight, and among women is non-existent. In Figure 5.6 for the United Kingdom, the gender gap is very small, with men (if anything) more likely than women to prefer levelling. The convergence of attitudes around a quite high preference for levelling (a modal value of approximately $b_1 = 0.45$) is striking, compared to the more diffuse distribution of preferences to be found in North America.

However, if one could paint a picture of “social cohesion” in attitudes to inequality, it would probably look like Figure 5.7 for Norway²⁰. Where the United States kernel density estimates paint a picture of polarized attitudes, the Norwegian picture is one of broad consensus. As other data has also indicated, Norwegians are on average in favour of reducing still further the already relatively small income gaps in Norway, and Figure 5.7 indicates that there is a very strong convergence in attitudes around a value of about $b_1 = 0.66$ (which is actually noticeably *less* levelling, relative to current differentials, than modal values in the other three countries).

¹⁹ One gets the same result if attitudes to wage differentials are examined between named occupations such as a CEO and a skilled worker.

²⁰ 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 5.8 puts the United States, United Kingdom, Norway and Canada on the same graph²¹. It is limited to a four-country comparison because additional countries are hard to distinguish visually, but its basic story can also be told with other nations' 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 5.8 is to note that in all four countries there are a large number of people who are “levellers”. But what is different about North America, and especially the United States, is that it also contains a group who are clearly 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 some converging around an acceptance of the status quo with little or no levelling desired ($0.9 < b_1 < 1$) and another convergence of attitudes around substantial desired levelling ($b_1 =$ approximately 0.5) - is apparent among both men and women, although with different peaks.

However, Figure 5.8 does not indicate the distribution of preferences for levelling at different ends of the earnings distribution. Figures 5.9 and 5.10 therefore compare the distribution of the Max / Mean Ratio and Mean / Min Ratio of “should earn” incomes across countries. In both Figures, the relative unanimity of Norwegian opinion comes through very strongly — the modal value of the Max / Mean Ratio and Mean / Min Ratio of “should earn” incomes are both small, and the distribution is tightly compacted. Figure 5.9 indicates that Canadian and American attitudes to inequality at the top end are very similar, and there is a concentration of opinion that the “Max / Mean” ratio should be a little under 2:1. United Kingdom respondents have a somewhat greater acceptance of top end inequality. But in all three countries there is still a noticeable social consensus on the maximum level of income someone “should earn”. On the other hand, Figure 5.10 indicates that there is no such consensus in the United Kingdom, Canada or the United States on relative minimum earnings in 1999²².

²¹ For space reasons, this paper presents kernel density plots for only these four countries – similar plots for some other countries (e.g. Japan) also indicate bimodality.

²² Kelly and Evans (1993) concluded, using 1987 ISSP data, that cross-national differences in attitudes were primarily about appropriate income differences at the top end, but opinions have clearly changed.

6. 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. 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.

We question this assertion. On average, Americans do not stand out as being particularly different from other countries in general attitudes to inequality or in the “should earn / do earn” comparisons – but comparisons of medians or means hide an important part of the story. The United States appears to be a country with much more polarization of attitudes to income levelling than is common elsewhere – and increasingly so over time. The bimodality of American attitudes to income levelling is particularly striking.

Kluegel et al (1995:206) have argued that it is common for individuals to have a “split-consciousness” about economic inequality, since the same person will often report support for egalitarian principles (such as distribution according to need) and inegalitarian attitudes (such as the moral depravity of the poor). They note that this “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.”

This paper has argued that there is a trend over time for American attitudes to inequality at the top end of the income distribution to become less tolerant of inequality, even as at the bottom end they have become more accepting of inequality. 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. When it comes to differences between the middle and the bottom of the income distribution, however, the Anglo-American countries as a group have a similarly diffuse set of attitudes, which is reflected in their above average poverty rates, and which contrasts with a strong concern for a social minimum in Europe (see Jäntti and Danziger (2000)).

Our principle findings can be summarized as follows:

- (1) an empirical trend to widening actual earnings and income differentials at the top of the United States income distribution;
- (2) less concern over time for a “social minimum” in the United States;
- (3) public attitudes that have hardened in the United States against excessive wage differentials at the top end and; and
- (4) increasing polarization of attitudes to income levelling.

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.

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

Country	Year	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	Total
Australia	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
Austria	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	5.4	4	0.7	100
Canada	1999	28.1	42.5	15.7	11.2	2.6	100
	1992	25.3	45.3	16.2	11.2	1.9	100
France	1999	60.3	27.2	7.4	4.5	0.7	100
Germany	1999	20.5	55.2	14.3	9.1	0.9	100
	1992	30.5	53.4	9	6.4	0.6	100
	1987	25.2	50.8	13	9.4	1.7	100
Italy	1992	53.2	36.3	6.3	4	0.2	100
	1987	43.6	43.5	6.9	5.4	0.7	100
Netherlands	1987	19	47.4	13	17.6	3	100
Norway	1999	22.4	50.1	13.8	12	1.8	100
	1992	22.3	48.5	14.4	12	2.8	100
Spain	1999	35.9	53.4	7.4	3.1	0.2	100
Sweden	1999	29.2	41.9	18.1	8.4	2.4	100
	1992	24.4	35.1	21.9	13.6	5	100
Switzerland	1987	19.1	48.5	20.7	10.4	1.4	100
UK	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	1.4	100
US	1999	25	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

Source: ISSP 1999, 1992, 1987

Figure 1
“Fair Pay” and Actual Earnings

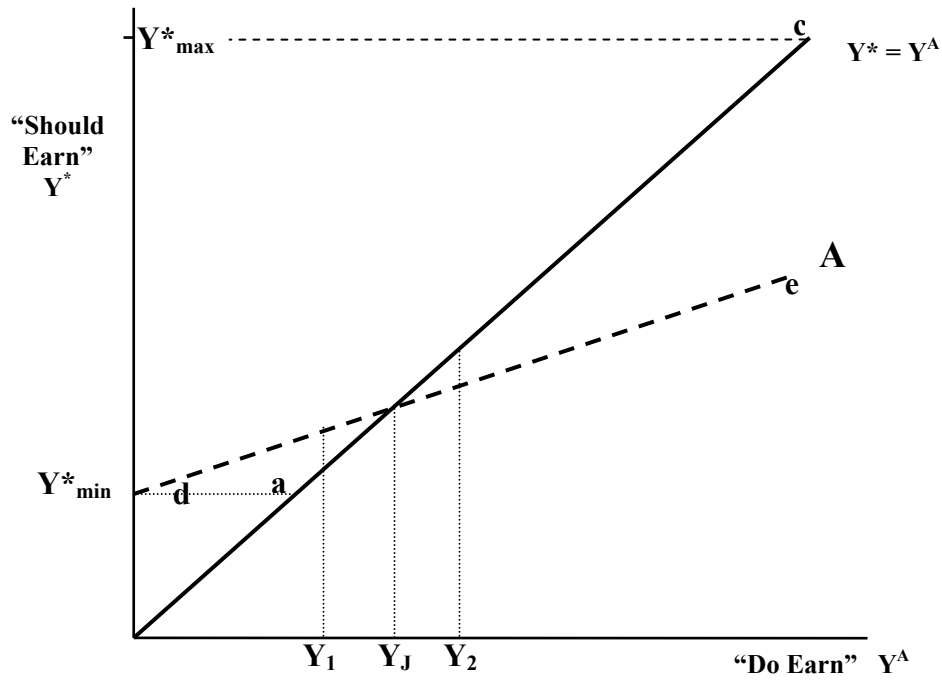


Figure 2
The Ambiguity of “Inequality”

