COVID-19 and Economic Inequality in the United States

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Agenda

• Research on Americans’ attitudes about economic inequality.
• Are Americans’ opinions changing during pandemic?
• What comes next?
Widening income gap

SOURCE: Urban Institute

- 90th Percentile
- 50th Percentile
- 10th Percentile

Median family income

- $150K
- $100K
- $50K
- $0K

US surveys: Concern about inequality and support for redistribution

0.12 (both measures are indexed to their mean)

Concord for Inequality

Support for government intervention

'66 '68 '70 '72 '74 '76 '78 '80 '82 '84 '86 '88 '90 '92 '94 '96 '98 '00 '02 '04 '06 '08 '10 '12 '14

DK Dan Kopf

Data: Wright (2017)  Last updated: 3 years ago
'Extreme inequality was the preexisting condition': How COVID-19 widened America's wealth gap

As 45 million Americans lost their jobs, U.S. billionaires made $584 billion.

By Catherine Thorpe and Arielle Mitropoulos
June 28, 2020, 11:42 AM — 12 min read

In Pandemic, More Are Paying for Direct Access to Their Doctors

Concierge care has grown fast as patients no longer want to sit in a waiting room with strangers. But it comes at a high price.
Every resident and staff member in Florida's most expensive ZIP code — a private island off the coast of Miami — can now get a coronavirus antibody blood test, and it shows just how differently the wealthy are riding out the pandemic

Billionaires' wealth rises to $10.2 trillion amid Covid crisis

Super-rich increase fortunes by more than a quarter during market turmoil

- Coronavirus - latest updates
- See all our coronavirus coverage
'A tale of 2 recessions': As rich Americans get richer, the bottom half struggles

The trend is one mark of economic disparity and broader issues in the U.S., where income inequality rates are among the highest in the world.
Before the coronavirus spread widely, about six million people were unemployed in the United States.

Soon after the pandemic hit, that number swelled rapidly. The unemployment rate in April was the highest it had been since the Great Depression.

Through the summer, unemployment slowly but steadily improved, as people returned to work.

But while September’s jobs report showed continued gains, there are still about twice as many people out of work now than before the pandemic.
Roughly four-in-ten adults say they or someone in their household lost a job or wages because of COVID-19

<table>
<thead>
<tr>
<th></th>
<th>Been laid off/lost job</th>
<th>Had to take a cut in pay</th>
<th>Not either/both</th>
</tr>
</thead>
<tbody>
<tr>
<td>All adults</td>
<td>24%</td>
<td>32%</td>
<td>42%</td>
</tr>
<tr>
<td>White</td>
<td>23%</td>
<td>29%</td>
<td>38%</td>
</tr>
<tr>
<td>Black</td>
<td>29%</td>
<td>32%</td>
<td>43%</td>
</tr>
<tr>
<td>Hispanic</td>
<td>34%</td>
<td>44%</td>
<td>53%</td>
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<tr>
<td>Asian *</td>
<td>24%</td>
<td>41%</td>
<td>47%</td>
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<tr>
<td>Ages 18-29</td>
<td>32%</td>
<td>45%</td>
<td>54%</td>
</tr>
<tr>
<td>30-49</td>
<td>28%</td>
<td>38%</td>
<td>48%</td>
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<tr>
<td>50-64</td>
<td>27%</td>
<td>30%</td>
<td>40%</td>
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<tr>
<td>65+</td>
<td>14%</td>
<td>15%</td>
<td>21%</td>
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<tr>
<td>Bachelor's +</td>
<td>19%</td>
<td>32%</td>
<td>39%</td>
</tr>
<tr>
<td>Some college</td>
<td>28%</td>
<td>34%</td>
<td>44%</td>
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<tr>
<td>HS or less</td>
<td>29%</td>
<td>31%</td>
<td>42%</td>
</tr>
<tr>
<td>Upper income</td>
<td>14%</td>
<td>26%</td>
<td>32%</td>
</tr>
<tr>
<td>Middle income</td>
<td>26%</td>
<td>33%</td>
<td>42%</td>
</tr>
<tr>
<td>Lower income</td>
<td>33%</td>
<td>37%</td>
<td>47%</td>
</tr>
</tbody>
</table>

