

## **VOTING AGAINST INEQUALITY: How greater political participation can increase social mobility**

Inequality across generations falls when people from poorer backgrounds are encouraged to vote. That is one of the findings of research by **Christopher Rah**, to be presented at the annual congress of the European Economic Association in Mannheim in August 2015. His study shows how cross-country differences in voter turnout can explain differences in levels of spending on public education and through that channel affect inequality and intergenerational mobility.

When analysing the political process, the author takes into consideration that some people are more likely to vote than others by using data on voter turnout by age and education. Countries where privately educated people are more likely to vote are more likely to support policies that limit public education, making inequality even more entrenched. By contrast, countries where more people vote end up with less inequality because poorer households can vote on policies that help their children enter college, earn more and who in turn vote to make education even more accessible.

What would happen in the United States if everybody turned out to vote?, the author asks. His analysis finds that intergenerational earnings persistence – the degree to which people's earnings are determined by their parents' earnings – would decrease by 10%, mainly because public spending on early education would increase. Political participation is an important determinant of inequality and intergenerational mobility, he concludes.

### **More...**

Earnings inequality goes hand in hand with intergenerational earnings persistence across countries. So in a country with an unequal distribution of earnings, the adulthood earnings of a child are more similar to the earnings of its parents. This relationship is what is referred to as the Great Gatsby Curve.

Why is this relationship important? Some argue that we should not worry about inequality per se because it could be an outcome of differential efforts or even a requirement for people to exert effort. But the fact that inequality is negatively related with intergenerational mobility raises concerns about equality of opportunity.

The United States was originally associated with the 'American Dream', the ideal that everybody can make it in life through effort. But now we know that the country is not only among the most unequal countries, but also among the most rigid societies where one's earnings depend highly on parental earnings.

Recent research has found that more progressive taxation and higher public education expenditures at early stages foster intergenerational mobility. The new study finds that cross-country differences in voter turnout can explain differences in public education expenditures and through that channel affect inequality and intergenerational mobility.

In the model, public education expenditures on early and college education are determined through voting. When modelling the political process, the author takes into consideration that some people are more likely to vote than others by using data on voter turnout by age and education.

Relatively high turnout among the educated, as in the United States, might bias policies in their favour. If richer households prefer private education, this could limit the provision of public education despite high inequality. In contrast, relatively high voter turnout among less educated individuals, as in Scandinavian countries, could increase public early education due to its redistributive nature.

In the data, the share of GDP dedicated to public education is decreasing in inequality across countries. By varying the weight a policy-maker attaches to social groups according to country-specific voter turnout by age and education, this study replicates the negative relationship between inequality and public education expenditures. Through this channel, it can account for nearly a quarter of the gaps in inequality and intergenerational earnings persistence between the United States and other OECD countries.

The model's success at replicating the US and cross-country differences, suggests its suitability for policy experiments, such as what would happen in the United States if everybody turned out to vote. The research finds that intergenerational earnings persistence decreases by 10%, mainly because public expenditures on early education increase.

The intuition is the following: Now that poorer households receive more weight when the policy-maker decides on public education, public expenditures on early education increase. Improved early education prepares more children from poor households to enter college. The smarter a kid is coming out of high school, the more it gets out of college, and the likelier it is to graduate from college.

When more children from poor households enter college, public support for the college subsidy increases, thereby further alleviating barriers to college enrolment. This increase in college enrolment raises aggregate returns to early education due to dynamic complementarities between early and college education, again increasing demand for public early education. This feedback effect is what makes children's outcomes less dependent on parental earnings.

As a robustness check, the author repeats the cross-country analysis while replacing voter turnout by party membership by age and education. One could argue that actually participation in parties forms and shapes the political agenda. The patterns of the results remain unchanged, which leaves us with the message that political participation is an important determinant of inequality and intergenerational mobility.

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The Political Economy of Early and College Education – Can Voting Bend the Great Gatsby Curve?

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