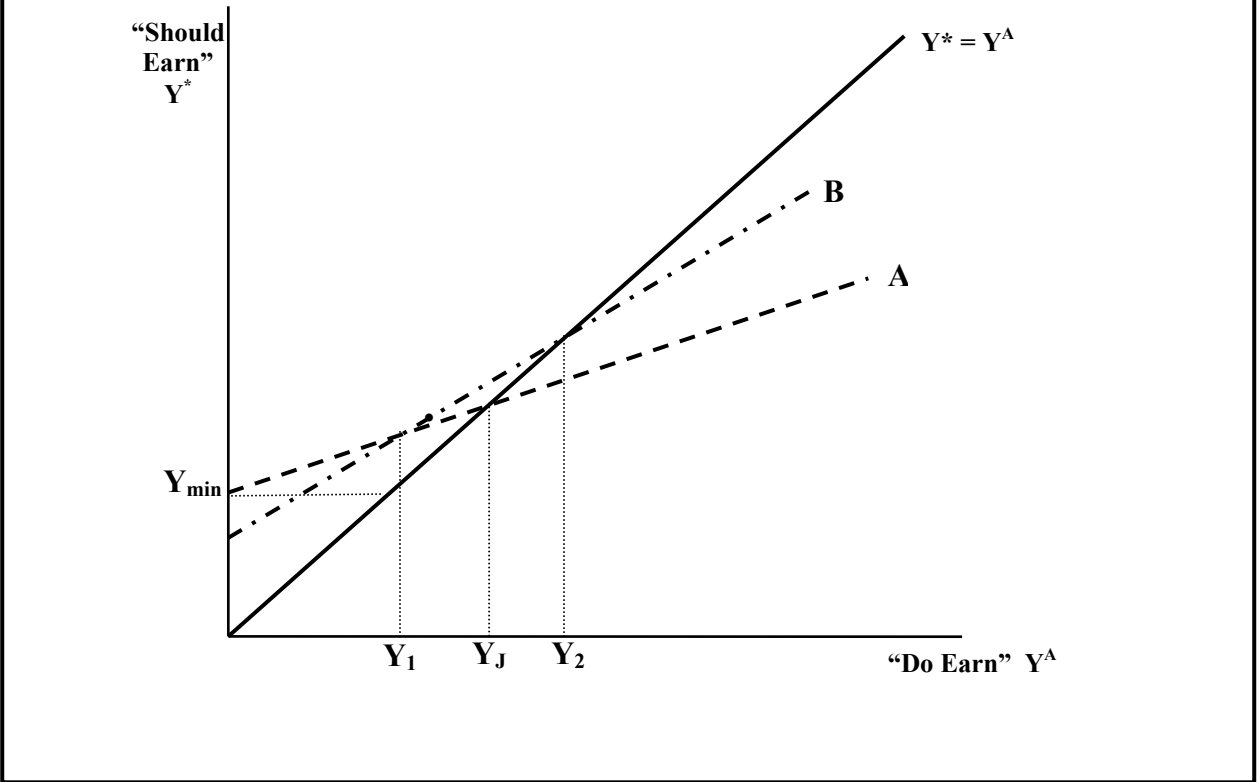


Table 2
Actual and Ethical Inequality - Gini 1999

Country	Year	Average Gini Index of Salaries People "Do Earn" (GiniA)	Average Gini Index of Salaries People "Should Earn" (GiniE)	Average Ratio of GiniE/ GiniA
Australia	1999	0.42	0.31	0.74
Austria	1999	0.41	0.32	0.78
Bulgaria	1999	0.42	0.28	0.68
Canada	1999	0.45	0.33	0.76
Chile	1999	0.60	0.47	0.79
Cyprus	1999	0.40	0.33	0.82
Czech Republic	1999	0.53	0.39	0.76
Germany West	1999	0.41	0.34	0.82
Germany East	1999	0.43	0.32	0.74
Great Britain	1999	0.49	0.36	0.73
Hungary	1999	0.56	0.37	0.67
Israel	1999	0.45	0.36	0.80
Japan	1999	0.46	0.37	0.81
Latvia	1999	0.58	0.41	0.70
New Zealand	1999	0.43	0.32	0.76
North Ireland	1999	0.42	0.32	0.76
Norway	1999	0.30	0.21	0.73
Philippines	1999	0.49	0.46	0.97
Poland	1999	0.58	0.44	0.77
Portugal	1999	0.45	0.33	0.73
Russia	1999	0.66	0.39	0.61
Slovakia	1999	0.25	0.19	0.82
Slovenia	1999	0.47	0.34	0.74
Sweden	1999	0.35	0.22	0.65
US	1999	0.43	0.35	0.82
Spain*	1999	0.34	0.22	0.65
France*	1999	0.52	0.38	0.74
Average – all nations		0.46	0.34	0.75
Average of Europe		0.47	0.34	0.74

Data Source: International Social Survey Programme

Note: Respondents were asked what salaries people in various jobs do actually make and what they should make. (Spain and France reported "net income" but other nations asked for "Before Tax" salary) 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.

Figure 3: 'Actual' and 'Ethical' Inequality
GiniA v.s. GiniE ISSP 1999

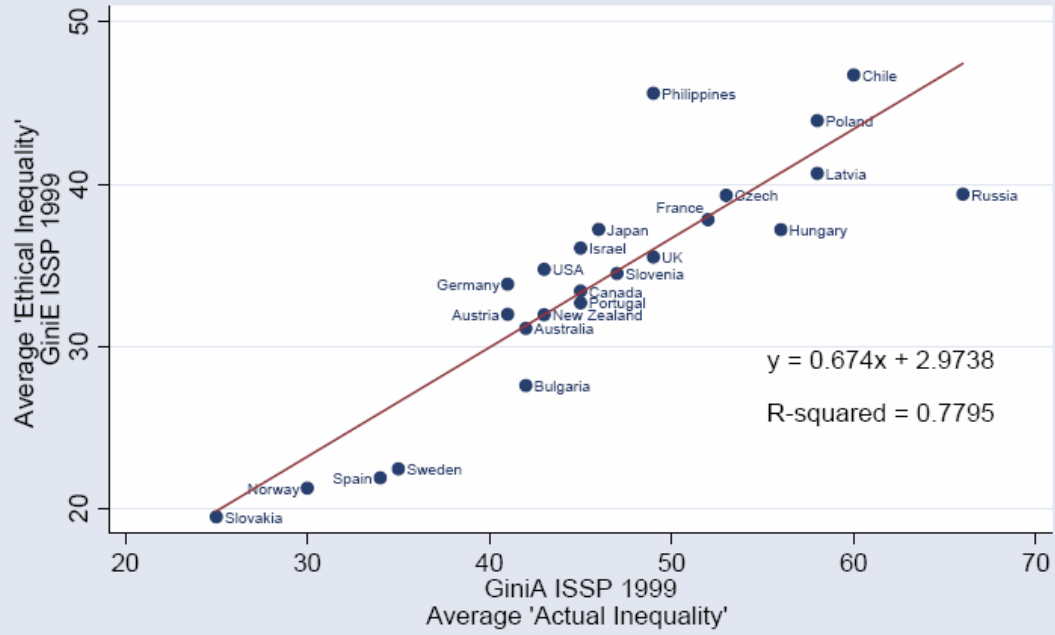
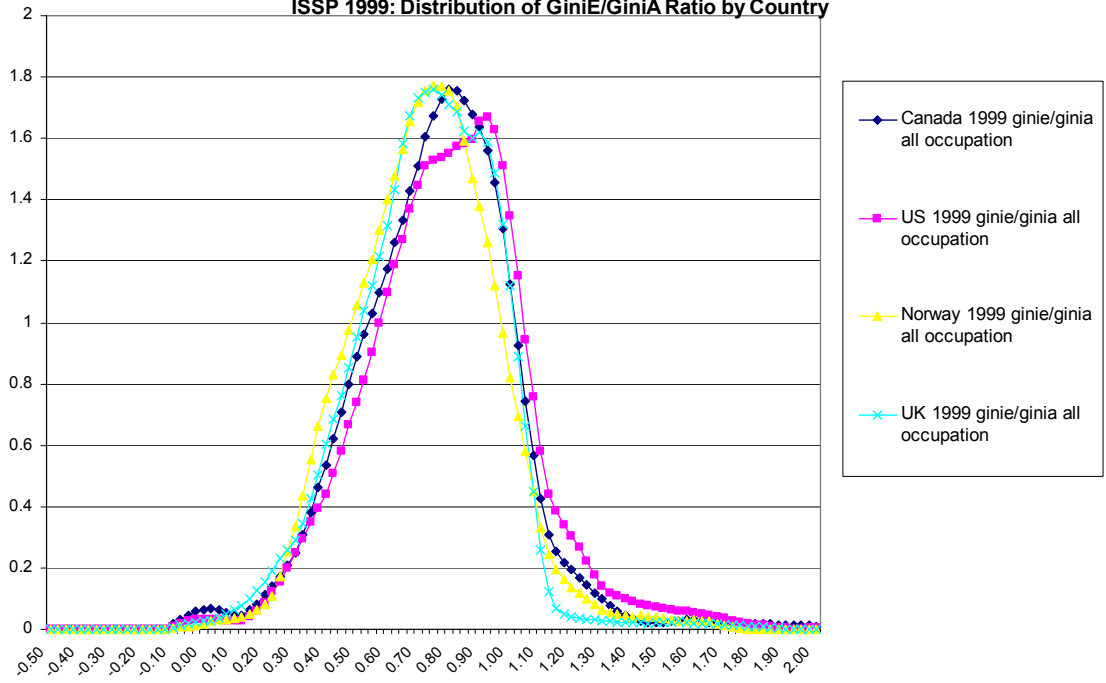