*Asian adults were interviewed in English only.
Note: White, Black and Asian adults include those who report being only one race and are not Hispanic. Hispanics are of any race.
*Some college* includes those with an associate degree and those who attended college but did not obtain a degree. Family income tiers are based on adjusted 2019 earnings.
“Economic Fallout From COVID-19 Continues To Hit Lower-Income Americans the Hardest”

Most workers who lost wages due to COVID-19 are still earning less

Among employed adults who say they had to take a cut in pay because of the coronavirus outbreak, % saying they are now earning ____ money than before.

Note: Share of respondents who didn’t offer an answer not shown.
“Economic Fallout From COVID-19 Continues To Hit Lower-Income Americans the Hardest”

PEW RESEARCH CENTER
Many Americans are facing substantial economic hardship during the pandemic. Latino and Black people experience these hardships at significantly higher rates than white people.

Percent of respondents who reported the following had happened because of the COVID-19 pandemic:

- Been unable to pay for basic necessities like food, heat, or rent
- Used up all or most of their savings*
- Borrowed money or taken out a loan
- Suffered from any economic consequence**


Source: Yashar Getachew et al., *Beyond the Case Count: The Wide-Ranging Consequences of COVID-19 in the United States* (Commonwealth Fund, Sept, 2020); https://doi.org/10.37609/j.gcm.1331
Increasing percentage of voters concerned about the economic fallout of Covid-19

Are you more concerned about the impact of the coronavirus outbreak on ...
I would say that the longstanding disparities in income within groups and between groups are a feature of our economy. In fact, inequality between groups and within groups has been increasing. We’ve noted that that’s something that holds back the U.S. economy as a general matter....

~Fed Chair, Jerome Powell (Nov 12, 2020)
I worry that that is going to make it even more difficult than it was for many workers ... It’s a relatively low paid public facing workers in the service sector who are bearing the brunt...

Those people are going to struggle to get back to work in their old jobs or, in many cases, in new jobs. I mean, I think you’ll see more telework. You’ll see probably the acceleration of automation. All of that was in the process of happening, but you’re going to see much more of it. I guess that, for me, the main takeaway from all of this is that even after the unemployment rate goes down and the economy is ... And there’s a vaccine, there’s going to be probably a substantial group of workers who were going to need support as they find their way into post-pandemic economy because it’s going to be different in some fundamental ways...

~Fed Chair, Jerome Powell (Nov 12, 2020)
Just who are essential workers? It’s not the financiers and money pushers or the 1%. It’s the plant and factory workers, the grocery clerks, the people producing our food, the caregivers in nursing homes and daycare centers, the janitors. The disparity and inequity in this country must be addressed. Our infrastructure and health care systems need fixing.

– 65-year-old-woman

(Pew Research Center, American Trends Panel, July 2020)
The Economic Other: Inequality in the American Political Imagination
(University of Chicago Press, 2020)

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Undoubtedly Philosophers are in the Right, when they tell us, that **nothing is great or little otherwise than by Comparison**.

—Jonathan Swift, *Gulliver’s Travels*, 1826
Economic Inequality

Availability of Target (Segregation)

Psychological Preference for Target (Anxiety)

Cross-class Social Comparison (Frequency, Direction)

Subjective Status Perception

Objective Status

Political Attitudes (Opinion, Efficacy)

Demands on Government
Getting Inside the Social Mind

Experiments with Representative Samples: How does cross-class comparison affect status perception and attitudes?

Large-N Qualitative Data: what comes to mind when Americans think of the rich and poor?

Observational Data: Do experimental results match up with the real world?

