Persistence of Spatial Inequality in the US: New Facts

Perceptions of Mobility

Mobility perceptions and Policy Views

Mobility Experiences and Zero-Sum Thinking
Persistence of Spatial Inequality in the US: New Facts

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New Wealth Data

• **The US General Property Tax: A US innovation at the turn of the 19th Century:**
  - Comprehensive tax on all property, not just on real estate
  - For over a century, US relied heavily on local taxation of all forms of property.
  - Tax administration left detailed paper trails.

• **New source of historical data on US property & wealth:**
  - We constructed wealth measures for the US, all US states, counties, and 300 largest cities from early 1800s to 1935 (depending on aggregation level). Based on many historical records.
  - While there are existing national wealth estimates, GPT offers coherent, high-frequency, long-run source.
  - No existing consistent & coherent subnational measures.
Spatial Inequality in the US
Property Per Capita As Fraction of US GDP Per Capita By County 1850
Spatial Inequality in the US
Property Per Capita As Fraction of US GDP Per Capita By County 1860
Spatial Inequality in the US
Property Per Capita As Fraction of US GDP Per Capita By County 1870
Spatial Inequality in the US
Property Per Capita As Fraction of US GDP Per Capita By County 1880
Spatial Inequality in the US
Property Per Capita As Fraction of US GDP Per Capita By County 1890
Spatial Inequality in the US
Property Per Capita As Fraction of US GDP Per Capita By County 1900
Spatial Inequality Is Very Persistent after Civil War

**County Wealth Rank Persistence**

- 1880 $\rho = 0.78; R^2 = 0.65$
- 1890 $\rho = 0.68; R^2 = 0.50$
- 1900 $\rho = 0.71; R^2 = 0.54$
- 1910 $\rho = 0.62; R^2 = 0.41$
- 1920 $\rho = 0.62; R^2 = 0.41$
- 1930 $\rho = 0.67; R^2 = 0.48$
... and until today
Property in 1920 vs Opportunity Atlas Income
... and until today

Property in 1920 vs Opportunity Atlas Income (corr = 0.6)
Rank-rank correlation between wealth in 1920 and income today

\[ \rho = 0.600 \]
The Legacy of Inequality

10 p.p increase in top 10% share:  
⇒ -25% (2%) growth over 60 years  
⇒ -18% (2%) growth over 60 years  
⇒ -16% (2%) growth over 60 years  
⇒ -19% (2%) growth over 60 years  
⇒ -19% (3%) growth over 60 years

E.g. Douglas (NE), Larimer (CO)
E.g. Baton Rouge (LA), Charleston (SC)

Controls
- Wealth per capita in 1870
- + Geography
- + Demographics
- + Occupation
- + Share of enslaved property
The Legacy of Enslavement

10 p.p increase in share of enslaved property:
⇒ -3% (1%) growth over 60 years
⇒ -2% (1%) growth over 60 years [Geography]
⇒ -2% (1%) growth over 60 years [Demographics]
⇒ -2% (1%) growth over 60 years [Occupation]
⇒ -2% (1%) growth over 60 years [Top 10% Share of Property]

E.g. Craighead (AR), Hidalgo (TX)
E.g. Baton Rouge (LA), Orange (NC)
Outline

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Mobility perceptions and Policy Views

Mobility Experiences and Zero-Sum Thinking
Social Economics Surveys and Experiments

- Surveys have been used for a long time for statistics. Some variables are now better measured in administrative high-quality data (like income, family situation, employment, etc.)

- Yet, **some things are invisible** in data other than survey data (even great data!): *perceptions, attitudes, knowledge, and views.*

- More than a tool, an approach to research “Creating your own identifying variation and uncovering the invisible.”