Figure 4:
The Tension between Ethical and Actual Inequality
ISSP 1999: Distribution of GiniE/GiniA Ratio by Country



Distributions of Should-Earn Ratios Across Countries: 1999

Table 3: Means, Medians and Rankings: All Individuals

Country	Mean MaxMin Ratio	Median MaxMin Ratio	Country Rank by Mean & Median MaxMin Ratio		Mean MaxMean Ratio	Median MaxMean Ratio	Country Rank in Max / Mean Ratio		Mean MeanMin Ratio	Median MeanMin Ratio	Country Rank in Mean / Min Ratio	
			Mean	Med			Mean	Med			Mean	Med
United States	9.680	6.667	5	2	2.131	1.978	6	7	4.037	3.236	5	4
Canada	10.156	6.667	4	2	2.179	1.981	5	6	4.073	3.240	3	3
Australia	6.110	5.000	12	9	1.935	1.791	12	12	2.975	2.686	12	12
New Zealand	7.982	5.555	8	6	2.024	1.875	9	10	3.515	2.857	8	10
United Kingdom	10.945	6.667	3	2	2.295	2.090	2	2	4.051	3.267	4	2
North Ireland	8.097	5.646	6	5	2.019	1.873	10	11	3.554	3.000	6	6
Spain	3.138	2.800	15	11	1.606	1.556	15	15	1.773	1.874	15	13
Portugal	7.722	5.333	10	7	1.993	1.892	11	8	3.491	2.829	9	11
France	11.615	7.500	2	1	2.335	2.166	1	1	4.370	3.487	2	1
Germany	7.553	6.000	11	4	2.112	2.000	7	5	3.306	2.880	10	7
Austria	8.050	5.333	7	7	2.030	1.883	8	9	3.542	2.869	7	9
Norway	3.206	2.609	14	12	1.610	1.564	14	14	1.906	1.667	14	15
Sweden	4.018	2.941	13	10	1.718	1.591	13	13	2.079	1.791	13	14
Israel	7.750	6.000	9	4	2.212	2.083	4	3	3.277	2.879	11	8
Japan	12.347	6.515	1	3	2.258	2.027	3	4	4.488	3.053	1	5

Table 4
CEO Compensation and Pay of Production Workers in Manufacturing, 2001 (US \$)

	<i>CEO Compensation</i>	<i>Production Worker in Manufacturing (4)</i>	<i>CEO/Worker Pay Ratio</i>	<i>Country Rank by Ratio</i>
UK (1)	711,403	22,654	31	4
Australia (3)	649,137	19,582	33	2
Japan (1)	485,941	29,974	16	8
France (3)	542,622	16,699	32	3
Sweden (3)	442,188	21,192	21	5
Germany (1)	461,738	26,465	17	7
US (1)	1,305,012	29,391	44	1
Canada (2)	481,651	23,436	21	6

Notes:

1) Average of Total CEO Compensation from *The Galt Global Review* (1999)

and from *BBC News* (2001): UK- Galt = \$US 700,000; BBC = £509,019

Japan - Galt = \$US 425,000; BBC = £385,128

Germany - Galt = \$US 500,000; BBC = £298,223

USA - Galt = \$US 1,200,000; BBC = £992,974

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

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

(4) Manufacturing Pay:

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

Annual Hours worked per person: www.dol.gov/ILAB/media/reports/oiea/chartbook/chart19.htm

Annual Hours worked per person in Canada: www.pbs.org/now/politics/workhours.html

Table 5
Preferences for Levelling Across Country-Year Surveys

Country & Year	Beta		Rank		Male Beta Subtract Female Beta		Standard Deviation of Beta: Males & Females	
	Median	Mean	Median	Mean	Median	Mean		
United States	1987	0.657	0.689	8	7	-0.050	-0.025	0.527
	1992	0.524	0.600	28	21	0.001	0.018	0.532
	1999	0.630	0.659	12	11	0.077	0.075	0.408
Canada	1992	0.677	0.697	6	6	0.013	0.019	0.342
	1999	0.545	0.585	25	27	0.010	0.017	0.417
Australia	1987	0.801	0.757	1	2	0.001	0.016	0.270
	1992	0.583	0.600	19	22	0.027	0.031	0.322
	1992*	0.645	0.646	11	12	-0.010	0.006	0.341
	1999	0.567	0.609	23	17	0.023	0.061	0.357
New Zealand	1992	0.616	0.623	16	14	0.072	0.072	0.276
	1999	0.587	0.613	18	16	-0.016	0.004	0.316
United Kingdom	1987	0.571	0.607	22	19	-0.022	-0.019	0.441
	1992	0.508	0.544	30	30	0.021	0.015	0.434
	1999	0.544	0.577	26	28	-0.021	-0.029	0.372
North Ireland	1999	0.655	0.677	9	9	-0.057	-0.069	0.425
Italy	1992	0.697	0.681	4	8	0.001	0.001	0.287
Spain	1999	0.621	0.599	14	23	-0.046	-0.012	0.406
Portugal	1999	0.544	0.597	27	24	-0.007	0.032	0.383
France	1999	0.459	0.519	33	33	0.025	0.064	0.531
Netherlands	1987	0.694	0.699	5	4	0.013	0.046	0.452
Switzerland	1987	0.620	0.614	15	15	-0.027	0.012	0.287
Germany (W)	1987	0.579	0.604	20	20	-0.033	0.000	0.373
	1992	0.596	0.608	17	18	0.059	0.035	0.468
	1999	0.755	0.714	2	3	0.007	0.010	0.311
Austria	1987	0.490	0.549	31	29	0.011	0.027	0.351
	1999	0.654	0.661	10	10	-0.002	0.013	0.315
Norway	1992	0.516	0.538	29	31	0.035	0.035	0.290
	1999	0.622	0.646	13	13	0.029	-0.003	0.325
Sweden	1992	0.560	0.587	24	26	0.056	0.061	0.368
	1992*	0.577	0.597	21	25	0.065	0.055	0.355
	1999	0.483	0.520	32	32	0.029	0.031	0.387
Israel	1999	0.668	0.697	7	5	0.038	0.065	0.530
Japan	1999	0.730	0.793	3	1	0.130	0.109	0.647
Average		0.599	0.620			0.009	0.019	0.376

Notes:

1992* indicates that the sample of occupations for which beta is calculated is identical to that from the 1987 file.