Supplemental Experiments & Replications
Manipulating Social Comparison

Subjects instructed to think of the ladder
“as representing where people stand in the United States.”

Now, please compare yourself to the people at the very bottom [top] of the ladder. These are people who are the worst [best] off—those who have the least [most] money, least [most] education, and the least [most] respected jobs. **In particular, we’d like you to think about how you are different from these people in terms of your own income, educational history, and job status.**
Imagining the Economic Other

• Americans do resent the rich
• But they also express admiration
• And feelings of personal inferiority

I DO NOT THINK THE PEOPLE AT THE TOP OF THE LADDER WOULD HAVE ANY THING TO DO WITH ME. AND THAT FINE WITH ME.

I would ask them how they got to the top.

I always feel like what i say is being dissected or not important enough.
Imagining the Economic Other

• Americans do resent the rich
• But they also express admiration
• And feelings of personal inferiority

• We find some sympathy for the poor
• But it is repeatedly qualified or walked back

I think I would be sympathetic and try to help with the situation. **However**, I would also expect this person to help themselves. I don’t particularly like lazy and therefore would have to believe in the sincerity of the person before I would take the extra to assist.
Imagining the Economic Other

• Americans do resent the rich
• But they also express admiration
• And feelings of personal inferiority

• We find some sympathy for the poor
• But it is repeatedly qualified or walked back

• Thinking about the other induces and influences self-referent evaluations
Perceptions of Subjective Status
Percentage of survey respondents placing themselves in top (1-3), middle (4-7) or bottom (8-10) of GSS measure of subjective social status. Source: 2016 General Social Survey.

![Graph showing the percentage of survey respondents placing themselves in top (1-3), middle (4-7), and bottom (8-10) of GSS measure of subjective social status from 1980 to 2016. The graph indicates fluctuations in the percentage across the years.]
Misperceptions of Relative Social Position

Average difference between subjective self-placement and objective percentile ranking in the income distribution. Source: 2016 General Social Survey.
The effect of social comparison on perceptions of status

Social comparison with the economic other makes us more accurate about our relative social position

![Graph showing self-placement and number of rungs off for different conditions.](image)
Public Opinion

Should federal spending be increased, decreased, or kept the same? (0-100 scale). Factor score (M=0, SD=1):

- Financial aid for college students
- Food stamps
- Unemployment insurance
- Social Security
Social Comparison and Support for Social Spending
Countervailing Trends?

Class segregation keeps us from looking up

Economic anxiety makes us want to look down

Upward comparison depresses efficacy when it happens
How Much Upward Comparison Happens in the Real World?

Americans generally have one thing in common with their neighbors: they have similar incomes.

The Segregation of Affluence

• Neighborhoods (Reardon and Bischoff 2011, 2016)
• Schools (Owens, Reardon, and Jencks 2016)
• Workplace networks (Marsden 1990, Kaufman 2001)
• Marriage (Mare 2016)
The Segregation of Affluence

Common question: How does class segregation affect the empathy of the elite?

We ask: How does class segregation affect attitude formation for everyone else?
Availability of Target: exposure to affluent other in real world

Exposure to wealthy makes people more accurate about their status.

Exposure to wealthy makes people more supportive of redistribution.

Exposure to wealthy defined as (logged) ratio of individuals at 80th percentile and 20th percentile living in the zip code (Flavin and Franko, 2019). Models control for individual covariates (e.g., gender, income) and other contextual factors (e.g., racial diversity in zip code).
Beyond Contact: Does Anxiety Make Us Want to Look Down?

• **2 out of 3** Americans report feeling financially insecure (Marketplace Survey, 2017).

• **9 out of 10** Americans would prefer financial stability over moving up the income ladder (Pew, 2015).

• **1 in 3** Americans report trouble paying usual household expenses (US Census, September 2020 Household Pulse Survey)
First, we’d like you to take a moment to think about the economy, money, and your personal finances. When you think about the economy, money, and your personal finances, what makes you worried? Please list everything that comes to mind. (Albertson and Gadarian, 2015)

• That I don’t have enough. I am paycheck to paycheck.

