The GINI question: what impacts did inequality have?

what social impacts?
what political and cultural impacts?
what policy impacts?

Country studies: to explore and document this

The HU country study: questions the basic question

Hence the „trap” argument
The structure of the problem studied in the project (example: political and cultural impacts)

Key variable: Inequality
- actual and perceived
- measured by household income
  - type: distance, variance, polarization

Relationship
Causality?
(Which direction? What type?)

Studied (related) variables:
Political and cultural aspects of society
- (1) perceptions of inequality,
- (2) civic, cultural and political participation,
- (3) preferences for redistribution,
- (4) the consequences for the political system,
- (5) the legitimacy of politics

The socio-political story in a nutshell (1)

Trust
- HU: a country with low social capital (historic trends)
- Low level of generalized trust: relatively stable feature for the past decade.
- EVS show trustful Hungarians at 1/3 in 1982, 1/5 in 2008
- Deficit in social capital of both the formal and the informal kind.

Political characteristics
- Relatively high level of political identification and participation (getting more prevalent over time)
- Political system (at least until 2010): a high level of party competition, generally stable players, low volatility, considerable ideological polarization and partisanship, and a small number of parliamentary parties.
- Moderate (and extreme) right-wing opposition to the socialist/liberal government grew until the general election of 2010, when the conservative party alliance won a landslide two-thirds majority of parliamentary seats.
The socio-political story in a nutshell (2)

Demand for redistribution

- HU attitude climate: high level of support for state intervention
- High and growing level of intolerance of inequality with a parallel increase in the demand for government redistribution.

Labour market and social policies

- Poorly managed labour market shocks in the beginning of the transition;
- Various instruments of social policy were tried out – badly calibrated portfolio of structural adjustment, social protection and re-employment;
- Significant sections of Hungarian society were detached from the labour market – and stayed there for a long time.

The socio-political story in a nutshell (3)

Political dynamics - electoral budget cycles

- Policy-making fell hostage of these large inactive groups in 1990’s and 2000’s
- Parties use election campaigns for welfare ‘auctions’; circulation of “honeymoon” periods followed by periods of austerity (which probably contributed significantly to the decline in trust in political institutions).
- No strong countervailing institutional factors to limit volatile budget deficits, which rose to unsustainable levels especially in the election years of 2002 and 2006
- The volatility of this electoral budget cycle increased over time, with a continued high level of redistribution, despite the country’s unsustainably low tax base
- The whole process
  - Significantly worsened the country’s growth potential
  - Further eroded trust in the political system as a whole, and in political parties in particular
  - Reinforced distrust leads, paradoxically, to further pressure on government to follow unsustainable paternalistic policies
- (Recent developments: populist austerity, “freedom fight”, re-nationalisations)
Conclusion

A general (but false) interpretation:

There is a linear causality ‘from (exogenous) inequality change to various social impacts’ (like social capital and trust, for example).

An alternative proposition:

Initial trust and social capital (together with initial income inequalities) are part of the story right from the outset. When – for whatever reason – inequality starts rising, the collective reaction depends very much on the starting conditions of social capital (social and political trust, ability to collaborate, experience of cooperation, etc.).

Presentation ends here

Annex charts follow
Measures of inequality, 1987-2012

P90/P10

Gini


Note: conf int, p=95%, personal distribution of person equivalent incomes

Episodes (defined by drivers) of the first two and a half decades of the systemic change:

1987-1992: structural change, employment losses, polarization

1992-2001: education expansion, technological change, sclerosis in the labour market

2001-2009: (social) politics and crisis management

(2002-2006: “system change in welfare” i.e. large welfare expansion) winners: lower middle classes (and public employees)

(2006-2008: consolidation/austerity packages) loosers: upper middle classes (and public employees)

(2008-2009: the crisis and its management) loosers: lower strata and (to smaller extent) the top decile

2010 - : sharp turn to warfare and social policy restrictions (sharp inequality increase)
Distribution of individuals by median brackets, 1987–2012 (%)

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<td>Well off (median 200+)</td>
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<td>Upper middle (median 120%-200%)</td>
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<td>Middle (median 80–120%-a)</td>
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<td>Lower middle (median 50-80%)</td>
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<td>Poor (below median 50%)</td>
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<td>Total</td>
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Note: median of per cap net disp incomes

The risk of poverty and social exclusion among young and elderly, Hungary, 1992-2010

Source: 1992-2009: TÁRKI Household Monitor Survey; 2005-2010: EUROSTAT. Years are shown according to the income reference period, meaning that EU-SILC data refer to year t-1, where t suits to the EUROSTA protocol. The exception is 2005, for which year EU-SILC 2005 data are provided.
Indicators based on household income are unreliable in the case of Hungary for year 2006 (2005 income reference year).
Note: AROP – at-risk-of-poverty rate; SMD – severe material deprivation rate; AROPE – population at risk of poverty and social exclusion (composite EU2020 poverty target indicator). Right scale for Gini.
The social climate: Indicators of social cohesion, 1982-2010

Source: Tárki, Gini-project

The social climate: Perceptions of poverty in 2009

Perception is higher than actual poverty rates

The relationship between relative poverty rates and the perceived poverty rate in EU Member States

Perceptions on „what makes people poor?”

The share of those perceiving poverty as a consequence of social injustice (% of total population, 2007-2010)

Notes: The relative poverty rate relates to those with income below 60% of the median in the 2008 income year – from Eurostat, EU-SILC, 2009.
Chart from Keller, 2011
Share of those saying there is „too much” tension in the country...

.. the rich and the poor .... managers and workers ...

.. old and young .... various ethnic groups ...

Source: 72.1. Special EuroBarometer, 2009

Thanks for visiting!

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