- For the results to be reliable, it is critical that these surveys are well-designed, carefully calibrated, and deployed on appropriate samples.
INTERGENERATIONAL MOBILITY

“Intergenerational Mobility and Preferences for Redistribution” by Alberto Alesina, Stefanie Stantcheva, and Edoardo Teso
Eliciting respondent’s beliefs on upward mobility

Here are 500 families that represent the US population:

Parents’ income group
- The richest 100 families
- The 2nd richest 100 families
- The middle 100 families
- The 2nd poorest 100 families
- The poorest 100 families

Children’s income group, once they grow up
- The richest 100 families
- The 2nd richest 100 families
- The middle 100 families
- The 2nd poorest 100 families
- The poorest 100 families

TOTAL 0
Probability of Staying in Bottom Quintile (Actual vs. Perceived)

Optimistic Pessimistic

<table>
<thead>
<tr>
<th>US</th>
<th>UK</th>
<th>FR</th>
<th>IT</th>
<th>SE</th>
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<tr>
<td>34</td>
<td>36</td>
<td>38</td>
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</tr>
</tbody>
</table>

Average Perceived Probability:

- US: 24
- UK: 26
- FR: 28
- IT: 30
- SE: 32

Real Probability:

- US: 34
- UK: 36
- FR: 38
- IT: 34
- SE: 32
Probability of Moving to Top Quintile (Actual vs. Perceived)

<table>
<thead>
<tr>
<th>Country</th>
<th>Pessimistic</th>
<th>Optimistic</th>
</tr>
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<tbody>
<tr>
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<td>7</td>
</tr>
<tr>
<td>FR</td>
<td>8</td>
<td>9</td>
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</tbody>
</table>

Average Perceived Probability

Real Probability
Actual and perceived probability of moving from bottom to top quintile

<table>
<thead>
<tr>
<th>Actual Average Probability</th>
<th>Perceived Average Probability</th>
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</thead>
<tbody>
<tr>
<td>&gt; 14.74</td>
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</tr>
<tr>
<td>12.63 - 14.74</td>
<td>No data</td>
</tr>
<tr>
<td>10.52 - 12.63</td>
<td>No data</td>
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<tr>
<td>9.14 - 10.52</td>
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</tr>
<tr>
<td>8.06 - 9.14</td>
<td>No data</td>
</tr>
<tr>
<td>6.44 - 8.06</td>
<td>No data</td>
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<tr>
<td>&lt; 6.44</td>
<td>No data</td>
</tr>
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</table>

Actual and Perceived Probability Maps of the United States.
Perceived over actual probability of moving from bottom 25% to top 25%
MOBILITY AND RACE
“Perceptions of Racial Gaps, their Causes, and Ways to Reduce Them” by Alberto Alesina, Matteo Ferroni, and Stefanie Stantcheva
Attitudes Towards Race and Racial Inequities Shape Support for Redistribution

• To study this interaction, we survey non-Hispanic Black and white respondents across the US.
  • Survey both adults and teenagers aged 13 to 17.
  • Black respondents are oversampled & represent half of the sample.

• We ask respondents about:
  • their *perceptions of the economic conditions & opportunities* of both Black & white Americans;
  • their attitudes on racial issues & *views on causes of racial inequities*;
  • their degree of *support for race-targeted & general redistribution policies*. 
Perceived Racial Gaps in Mobility

**Adult survey**

- Perceived probability of moving from Q1 to ≥ Q3 for
  - White children: 23%
  - Black children: 14%

**Youth survey**

- % of respondents who think that
  - White children have ≥ fairly high chances of becoming rich: 26%
  - Black children have ≥ fairly high chances of becoming rich: 18%

**Legend**

- Reality
- White
- Black
- White Democrats
- White Republicans

23% of respondents believe that white children have a ≥ fairly high chance of becoming rich.

14% of respondents believe that black children have a ≥ fairly high chance of becoming rich.

26% of respondents believe that white children have a ≥ fairly high chance of becoming rich.

18% of respondents believe that black children have a ≥ fairly high chance of becoming rich.
The importance of (perceived) social position among others

• Issues of mobility and inequality intrinsically linked to where we rank (or think we rank) relative to others.

• People may care about their social position in various reference groups:
  
  Their cohort, those in the same city, same sector or firm, same neighborhood, with the same level of education, etc..

  Social position here = income rank

• How well do people know their position relative to others in these reference groups?

• How does this shape their views on fairness and inequality?
New data: survey matched to full pop. admin data

- We design a **survey** eliciting respondents’ perceptions of income distributions, position within groups, and attitudes.
- We **match respondents to their registrar data**, which contains: i) their incomes; ii) their full income history & life events; iii) the incomes and histories of everyone in their various reference groups.
- Can **compare perceptions to reality** at granular level.
- Can study how views change when position changes over the life cycle or following life events.
Eliciting the Cohort Median Income (P50)

What do you think the income for P50 was in 2017 for individuals born in 1970?

