

The perception of inequality of opportunity – and the reality

Posted on April 6, 2017 by Guest Blogger

*In a guest post, Paolo Brunori – an Assistant Professor at the [University of Bari](#), and blogger at [Lavoce](#) – summarises his new paper on the perception of inequality of opportunity in Europe, recently published in the *Review of Income and Wealth*.*

When thousands of Egyptians gathered to protest in Tahrir Square in January 2011, many commentators listed rising inequality as one of the main explanations of the unprecedented wave of protests. However, in a [recent publication](#), Paolo Verme (World Bank) has shown that in the years before the beginning of the Arab Spring perceived inequality was increasing in Egypt, but actual inequality – as measured by economists – if anything was falling. What does explain this misperception? What does determine how we perceive inequalities?

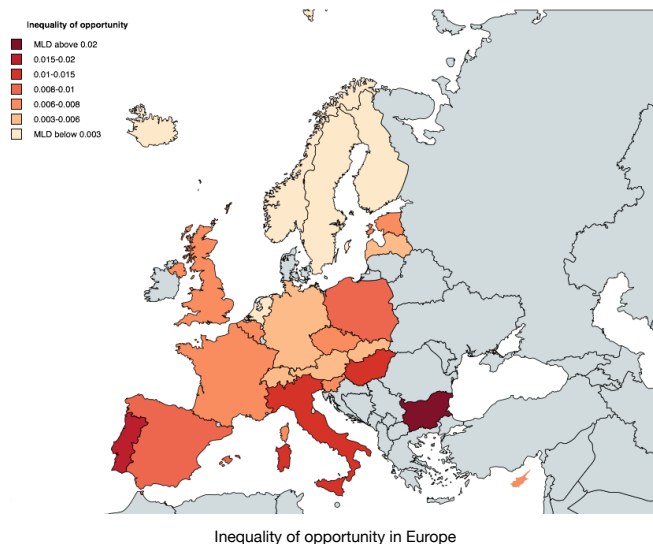
Some authors suggest that social media diffusion [plaid a role](#) in the case of Arab Spring. Being able to surf the web Egyptians had access to a lot of new information and modified their perception accordingly. This may be a part of the explanation. On the other hand a systematic misperception of inequality is well documented also in countries where access to information was never a problem ([Niehues, 2014](#)).

Others have suggested that is the level of equality of opportunity that determines how people perceive inequality. Societies in which individuals have the same chances to obtain valuable outcomes such as income, education and health, have a higher tolerance to inequality. This theory was first proposed by De Toqueville in 1835 to explain different attitudes toward inequality in Europe and the US. A lot of evidence has been accumulated since. This explanation is appealing because it suggests that not all inequalities appear equally harmful, and that the same level of inequality may be very differently perceived depending on the their sources.

However, if people find it difficult to correctly quantify inequality, it is hard to believe that they are able to correctly perceive the level of equality of opportunity in their country. In a recent paper in the [Review of Income and Wealth](#), I investigated this question. Are we able to correctly perceive whether it is our choices that determines what we obtain in life, and whether it is due to circumstances beyond our control?

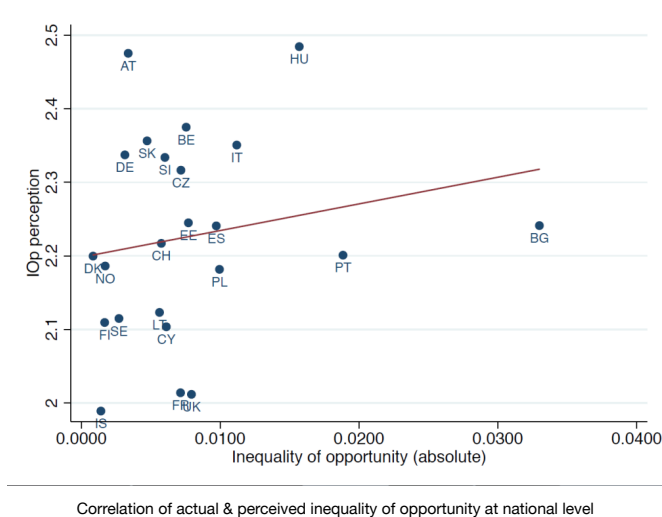
Perceptions and reality of inequality of opportunity in Europe

To do so I have first estimated the level of inequality of opportunity following one of the most popular method in the literature. The map below shows the level of inequality of opportunity in 23 European countries, the darker the country the higher inequality of opportunity.



Source: based on European Survey on Income and Living Condition (EU-SILC, 2011)

These estimates are then compared to perceived equality of opportunity. The perception is measured using information from the International Social Survey Programme (ISSP, 2009). The survey contains a number of questions about the relative importance of different factors to get head on life. Answers about the relative importance of different factors are aggregated in an index of perceived inequality of opportunity. This index increases the more sex, race, religion, family background and connections are believed to be important to succeed in life. The index decreases the more hard work and ambition are believed to be important determinants of success.