Figure 5.1
United States Social Inequalities ISSP Years 1987-1999: Should Earn / Do Earn Slope
Coefficient (Beta) Over Time, Both Sexes

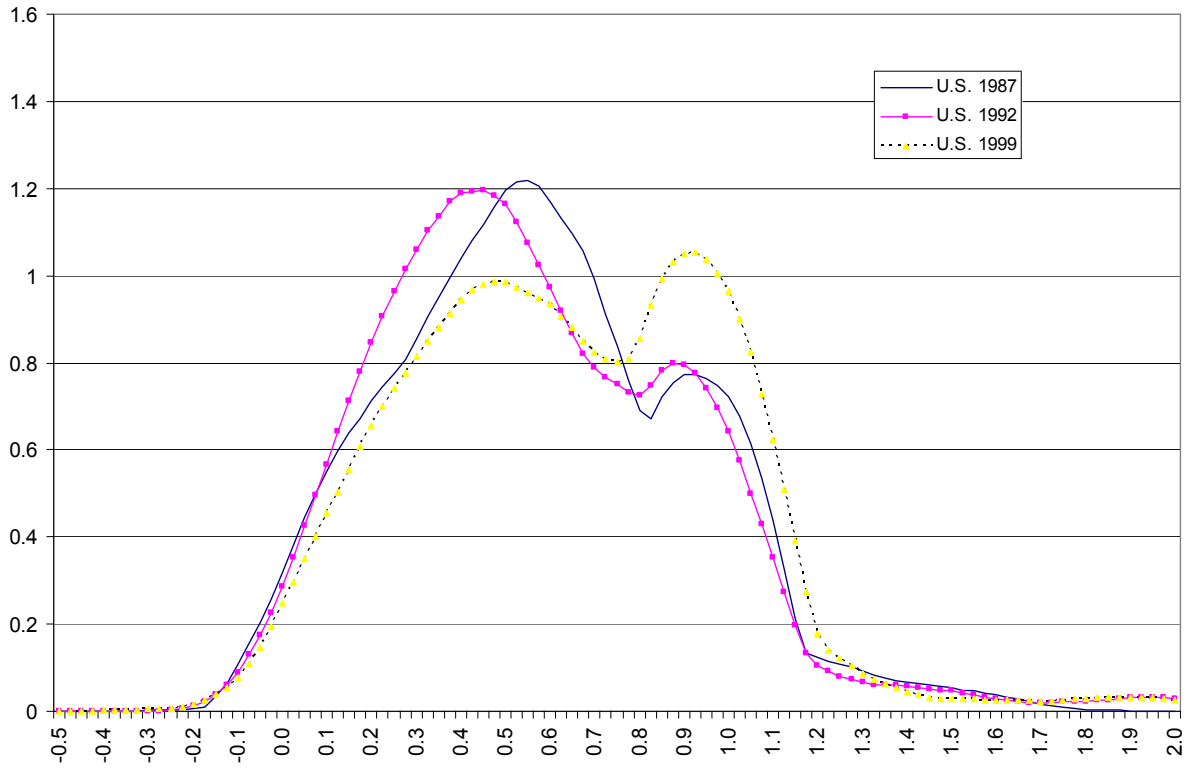


Table 5.2
United States Social Inequalities ISSP Years 1987-1999:
MaxMean Ratio Over Time, Both Sexes

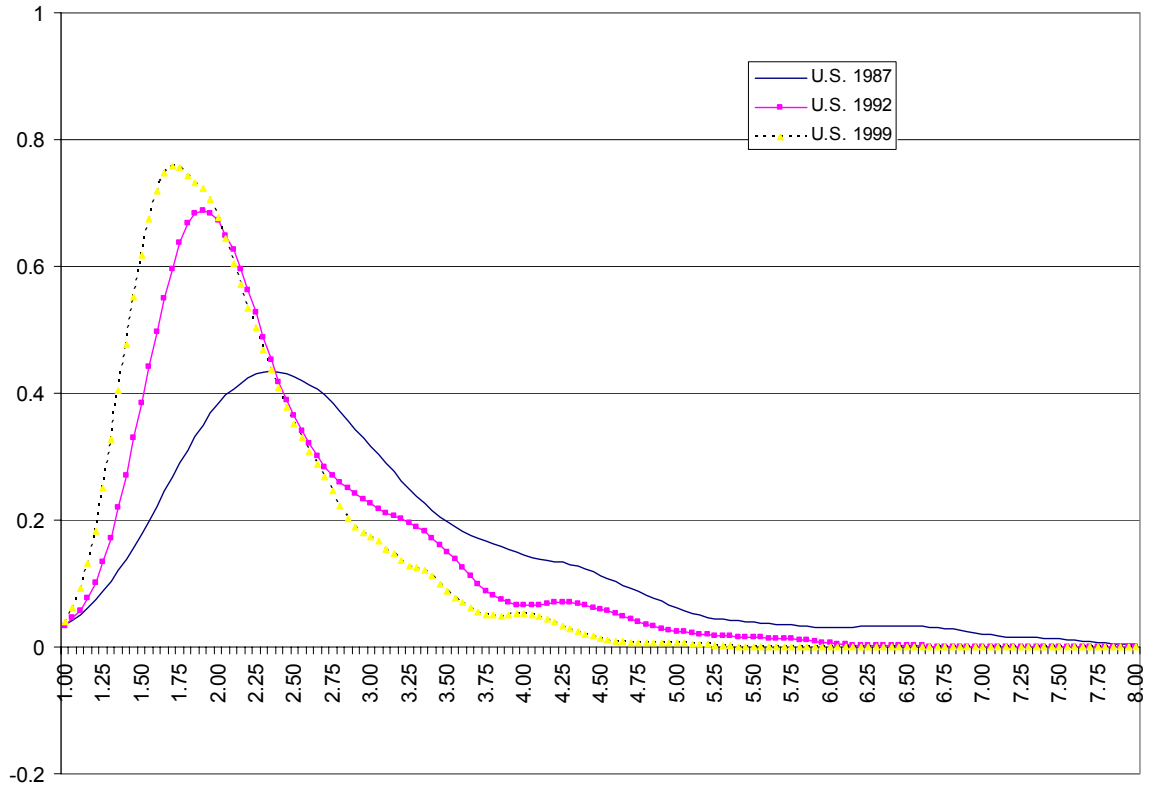


Figure 5.3
United States Social Inequalities ISSP Years 1987-1999:
MeanMin Ratio Over Time, Both Sexes