Remember that P50 is the income, where half have an income that is the same as or lower than this income, and half have an income that is higher than this income.

Remember also that income is before tax for the whole of 2017 and consists of salary, net profit from self-employment, other business income, unemployment benefits, transfers and payments from private and public pensions.

**Note:** Please state your answer in **entire thousand DKKs**. If you enter 1 it corresponds to 1,000 DKK.
Eliciting the Median (P50) in Reference Groups

We will now ask you what you think the before tax income for P50 was in 2017 for the groups below, which you are a part of. The first slider shows your answer from the previous question. You can use the other sliders to select, what you think the income was for P50 for the different groups of people who were born the same year as you.

P50 for people born in 1970

400,000

P50 for men born in 1970

20,000

P50 for people who also lived in Københavns municipality

20,000

P50 for people who also had the educational level Master or PhD program

20,000

P50 for people who also worked in the sector Finance and insurance

20,000
Eliciting Perceived Own Position

Rank among all people born in 1970

You previously reported that you had a yearly income in 2017 of 400000 DKK before tax. We will now ask you to report where you think this income placed you on the income ladder in 2017 for people who were born in 1970. Use the slider to select your position. Later, we will inform you about your true position.

Place yourself:
P70
Systematic Misperception of Own Position: “Center Bias”

Average / Median Perceptions

![Graph showing perceived versus actual positions with average and median lines.](image)
Systematic Misperception of Own Position Across Reference Groups

... of varying magnitudes. Largest misperceptions: education and sector groups.
Perceived Position in Small Reference Groups

Co-workers

Neighbors

Schoolmates
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Mobility perceptions and Policy Views

Mobility Experiences and Zero-Sum Thinking
Lack of mobility is a problem.  but preferred solutions differ
Lack of mobility is considered to be a problem, but preferred solutions differ

- Most people are worried about **lack of social mobility and inequality of opportunity**, but favored solutions **varies across partisan lines**.

**Left-wing respondents who are more pessimistic about mobility want more redistribution.**

- More social insurance, more progressive taxes, and especially more “equality of opportunity” type policies, such as spending on education and health.

**Right-wing respondents view government “as part of the problem, rather than the solution.”**

- Believe better way to improve equality of opportunity is less government intervention.

Can be mapped to different attitudes about government.

- Experimentally reducing trust in the government, by making people think about things they dislike about it (campaign financing, Wall Street bailout, etc.), decreases support for redistribution (Kuziemko, Norton, Saez, and Stantcheva, 2015).
Perceived **causes** of lack of mobility matter substantially for policy views... and we disagree on them.
Disagreements on What Causes Racial Inequities

- Across race groups and political affiliations, people perceive the economic conditions & opportunities of Black & white Americans differently.

  ... but by far the biggest disagreements between people lie in their perceived causes of racial inequities and, consequently, in what should be done to remedy them.

- People’s support for general redistribution (or race-targeted policies) does not depend on their perceptions of the magnitudes of racial gaps, it depends on why they think those gaps exist.
Large Partisan Gaps in Perceived Causes of Racial Gaps & Policy Views

Black & white Democratic respondents:

- attribute persistent racial gaps to past slavery, long-standing discrimination, & racism.
- support income-targeted redistribution & race-targeted policies.
- Strikingly, these racial & partisan gaps are already prevalent among teenagers.

White Republican respondents:

- tend to view racial inequities primarily as the result of lack of effort and individual decisions
- less inclined to support redistribution and race-targeted policies to reduce them.

Teens’ views imply substantial partisan gaps in line with their parents’ political affiliation (sometimes even more polarized!)
Changing Policy Views

• **Experiment:**
  Showing people information on gaps in earnings & opportunities between Black & white people does not move policy views.

  Explaining some of the causes & consequences of systemic racism does.

• **Interpretation:** Simply showing **how** unequal circumstances & opportunities are does not move people’s beliefs on **why** they are unequal, does not change the narrative that respondents believe in.

• Although there are clearly large racial gaps along many econ & social dimensions, and although many people are (at least to some extent) aware of them, they disagree on their causes and, hence, on the way or even need to resolve them.
Perceived ranking among others shapes fairness and policy views
Higher position within references groups correlated with lower perceived unfairness
How Does Social Position Shape Views on Inequality?

