

Public Policy for Equality and Opportunity

Evidence-based and Ethically Grounded

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Vienna University of Economics and Business
Keynote Address
Conference on Wealth Inequality and Intergenerational Mobility

Vienna, Austria
November 17th, 2022

Ethics



Pope Francis ✓

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Inequality is the root of social evil.

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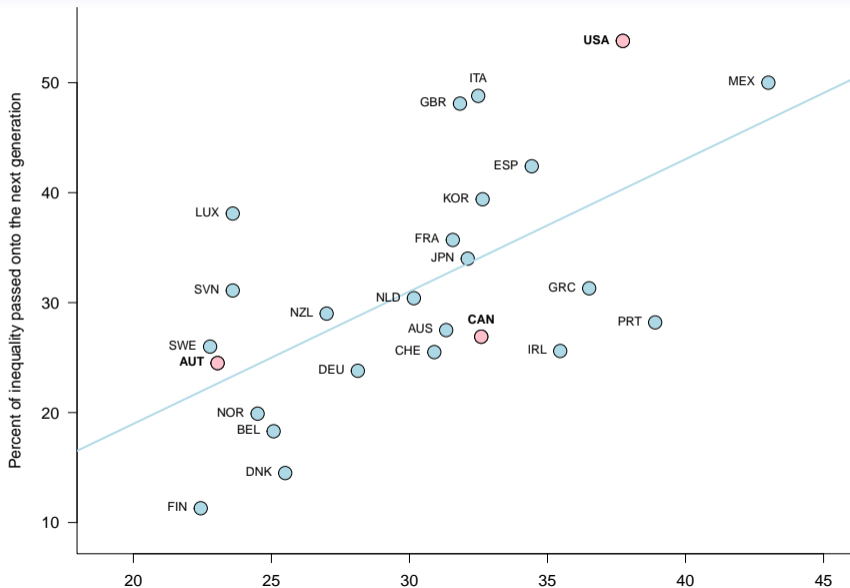
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Evidence: The Great Gatsby Curve relates higher inequality to lower social mobility



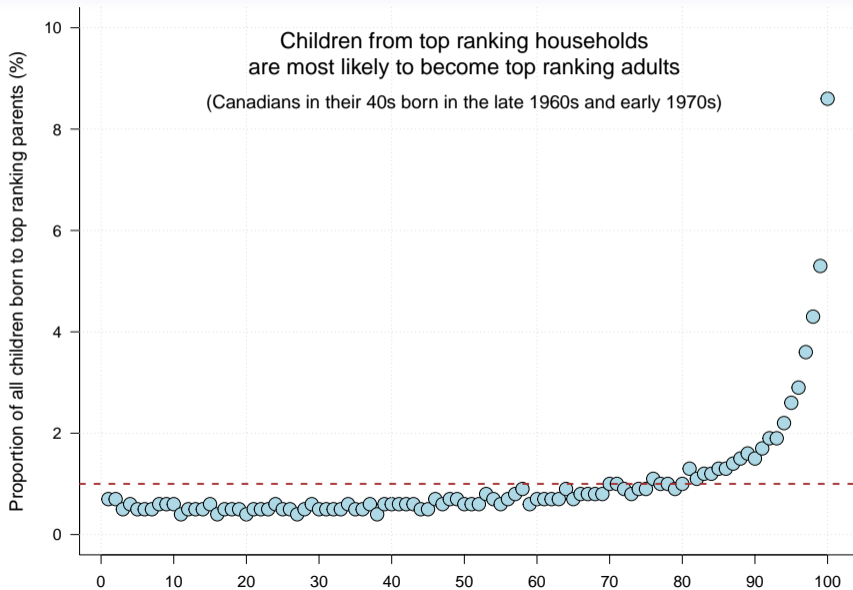
Ethics: Three values to ground progressive public policy

1. All humans are created equally, and have the right to be treated with dignity
2. Labour has preference over capital, and what is due through justice cannot be offered with charity
3. Wealth is created to be shared

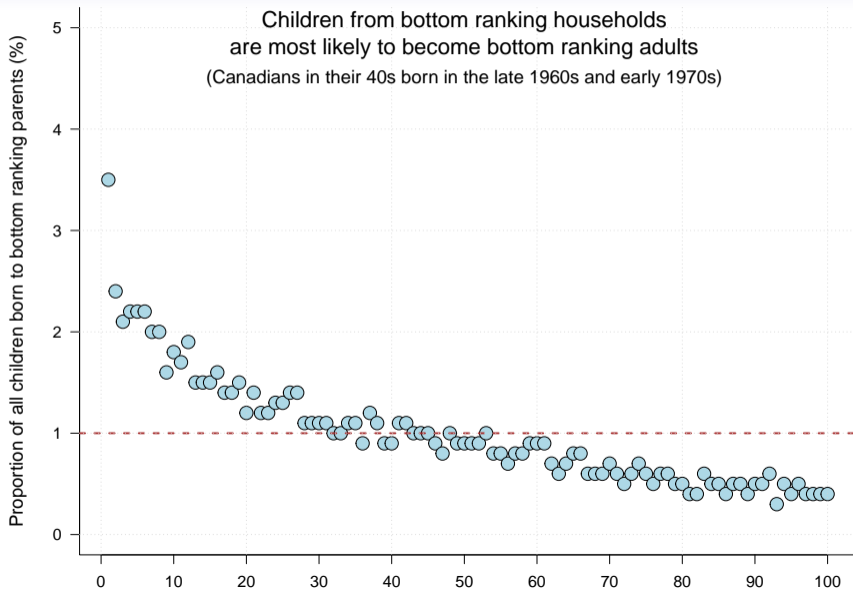
Evidence: three forces determining the degree of social mobility