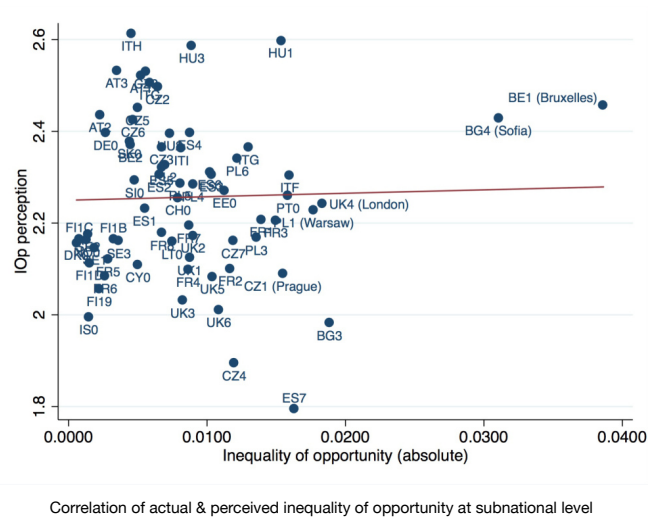


Source: based on European Survey on Income and Living Condition (EU-SILC, 2011) and International Social Survey Programme (ISSP, 2009)

The scatterplot below reports the correlation between perceived inequality of opportunity (vertical axis) and objective inequality of opportunity as measured by economists (horizontal axis). The correlation is positive but rather low. Countries with very different level of inequality of opportunity – such as Bulgaria and Switzerland – have similar average perceived inequality of opportunity.

This low correlation persists if we measure inequality of opportunity following different methods or if we

aggregate perceptions components differently. Moreover, as shown in the figure below, the correlation is even lower if instead of looking at countries we consider 68 macro-regions at subnational level.



Source: based on European Survey on Income and Living Condition (EU-SILC, 2011) and International Social Survey Programme (ISSP, 2009)

Explaining the gap between perceptions & reality

If the level of inequality of opportunity does not explain its perception, what does shape our idea of the level of equality of opportunity in our country?

My analysis suggests that there are a number of important determinants. Interestingly, among a number of other individual characteristics, males and residents in urban areas seems to perceive higher levels of inequality of opportunity. As shown in the figure above, the highest level of inequality of opportunity in Europe is recorded in the capital city regions (Bruxelles and Sofia especially). This suggests that when we formulate judgment about the level of inequality of opportunity in our country we may disproportionately weight what we see in our area of residence and in our place of work.

However, the most robust result concerns the effect of personal experience of intergenerational social mobility. Individuals that have experienced upward mobility (their job qualification today is higher than the job qualification of their father when they were kids) tend to perceive a significantly lower level of inequality of opportunity. The opposite happens for individuals that experienced downward social mobility. Consistent with a well established literature on social psychology, I interpret this distortions as the result of a self-esteem bias in the cognitive process of understanding social inequalities. That is, if my life is a story of success, I convince myself that it is because of my effort and merit. If instead I failed to obtain valuable outcomes, it is likely that I will find it to be due to some reasons outside my control. Not surprisingly unemployed respondents show a similar higher perception of the level of inequality of opportunity.

Finally, if on the one hand it is true that the level of inequality of opportunity does not seem to play a clear role in determining its perception, on the other hand economic growth does. All other things kept constant, countries which experienced faster growth in the last decade have a lower average perceived inequality of opportunity. I suggest that there is in operation something similar to the 'tunnel effect' proposed in the literature on aversion to inequality. When you are stuck in a traffic jam in a tunnel and after a while the lane next to you starts to move,

you feel better because you interpret an improvement for others as a signal of a future improvement for you. You believe that the jam is solved and you will soon move too.

Moreover, the fact that our perception of inequality of opportunity is more clearly associated with economic growth in the recent future signal a potential problem for the most popular measures of inequality of opportunity: they measure what happened at the last two generations, say in the last 25-30 years, while the level of inequality of opportunity people look at may has more to do with the recent past and expectations for the future.

Final thoughts

Similar to what has been shown for inequality, misperception of inequality of opportunity is widespread. However, the mismatch between perception and reality can be explained by a complex mix of personal experiences, reference groups, and beliefs about future opportunities, well known by the social psychology literature.

Source: Brunori P. (2016) "The Perception of Inequality of Opportunity in Europe" forthcoming *Review of Income and Wealth*. <http://dx.doi.org/10.1111/roiw.12259> and http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2802537

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Inequalities

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