- People who are ranked higher in each group think that income inequality within that group is fairer.

- They also think that income differences in that group are due to differences in effort, rather than in “luck” (different circumstances), believe that their own hard work has paid off, and that high income earners deserve their income.

- They are also more likely to vote for right-of-center parties and support less redistribution.

- **Experimental** evidence: telling people where they truly rank moves their fairness views.

- **Quasi-experimental**: negative life events (unemployment, disability, hospitalization) increases perceived unfairness of inequality; positive events (promotion at work) decreases it.
Which Type of Inequality is Considered to be Most Unfair?

- Inequalities between co-workers (in firm or sector) & people with same education are considered most unfair ... and are much bigger than people think!

- People are more accepting of inequalities conditional on factors considered less relevant for income (municipality, age, gender) than of inequalities conditional on factors that they think are crucial for shaping income (education, sector, firm).
Outline

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Mobility Experiences and Zero-Sum Thinking
• Throughout much of human history the world was zero-sum.

• In a world where aggregate resources are not growing, it is not possible for everyone to be better off.
  • For some to be better off, others need to be worse off.

• In the world today, how much of our success comes at the expense of others?
• If the wealth/success of the rich comes at the expense of the poor, then there is too much effort in equilibrium.

• In a zero-sum world, there a role for government to tax from the wealthy and redistribute to the poor (Piketty, Saez, and Stantcheva, 2014).
Survey
Chinoy, Nunn, Sequeira, and Stantcheva (2022)
“Zero-Sum Thinking and the Roots of US Political Divides”

- Completed online
- $n=14,500$ people
- Oct 2020-May 2022
- 5 waves
- 20-30 minutes

### Background of Respondent

<table>
<thead>
<tr>
<th>Demographics</th>
<th>Political Views</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender, age, household income, race, family situation, immigration history, employment, education</td>
<td>Party affiliation, voting record</td>
</tr>
</tbody>
</table>

#### Ancestry

<table>
<thead>
<tr>
<th>Demographics of parents and grandparents</th>
<th>Own, parents’, and grandparents’ residence and migration history</th>
<th>Ancestors’ history of enslavement</th>
<th>Own, parents’, and grandparents’ relative income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age, education, occupation, number of children</td>
<td>Place of birth; place of residence while growing up; place of residence during 20s, 30s, and 40s; current place of residence</td>
<td>Enslavement episodes incl. enslavement of African descendants, Holocaust, indentured servitude, Native American enslavement, war imprisonment</td>
<td>Current income compared to others; relative income compared to others while growing up</td>
</tr>
</tbody>
</table>

#### Policy Views

<table>
<thead>
<tr>
<th>Perceptions of fairness and mobility</th>
<th>Views about redistribution</th>
<th>Views about government and political issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factors contributing to economic status, mobility opportunities of children, attitudes toward wealth accumulation, role of effort</td>
<td>Desired levels of government intervention for income inequality and equality of opportunity for children, fairness of taxes by income status, level of support for expansion of government programs, attitudes toward QAnon and Capitol riots</td>
<td>Trustworthiness of government, of others, views on race, migration, gender, gun ownership, universal health care, patriotism, abortion, universalism</td>
</tr>
</tbody>
</table>

#### Zero-Sum Mindset

- **Ethnic**: “If one ethnic group becomes richer, this comes at the expense of other groups.”
- **Trade**: “If one country makes more money, then another country makes less money.”
- **Citizenship**: “If non-U.S. citizens do better economically, this comes at the expense of U.S. citizens.”
- **Income**: “If one income group becomes wealthier, this comes at the expense of other groups.”
Measuring zero-sum thinking

Create (principal components) index based on four questions:

1. “In the United States, there are many different ethnic groups (Blacks, Whites, Asians, Hispanics, etc). If one ethnic group becomes richer, this generally comes at the expense of other groups in the country.”

2. “In the United States, there are those with American citizenship and those without. If those without American citizenship do better economically, this will generally come at the expense of American citizens.”

3. “In international trade, if one country makes more money, then it is generally the case that the other country makes less money.”