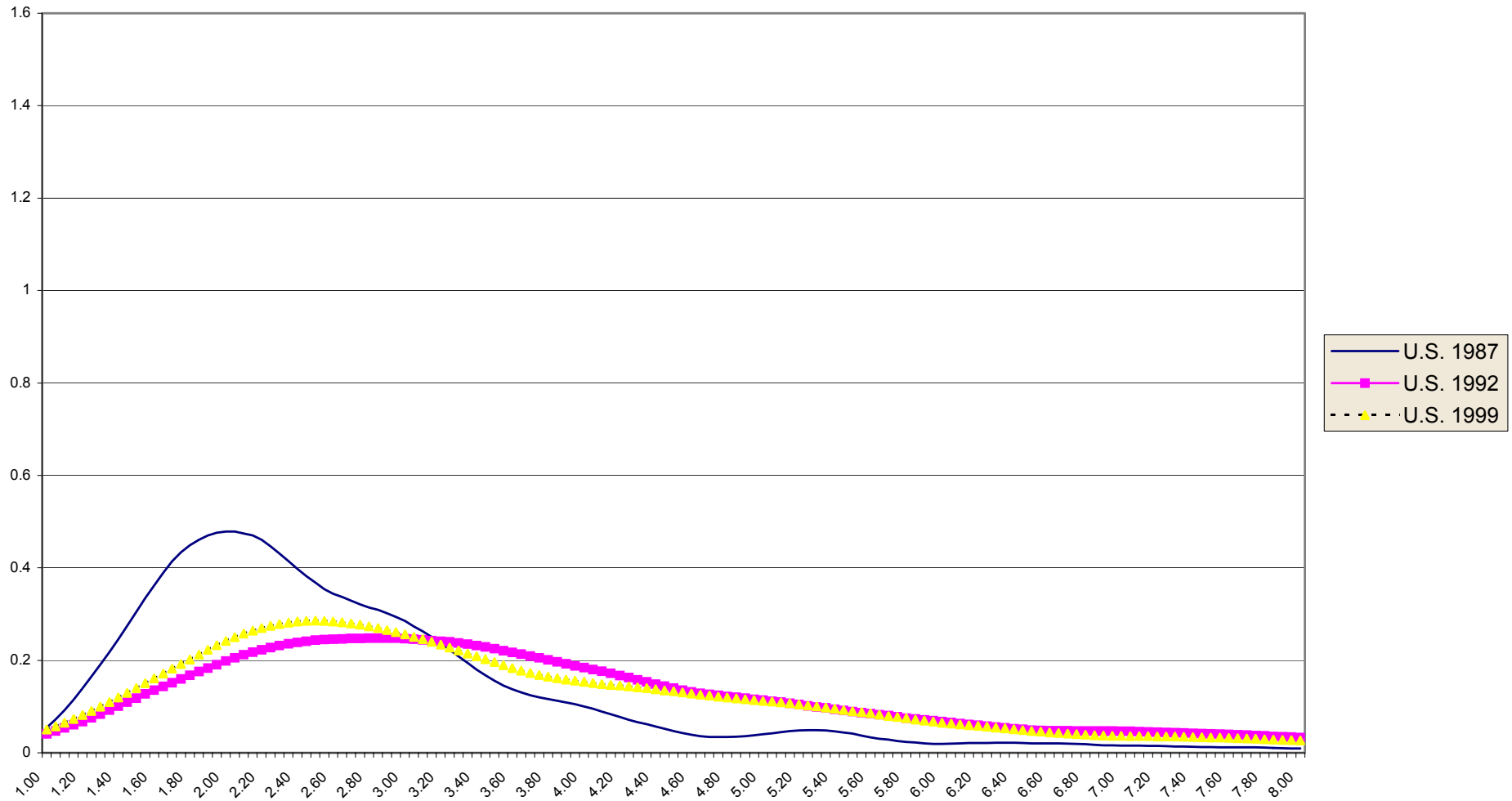


Figure 5.4
United States 1999: Distribution of Do Earn / Should Earn Slope Coefficients (Betas) by Sex

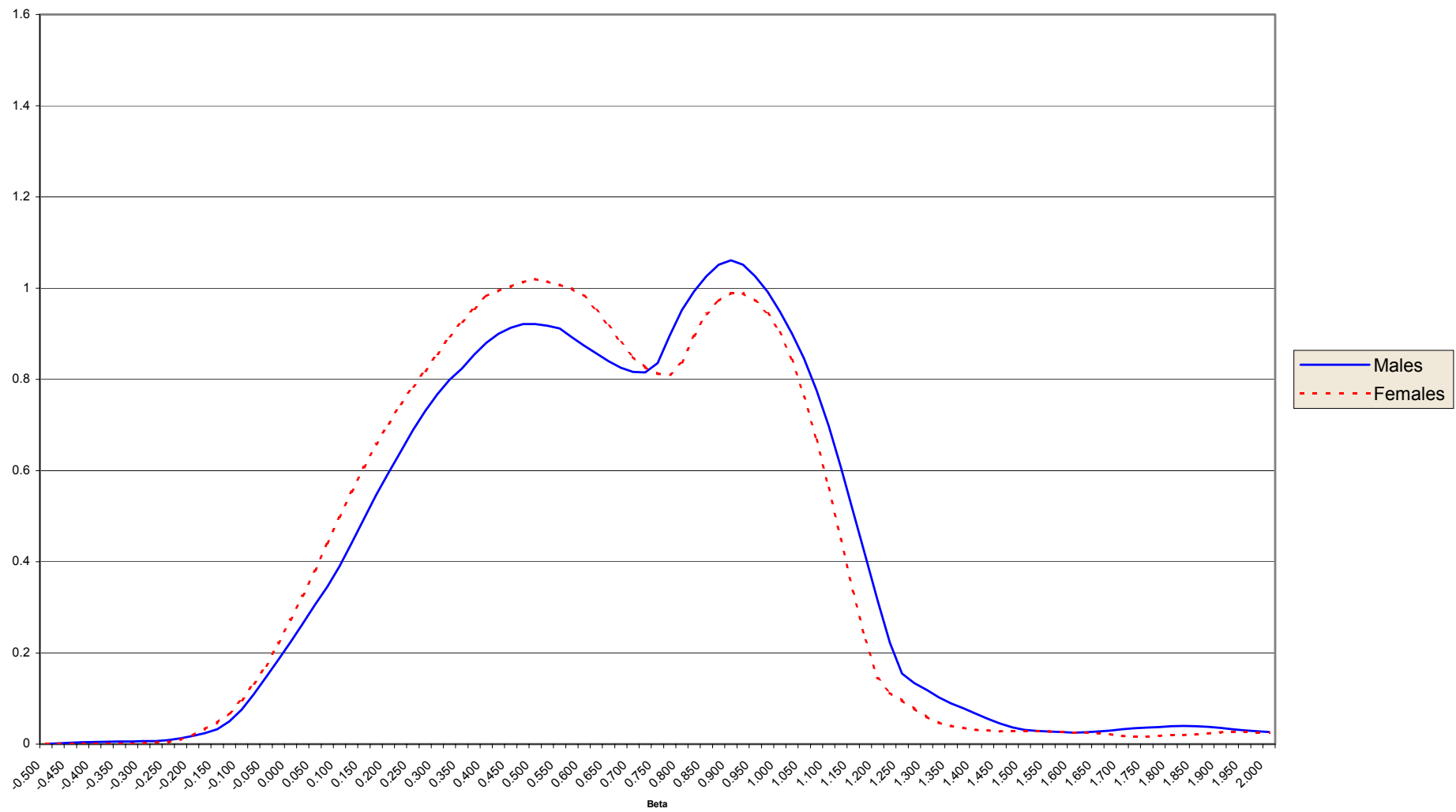


Figure 5.5
Canada 1999: Distribution of Do Earn / Should Earn Slope Coefficients (Betas) by Sex

