

IS THERE TOO MUCH INEQUALITY IN AUSTRALIA?¹

Is income inequality a problem for Australian society? It is well known that Australians, like others throughout the developed world, have clearly developed views about the ideal levels of earnings for people working in different jobs. Australians have never favoured equal earnings, but neither have they favoured highly unequal earnings. The threats of envy, the corrupting influence of too much wealth, and the strain between these and freedom are not issues unique to Australia, but have bedevilled democracy since its inception. Indeed, a great deal of Solon's law code restoring order to ancient Athens was concerned with both curbing the power of the wealthy and tempering the equalitarian demands of the masses. Has Australia achieved the right balance?

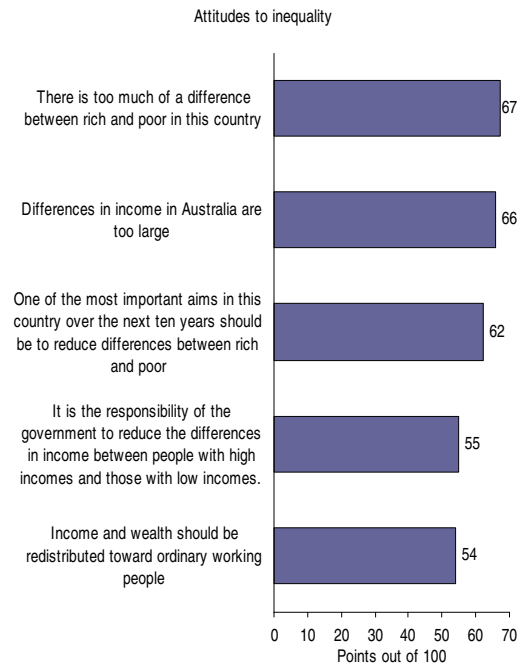
To find out, we turn to the IsssA-Pool database of representative nationwide samples of Australians, 1984-2002. We asked:

There is too much of a difference between rich and poor in this country

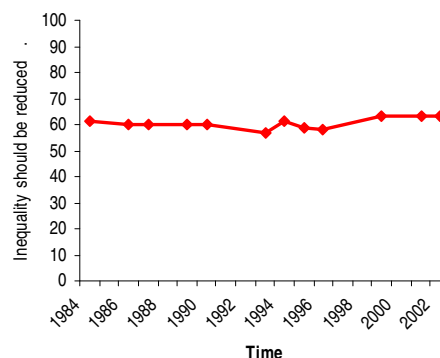
Strongly agree	24%	[100 points]
Agree	41%	[75 points]
Mixed, neutral feelings	19%	[50 points]
Disagree	15%	[25 points]
Strongly disagree	2%	[0 points]
	100%	
		(N=24,896)
		(Mean = 67 points)

Inequality between rich and poor is strongly felt to be too large by about 24 per cent of Australians. Another 41 per cent assent, but more mildly; 19 per cent have mixed or neutral feelings; and a dissenting view is held by 17 per cent. The mean is 67 points out of 100, with the answer categories scored at equal intervals. We also asked several other questions about whether inequality is excessive with similar results (see Figure).

We averaged the answers to these questions to give a single, more reliable measure because of their clear face validity, high correlations, and clear factor analysis.² The balance of opinion is that there is somewhat too much inequality. On the whole, Robin Hood (understood as a moderate redistributionist rather than a tax rebel) would mostly draw polite to enthusiastic applause in Australia today, with only a few catcalls in the background.



Inequality scale shows no change over time.



¹ Source: *Australian Social Monitor*, 2004.

² Factor analysis reveals only one factor and all the items scale highly on it, with loadings from 0.7 to 0.8 (Figure 2). The alpha-reliability for the scale is 0.89.

Australians' views about inequality have hardly changed over the last 20 years:

Social differences

People's attitudes on relative inequality are shaped by a wide variety of influences, both past and present:

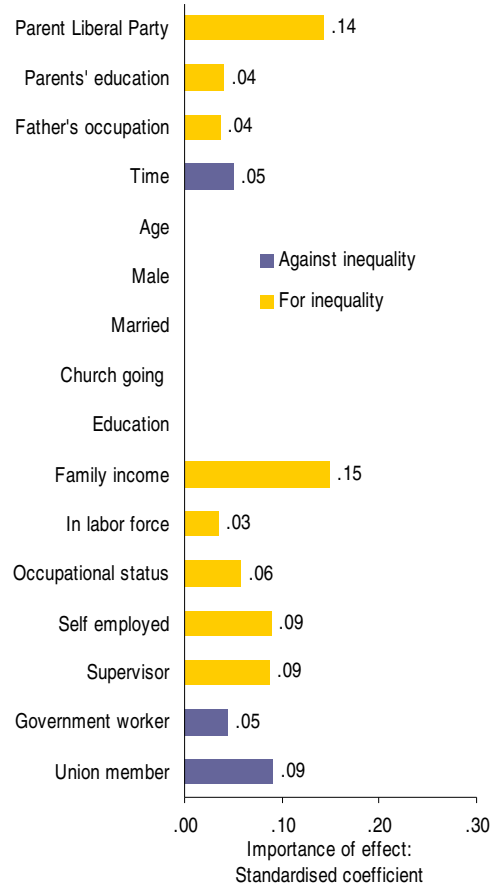
- Parents' political party preference has a very substantial enduring influence. People who grew up in Liberal or National Party homes are, in adulthood, 8 points out of more accepting of inequality than are otherwise similar people who grew up in Labor homes.
- Other aspects of family background matter a little.
- The most important influence is current family income.
- Self-employment, supervisory responsibilities, occupational status and private sector employment all lead to greater tolerance of inequality.
- Union members and government workers are against it.

How about current political party preference? Two very different possibilities are that people derive their inequality attitudes in part by following the stance of their political party -- the "Party authority" model. Alternatively, people may choose the party whose platform best fits their attitudes, rather as one chooses a dress to fit one's existing size -- the "Party shopper" model.

To sort this out, we turn to a special survey where we contacted both parents and their adult offspring independently. The crucial advantage is that this allows us to assess the causality using several plausible identifying restrictions.³

³ The technical issues are complex. Our model assumes a kind of channelled approach to socialisation. One learns to barrack for one party or the other at one's parents' knees, and that inherited party preference indirectly affects one attitudes. Simultaneously, one imbibes inequality-related attitudes from one's parents, and these shape one's own inequality-related attitudes as an adult, but it is only indirectly through one's own attitudes that parent's attitudes influence one's adult party preference.

Social influences.



In fact, there are large, and essentially equal reciprocal influences between respondent's attitudes towards inequality and his or her political party. So both the Party Shopper and the Party Authority models are true: We vote for the party that represents our views, and the policies of the party we choose also shape our views, in an on-going process of adjustment.