4. “In the United States, there are many different income classes. If one group becomes wealthier, it is usually the case that this comes at the expense of other groups.”
Zero-sum views strongly correlated w. policy views

- Pro-redistribution index:
  - supports more redistribution
  - Gov. should equalize opportunity
  - Gov. should equalize outcome
  - Gov. should spend on income support for poor
  - Disagree with allowing wealth accumulation
  - Liberal economic policy
  - Universal healthcare
  - Rich pay too little tax minus poor pay too little

- Race attitudes index:
  - aware of racism, discrimination

- Anti-immigration index:
  - anti-immigrant attitudes

- Gender attitudes index:
  - aware of discrimination, supports aff. action

Coefficient on zero-sum index
Zero-sum thinking and political preferences

![Graph showing density distribution for Democrat and Republican with a zero-sum index.](image-url)
Determinants of zero-sum thinking in the U.S.

1. Economic mobility

2. Immigration

3. Race & enslavement

Direct and indirect effects of immigration and enslavement

Experiences: direct experience through self or ancestry (vertical) or through environmental exposure (horizontal or oblique)
Economic mobility and zero-sum thinking
Positive mobility experiences significantly correlated with less ZS
Zero-sum thinking across generations

(Residualized on race, gender, current state, HH income)
Mismatch between beliefs and the environment

- When the world changes, our values adjust, but only slowly.
- Even for a population with the same environment (historically and today), there is still disagreement.
- In these cases, the values aren’t perfectly matched to the current environment.
- They are influenced by past environments.
- **Younger generations** should exhibit **less mismatch**.

**History of U.S. economic mobility suggests U.S. used to be less ZS.**

- In the mid-1800s, the U.S. was characterized by exceptionally high rates of economic mobility (Long & Ferrie, AER, 2013).
- Since this time, U.S. mobility has been in decline (Chetty et al., 2017; Feigenbaum, EJ, 2018, Song et al., PNAS, 2020).
Pre-tax income growth for the bottom 50% of the U.S. population

What was economic growth when the cohorts in our sample were born?

- 1930-40 [80-90yrs]: 12%
- 1940-50 [70-80yrs]: 88%
- 1950-60 [60-70yrs]: 30%
- 1960-70 [50-60yrs]: 53%
- 1970-80 [40-50yrs]: 3%
- 1980-90 [30-40yrs]: -1%
- 1990-00 [20-30yrs]: 14%
- 2000-10 [10-20yrs]: -5%
Pre-tax income growth for the bottom 50% of the U.S. population

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Figure 5: Means of Zero-Sum Measures Conditional on Age

(Residualized on race, gender, current state, HH income)
Beyond the US: Economic stagnation and zero-sum thinking

- **X-axis**: Real per capita GDP growth in country in first 20 years of life
- **Y-axis**: “People can only get rich at the expense of others” vs. “Wealth can grow so that there is enough for everyone”
Immigration and zero-sum thinking

• Immigrants witnessed an improved quality of life (mobility), particularly for their children.

• This generally did not come at the expense of others.

• In fact, evidence indicates that immigrants made those around them economically better off (Sequeira, Nunn, and Qian, ReStud, 2020).
Immigrant ancestry

Zero-sum index (0 to 1)

- 1st
- 2nd
- 3rd
- None

Immigrant generation
Living near immigrants (horizontal & oblique effects)

1860–1920 average foreign share in childhood county

Zero-sum index (0 to 1)
Coercion and zero-sum thinking

- Plantation enslavement was an extremely zero-sum form of production.
- After abolition, forms of coercion persisted in places that had enslavement.
Zero-sum and race (vertical)

Race/ethnicity

Zero-sum index (0 to 1)
Zero-sum and other forms of enslavement among non-Black individuals (vertical)
History of enslavement (horizontal & oblique effects)

Zero-sum index (0 to 1)

1860 enslaved share in childhood county
Conclusions

• Spatial inequality has been highly persistent in the US.

• Perceptions of mobility in the US are overoptimistic; especially regarding mobility of Black children.

• Systematic “center bias”: poorer respondents overestimate their position because they believe everyone else is poorer (vice-versa for richer respondents).

• Perceptions of mobility matter for policy views, especially on redistribution.

  The more we believe there is equality of opportunity the more we tolerate inequality of outcomes.

• Zero-sum mindset: shaped by experiences of and exposure to mobility, immigration, and enslavement and is strong predictor of policy views.