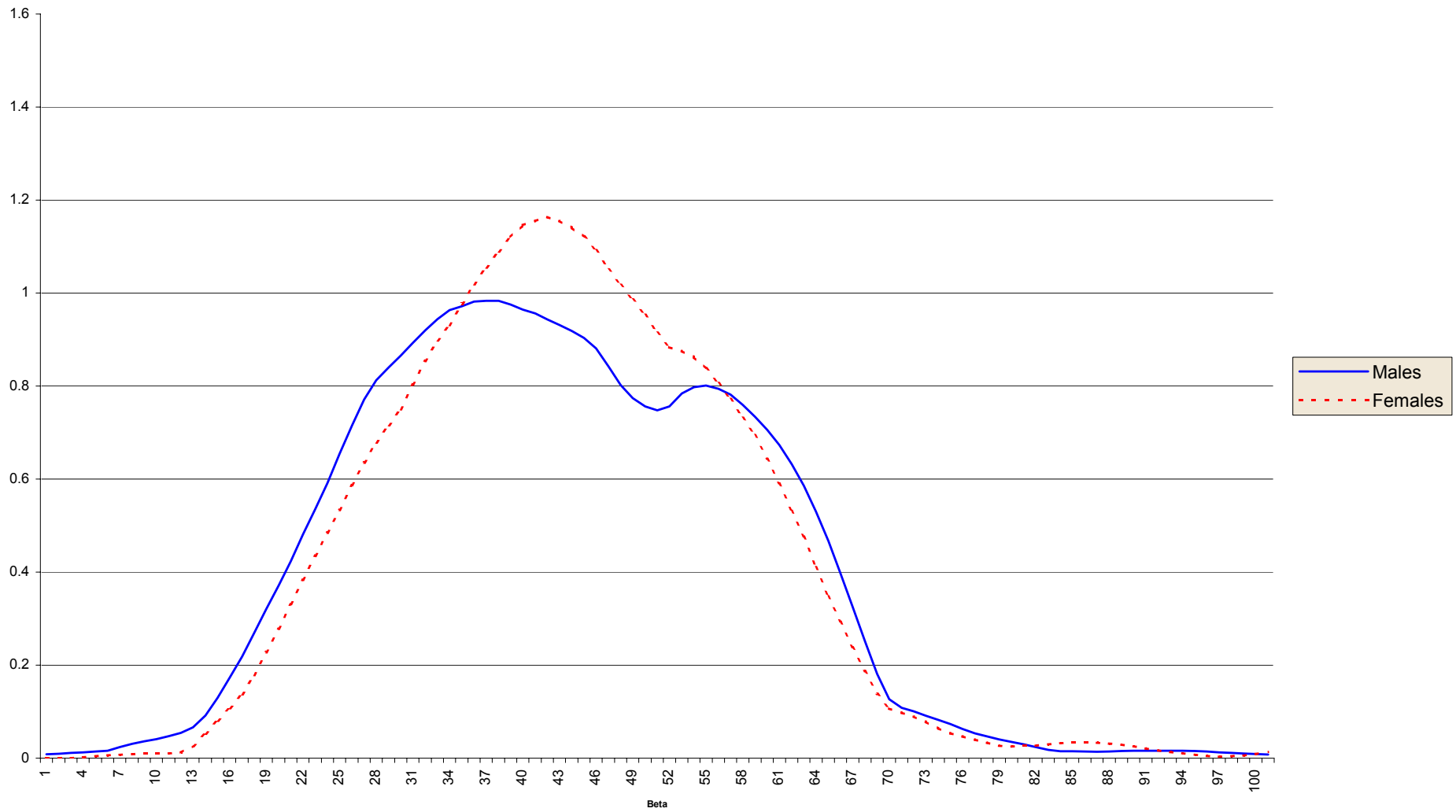


Figure 5.6
United Kingdom 1999: Distribution of Do Earn / Should Earn Slope Coefficients (Betas) by Sex

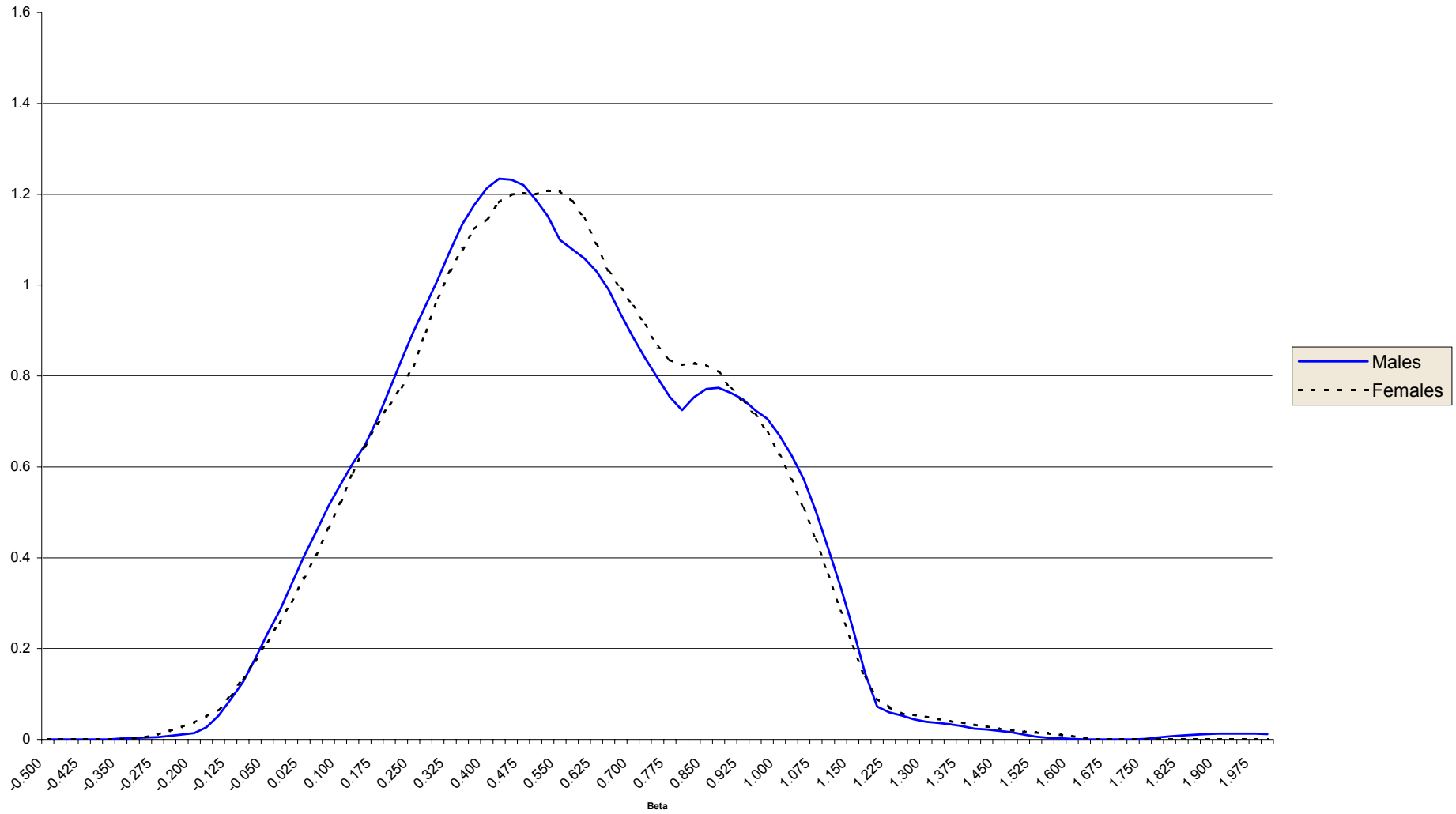


Figure 5.7
Norway 1999: Distribution of Do Earn / Should Earn Slope Coefficients (Betas) by Sex

