

Rising Inequality could explain tepid support for redistribution



The lessons of a new paper about welfare in Victorian England

The publication six years ago of Thomas Piketty’s “Capital in the Twenty-First Century”—an 800-page tome that has since sold over 2.5m copies—helped reveal the huge increase in inequality in the West since the 1970s. So why has support for welfare spending to counteract it remained so stable over that period? In theory, support for redistribution should increase with the gap between rich and poor, as the envy of the have-nots is stoked. But polls in America and Britain suggest virtually no growth in support for redistribution since 1980.

A new paper* due to be presented on April 7th at the Economic History Society’s annual conference suggests an interesting answer. Rather than the gap between rich and poor being the main influence on attitudes to welfare, the degree of inequality within the upper classes might matter more.

Jonathan Chapman of nyu Abu Dhabi looks at the relationship between inequality and how the poor law, a locally administered welfare system, operated in Victorian England. He compared the generosity and harshness of the conditions of poor-law relief in different areas with the gap between rich and poor, as measured by income from wages, and inequality within the rich, as measured by families’ number of live-in servants. He found that areas of high wage inequality

had less harsh rules for claiming poor relief—as conventional theory would suggest. More surprisingly, however, he also found that areas with a larger gap between the wealthiest and the simply well-off were much less generous and had much harsher rules for welfare handouts than those where the elites were more uniform.

There is some evidence a similar relationship could exist today. In Britain, for instance, many upper-middle-class people hate inheritance tax (which can finance welfare), as they believe that whereas they must pay it, the ultra-wealthy use clever accountants to avoid their fair share. Mr Piketty, Emmanuel Saez and Gabriel Zucman found that between 1980 and 2014 the bottom 50% of post-tax incomes in America increased by just 21%, compared with 113% for the top 10%**. But the top 1% rose even more—by 194%—while the top 0.001% rose by 617%. Even the merely well-off face rising inequality, but it doesn't make them more generous.

**J. Chapman, "Inequality and poor law policy in late-Victorian England".*

***T. Piketty, E. Saez and G. Zucman, "Distributional national accounts: methods and estimates for the United States" NBER Working Paper No. 22945 (December 2016).*

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