- three overlapping forces determine the extent and way in which inequality threatens mobility: the family, the “community”, and the labour market
- different types of inequality influence mobility in different causal ways
 1. an “**inheritance**”
 2. an **investment**
 3. a **payoff**

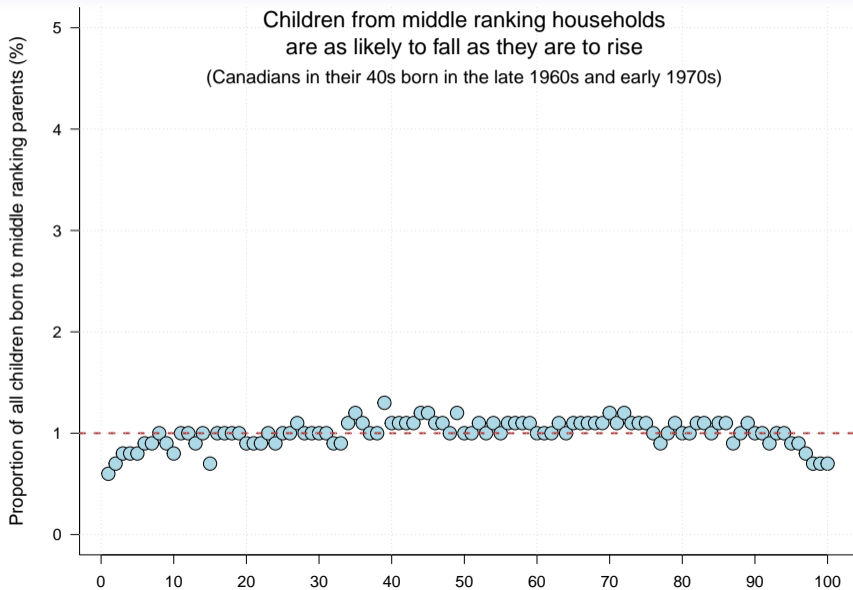
1. Inheritance and payoffs at the top, a intergenerational cycle of privilege



2. Inheritance and payoffs at the bottom, an intergenerational cycle of poverty



3. Inheritances and payoffs in the middle, complete intergenerational mobility



From entitlement and shame to equality and dignity

The deserving rich!

Affluence is the payoff to productivity, ultimately benefiting all through growth and benevolence.

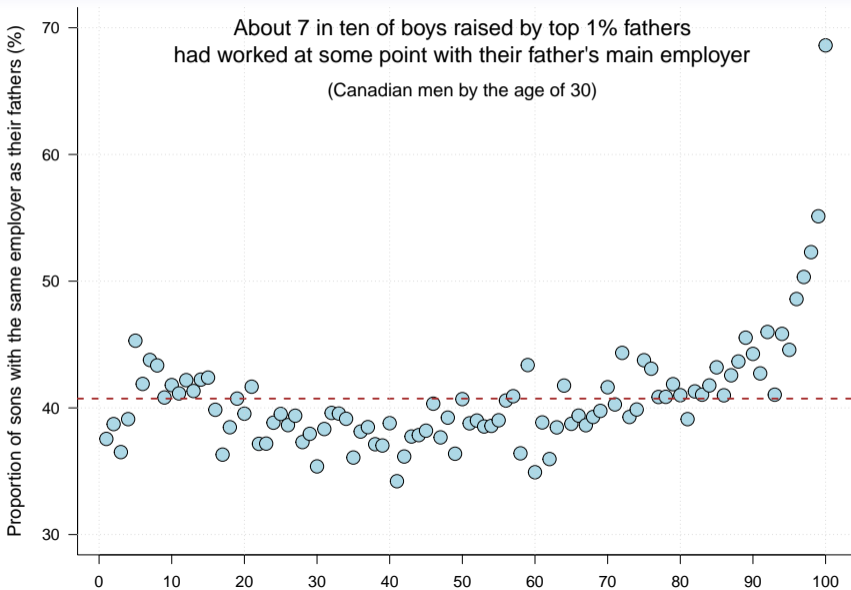
What are the intergenerational dimensions of this “trickle down” story?

- **Source:** better and more altruistic parents
- **Use:** better aspirations and skills among the children
- **Justification:** higher adult incomes are meritocratic, and offer more benevolence and growth

The deserving poor?

Much harder to make a “deserving” poor story in an intergenerational context, child poverty is not a choice. But ultimately public policy should rely on growth and charity.

1. Inheritance and payoffs at the top, cycles of privilege mediated by jobs



From entitlement and shame to equality and dignity

1. All humans are created equally, and have the right to be treated with dignity

There is entitlement at the top because of an “availability” heuristic, and because of loss aversion

- inequality erodes solidarity

Public policy should frame social discourse less in terms of merit or desert, and more in terms of luck

- At the top: in winner-take-all markets luck matters
- At the bottom: poverty as bad luck in a succession of life transitions

From entitlement and shame to equality and dignity

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Enhance the dignity of work, and bargaining power of workers

Fairness in taxes and transfers

- eliminate preferential treatment of capital income
 - equitable treatment of capital income versus labour income
 - inheritance / estate taxation
 - wealth taxation
- robust income support at the bottom through a poverty reduction strategy

From entitlement and shame to equality and dignity

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Quell insecurity, build resilience

- “inclusive growth”
 - growth that is of relatively more advantage to the relatively disadvantaged and along with progressive taxation can foster reasonable equality of outcomes
- thick and robust insurance
 - student loans as income contingent
 - unemployment insurance as wage insurance
 - public health care

Ethics and Evidence

to move from entitlement, shame, and insecurity to equality, dignity and resilience

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