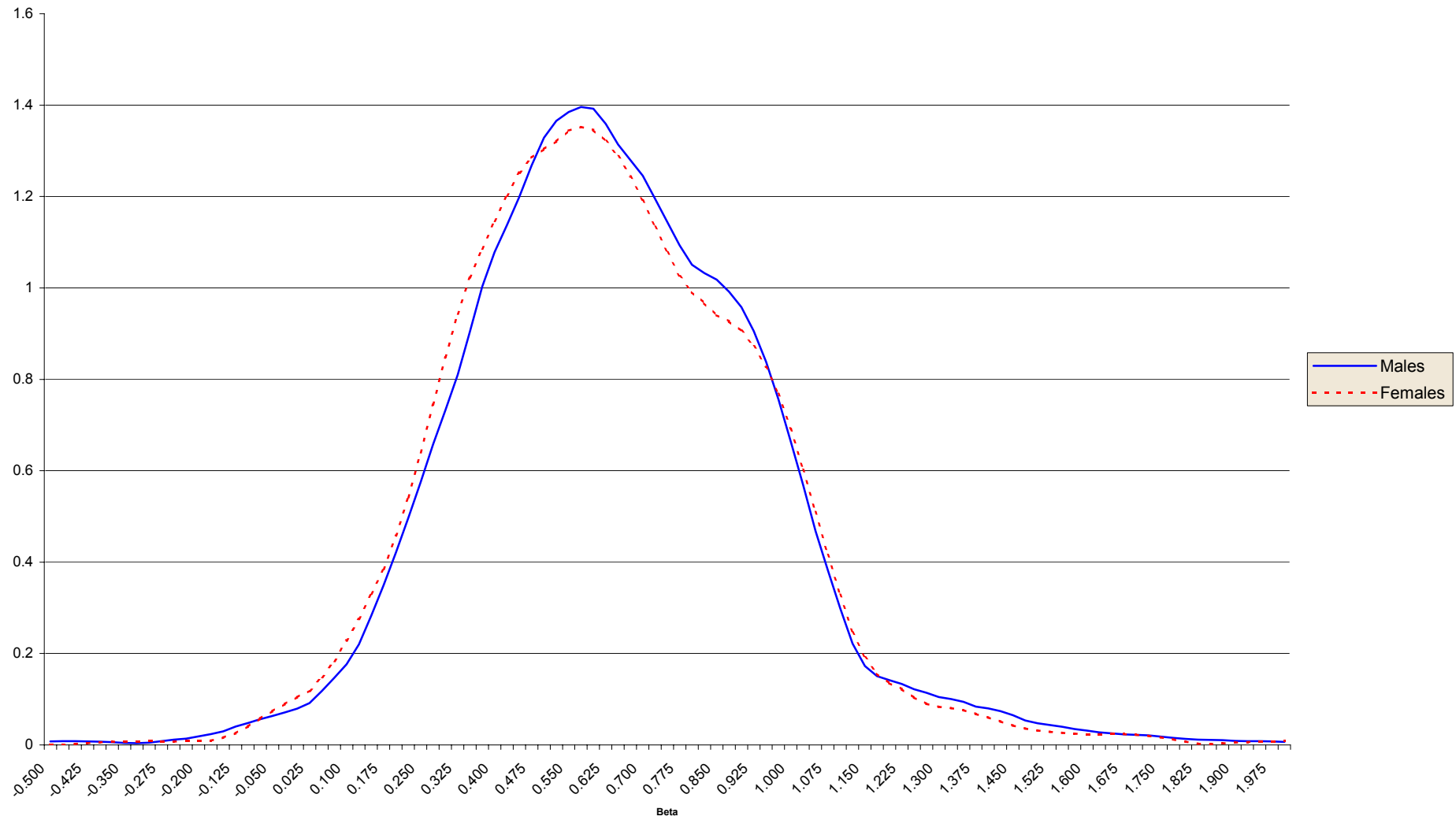


Figure 5.8
United States, United Kingdom, Canada & Norway 1999: Distribution of Do-Earn / Should Earn Slope Coefficient (Betas): Both Sexes

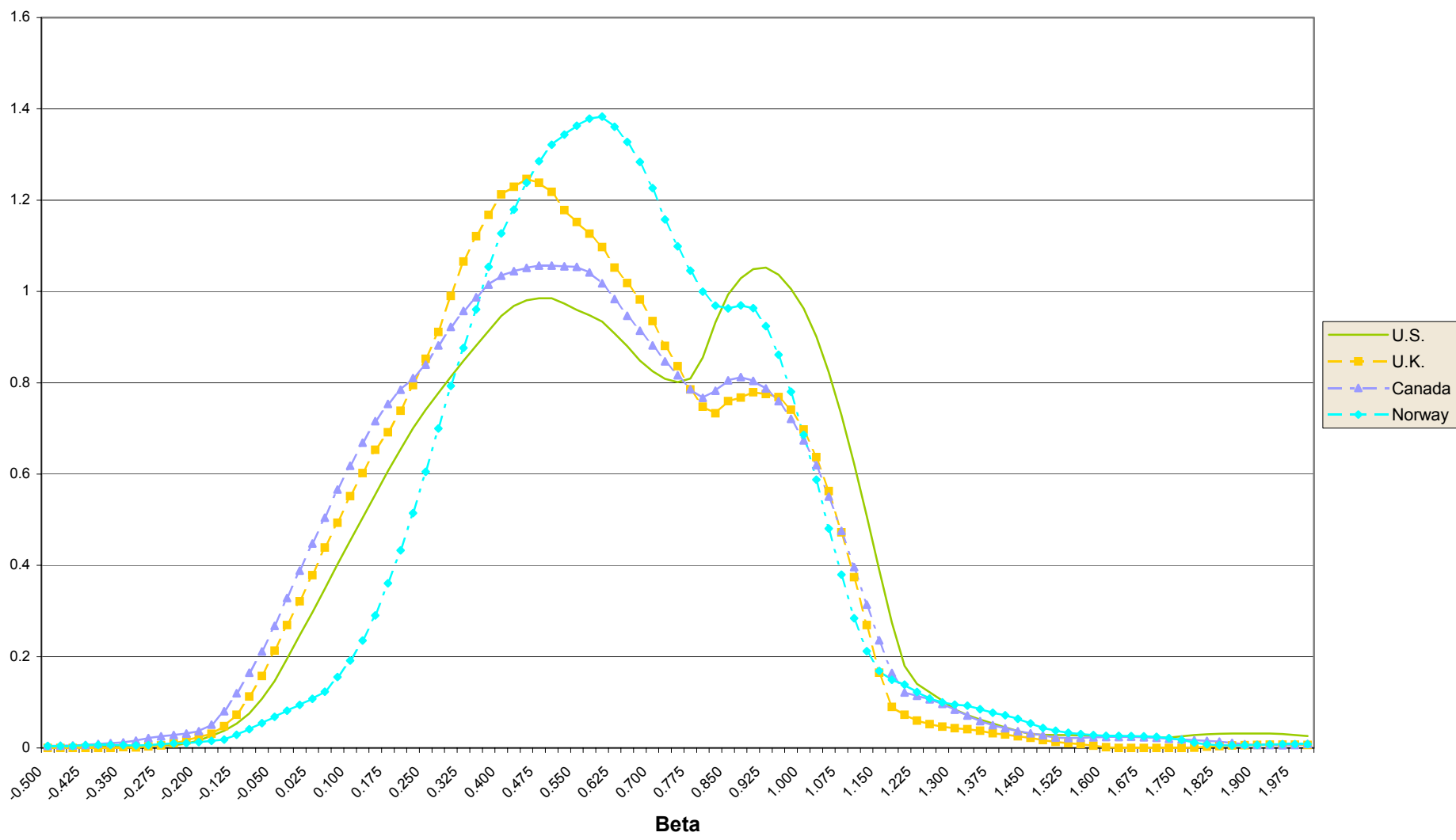


Figure 5.9
United States, United Kingdom, Canada & Norway 1999: Distribution of Max Should Earn / Mean Should Earn
(MaxMean) Ratio: Both Sexes