• One of my main worries is being able to pay my debts on time...I also worry about paying my main bills (internet, power).

• health insurance, we pay an astronomically high deductible (7500), job security, husband is starting new job at a much lower salary after being laid off.
Psychological Preference for Target

Subjects instructed to think of a ladder “as representing where people stand in the United States.”

Next we are going to ask you to read a news article about a person on the ladder and their life. We will then ask you to answer a few questions about how you are personally different from that person.
Anxiety and Preference for Downward Comparison

Qualtrics Study 1: n=800, 784 complete
Internal Political Efficacy

1. I feel that I could do as good a job in public office as most other people
2. I consider myself well-qualified to participate in politics
3. I feel that I have a pretty good understanding of the important political issues facing our country
4. I think that I am as well-informed about politics and government as most people

(factor score, M=0, SD=1)
Social Comparison and Political Efficacy

Qualtrics Study 2: n=2,100, 2,010 complete
'Extreme inequality was the preexisting condition': How COVID-19 widened America's wealth gap

As 45 million Americans lost their jobs, U.S. billionaires made $884 billion.

By Catherine Thorbecke and Arielle Mitropoulos
June 28, 2020, 10:40 AM - 12 min read

Coronavirus Live Updates

The Economist

United States
Apr 18th 2020 edition

Unfair protection
American inequality meets covid-19

The New York Times

WEALTH MATTERS

In Pandemic, More Are Paying for Direct Access to Their Doctors

Concierge care has grown fast as patients no longer want to sit in a waiting room with strangers. But it comes at a high price.

Harvard Researchers Find 'Inequality On Top Of Inequality' In COVID-19 Deaths

May 28, 2020 - 6:41 PM ET

JAMES DOUBEK
Status Perception in May (2020)
Perceptions of justice and deservingness

[Bar chart showing perceptions of justice and deservingness across Downward, Control, and Upward conditions. The chart compares 'World is just' and 'People get what they deserve' conditions.]
Support for raising taxes >$250,000

Republicans
Independents
Democrats

1/2/20 5/28/20 6/25/20
What comes next?

• Will pandemic accelerate trends in remote work and automation?
• Will employment rebound or will more Americans fall out of the labor market?
• Will trends toward greater financial insecurity continue?
  • 40% of Americans don’t have $400 in the bank for emergency expenses.
• Will wealth disparities widen between groups and within groups?
How should we spread prosperity and improve opportunity? (adapted from National Issues Forum)

• **Focus on giving people the tools to start new enterprises?**
  • Support small businesses
  • Cut corporate tax rates
  • Invest in job training

• **Repair and strengthen the safety net?**
  • Boost unemployment insurance and other benefits
  • Make benefits portable (disconnect health insurance, retirement, unemployment insurance from employers)
  • Shore up Social Security
  • Put people to work

• **Reduce large gaps between the very rich and the rest of Americans?**
  • Adjust tax rates
  • Increase workers’ pay and collective bargaining power
  • Equalize school funding
  • Reduce student loan debt
“America in One Room’ polled voters on issues both before and after small-group discussions informed by briefings. Centrist proposals gained support, as did confidence in democracy.”
MU4Gold Deliberative Democracy Experiment

• Invite students to participate in a moderated discussion about economic inequality and opportunity.
  • (Les Aspin scholars trained as moderators).
• Conduct pre-treatment survey of attitudes.
• Randomly assign students to groups varying in diversity of thought.
• Moderated hour-long discussion on Zoom.
• Conduct post-treatment survey of attitudes.
• Code transcripts (e.g., elaboration, recognition of difference, argumentation style).
Beyond MU
Lifelong Learning
Beyond Graduation. Beyond Campus. Beyond Boundaries.

Thank you!

Questions?