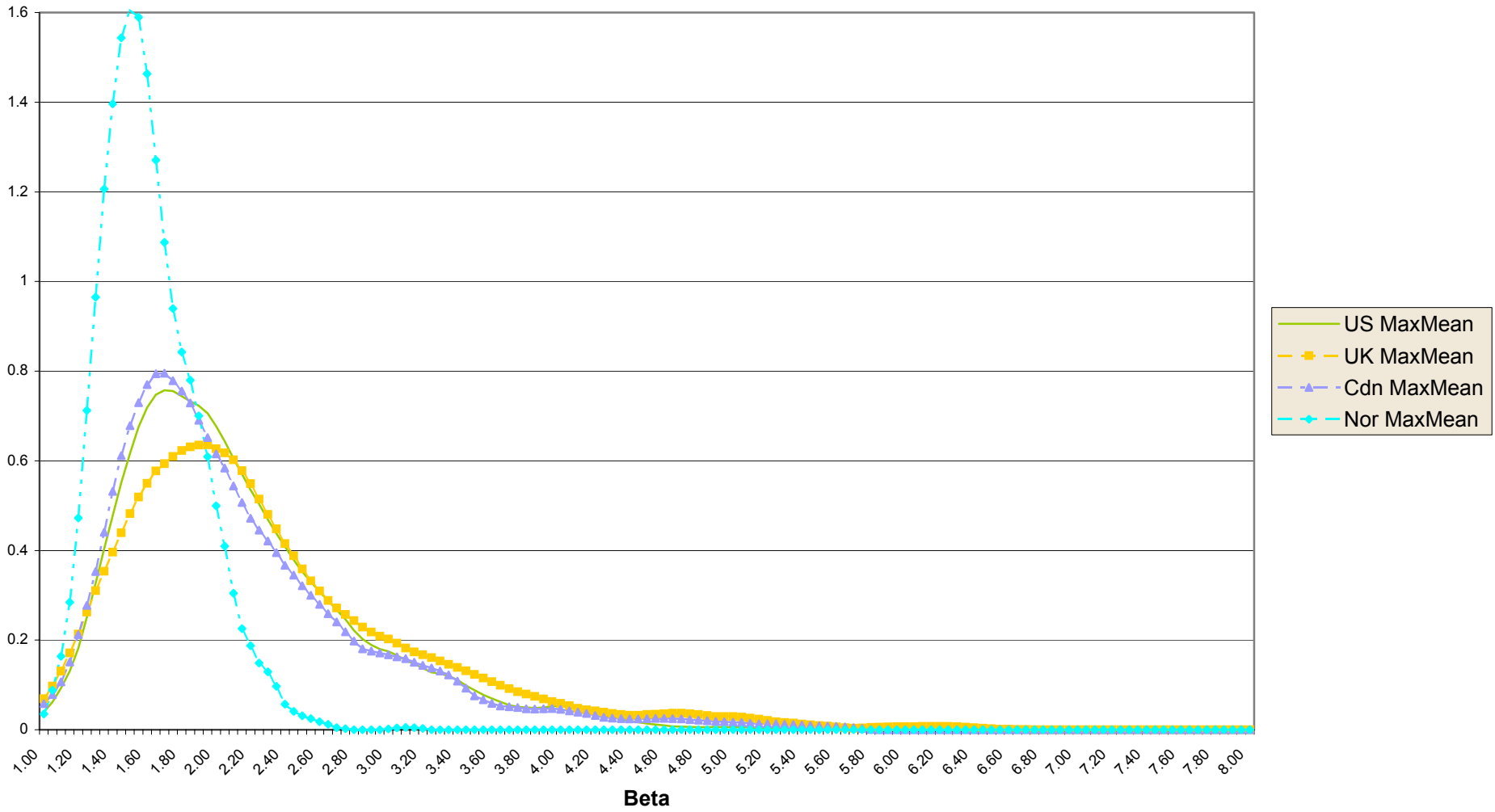
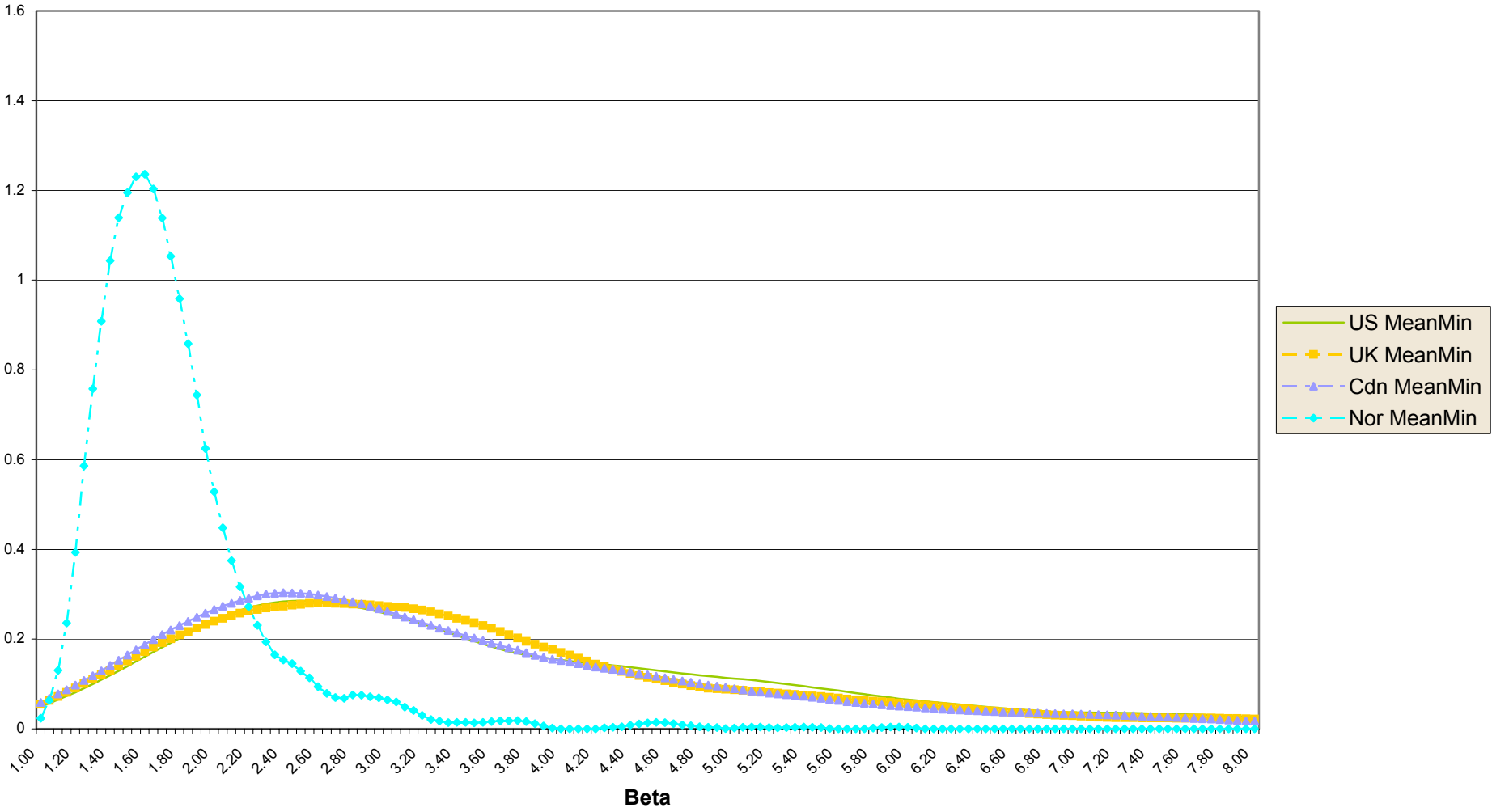


Figure 5.10
United States, United Kingdom, Canada & Norway 1999: Distribution of Mean Should Earn / Min Should Earn
(MeanMin) Ratio: Both Sexes



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Appendix

Distributions of Should-Earn Ratios Across Countries: 1992

Table A1: Means, Medians and Rankings: All Individuals

Country	Mean MaxMin Ratio		Median MaxMin Ratio		Country Rank by Mean & Median MaxMin Ratio		Mean MaxMean Ratio		Median MaxMean Ratio		Country Rank by Mean & Med MaxMean Ratio		Mean MeanMin Ratio		Median MeanMin Ratio		Country Rank by Mean & Med MeanMin Ratio	
	Mean	Med	Mean	Med	Mean	Med	Mean	Med	Mean	Med	Mean	Med	Mean	Med	Mean	Med	Mean	Med
United States	12.648	8.000	1	1	2.429	2.163	3	4	4.578	3.565	1	1						
United Kingdom	11.576	7.500	2	2	2.573	2.368	1	1	3.866	3.037	2	2						
Canada	4.832	4.571	7	9	1.933	1.874	7	6	2.407	2.238	7	7						
Australia	5.510	5.000	5	7	2.073	1.891	5	5	2.476	2.278	6	6						
New Zealand	5.481	4.444	6	5	1.957	1.858	6	7	2.564	2.331	5	5						
Germany (West)	8.150	6.000	3	4	2.383	2.222	4	3	3.088	2.672	3	3						
Italy	7.851	5.525	4	3	2.548	2.294	2	2	2.722	2.387	4	4						
Norway	3.138	2.667	8	8	1.633	1.583	8	8	1.863	1.639	8	8						
Sweden	2.758	2.143	9	6	1.563	1.500	9	9	1.665	1.438	9	9						

Distributions of Should-Earn Ratios Across Countries: 1987

Table A2: Means, Medians and Rankings: All Individuals

Country	Mean		Country Rank by		Mean		Country Rank by		Mean		Country Rank by	
	MaxMin	Median	Mean	Median	MaxMean	Median	Mean	Median	MaxMean	Median	Mean	Median
	Ratio	MaxMin	Ratio	MaxMin	Ratio	MaxMean	Ratio	MaxMean	Ratio	MaxMean	Ratio	MaxMean
Australia	3.829	3.750	7	7	2.103	2.114	7	6	1.782	1.694	7	7
United Kingdom	8.019	5.555	2	3	3.029	2.727	1	1	2.265	2.023	4	3
Germany	6.821	4.800	4	4	2.622	2.375	4	4	2.281	1.933	3	4
Austria	7.862	5.833	3	2	2.775	2.632	3	3	2.567	2.167	2	2
Netherlands	5.835	4.369	6	5	2.487	2.244	5	5	2.122	1.903	6	5
Switzerland	6.435	4.000	5	6	2.396	2.116	6	6	2.191	1.804	5	6
United States	11.119	6.667	1	1	2.965	2.660	2	2	3.115	2.427	1	1
Australia '92	5.428	4.500	*	*	2.467	2.273	*	*	2.031	1.944	*	*
Sweden '92	2.877	2.170	*	*	1.719	1.620	*	*	1.610	1.355	*	*