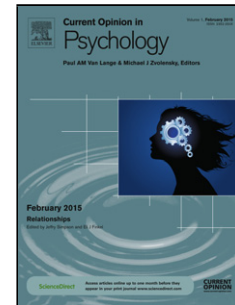


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A social identity analysis of responses to economic inequality

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Highlights

- Growing inequality has hidden costs for societies' social and political vitality.
- Economic inequality enhances wealth categorizations and 'us' versus 'them' dynamics.
- For inequality to be seen as a problem, it needs to be visible and appraised as unfair.
- The socio-structural context shapes perceptions whether inequality is perceived as unfair.
- Wealthy and poor groups responses to inequality reflect different concerns.

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Abstract

Even though there is growing awareness that economic inequality is harmful for people's health, the way that such inequality affects social behavior and political attitudes remains poorly understood. Moving beyond a focus on the health and well-being costs of income inequality, we review research that examines how economic inequality shapes dynamics between groups within societies, addressing the questions why, when, and for whom inequality affects social behavior and political attitudes. On the basis of classic social identity theorizing, we develop five hypotheses that focus on the way inequality shapes the fit of wealth categorizations (H1), intergroup relations (H2), and stereotypes about

wealth groups (H3). We also theorize how the effects of inequality are moderated by socio-structural conditions (H4) and socio-economic status (H5). Together, these hypotheses provide a theoretically informed account of the way in which inequality undermines the social fabric of society and negatively affects citizen's social and political behavior.

A social identity analysis of responses to economic inequality

In the last decade, there has been a growing body of work looking at the impact of economic inequality on individuals' lives. However, this work has had a somewhat narrow focus, either providing an economic analysis of the effects of inequality (e.g., how inequality affects economic growth; whether it triggers economic recessions [1]) or examining the effects of inequality on individuals' health and well-being [2-4]. In contrast, very little is known about whether and how (growing) inequality affects the social and political life in a society (but see [5,6]), and major questions concerning the negative (and/or potentially positive effects of inequality) remain unanswered. For example, does inequality enhance competition between, and stereotyping of, various groups in society? And, if so, does inequality have these effects because of an enhanced "us" versus "them" dynamic? Further, does inequality affect those at the bottom and those at the top of the hierarchy to the same extent? In sum, there is very little understanding of *why*, *when*, and for *whom* inequality has social consequences.

Social psychology — and the Social Identity Approach (SIA), comprised of *social identity theory* (SIT [7]) and *self-categorization theory* (SCT [8]), in particular —has an important role to play in answering these questions. While the SIA has traditionally been used to explain group responses to status inequalities, it has been argued that its key premises are likely to be equally useful when examining inequality in socio-economic or income domains [9,10]. We therefore adopt the SIA to develop an account of the *group processes and intergroup relations* that underpin the effects of economic inequality on societal outcomes. In particular, drawing on SIA, we propose five interrelated hypotheses that explain why, when, and for whom economic inequality affects perceptions of particular wealth groups (e.g., prejudice) as well as the nature of intergroup relations, perceived social cohesion, and willingness to address inequality (see Table 1). We review recent research that provides initial support for these hypotheses and identify directions for future research. We start our review with the question of *why* income inequality is harmful for intergroup relations in society before then reviewing when this is the case and for whom.

Why income inequality is harmful for intergroup relations in society

Wilkinson and Pickett [11] have suggested that inequality can harm intergroup relations. In particular, they have argued: “If inequalities are bigger, . . . where each one of us is placed becomes more important” and “... we are likely to pay more attention to social status in how we assess each other” (p. 44, see also [12]). This observation is consistent with theorizing from

self-categorization theory (and the comparative fit principle in particular [8]) that leads us to predict that inequality draws attention to how groups in society differ in terms of wealth. This then triggers the fit of wealth categorizations because greater inequality simultaneously enhances the perceptual differences *between* groups that differ in wealth and the similarity *within* wealth groups. This leads to a first (so far largely untested) hypothesis: *with increasing levels of inequality, wealth should become a more fitting basis for categorizing the self and others in society* (H1, *the fit hypothesis*).

This insight leads to a second prediction: *increased inequality should invite more frequent intergroup comparisons between wealth groups further enhancing 'us' versus 'them' dynamics* (H2, *the wealth categorization hypothesis*, for initial evidence see [13]). In line with this claim, there is some evidence that the capacity for inequality to increase wealth-based intergroup comparisons has important consequences for intergroup dynamics. In particular, there is evidence that as inequality becomes more visible, and a more frequent basis for social comparison, there is a drop in cooperation between individuals [14]. It has also been suggested that inequality erodes perceptions of shared fate [5], and that this leads to a splintering of society into subgroups. At the societal level too, there is research showing that growing inequality is associated with lower levels of trust [4,11,15] and heightened levels of violence and social unrest [16,17].

We further argue that inequality not only provides a lens for seeing the social world, it also changes what it means to belong to different wealth groups. In particular, drawing on the self-categorization theory premise that a stronger comparative fit triggers a search for normative fit [8], we propose that *enhanced wealth categorization should give rise to the development of richer and more elaborate narratives and self-stereotypes of wealth groups* (H3, *the wealth stereotype hypothesis*). Durante et al. [18,19] provides some initial evidence for this hypothesis. In a study including 37 samples from 27 nations, it was found that higher inequality lowered warmth perceptions of those higher in socio-economic status and led to increased incompetence perceptions of people lower in SES [19].

It has been suggested that these exaggerated stereotypes found in more unequal countries further legitimize negative treatment of the poor [19] and we predict that it will be associated with so-called “classism” (i.e., enhanced stereotyping of different wealth groups [20]). Further work is needed to complement the anecdotal and qualitative research that has provided initial support for this prediction [21].

When people perceive inequality as a justice problem

We propose that it is one thing to *perceive* society to be unequal, it is yet another to also judge inequality to be unfair. When considering the question of how justice perceptions of inequality affect social outcomes, it is important to first consider a number of other important questions. When do people become

dissatisfied with inequality? Is it possible that people perceive there to be growing inequality but do not see it as a problem? And when will even small levels of inequality lead to public outcry? According to the SIA, inequality is likely to be perceived as unfair *when (a) boundaries between wealth groups are impermeable, (b) the social system is unstable, and (c) the wealth gap reflects illegitimate differences (H4, the socio-structural hypothesis).*

There is already some evidence for some of these predictions. In relation to permeability perceptions, a US study by Davidai and Gilovich [22] showed that Americans overestimated the amount of upward mobility and underestimated the amount of downward mobility. This may explain why people dramatically underestimate the level of inequality [23]. The perception of individual mobility (i.e., permeability perceptions) may also explain why people accept and at times even justify inequality: there is evidence that higher perceptions of social mobility are correlated with greater satisfaction with the current social system [24,25] and a greater acceptance of inequality [26]. With respect to the stability of the wealth gap between the rich and the poor, research suggests that inequality in society is more likely to be perceived as unfair when the social system is unstable [27,28]. For example, Blanchard and Eidelman showed that when inequality had existed for a longer time, and was thus more stable (e.g., the Indian caste system), it was perceived as fairer [27].

In relation to legitimacy perceptions, work in the procedural fairness tradition has suggested that when the wealthy are perceived as having acquired

their wealth legitimately and the poor as deserving their fate, people are less likely to perceive inequality as a problem. However, this changes when people perceive that inequality is the result of unfair wealth acquisition such as corruption, fraud, exploitation, nepotism, or mere chance or luck [29]. Consistent with this, a minimal group study [30] showed that poor group members were more discriminatory against members of a wealthy group when allocation to wealth groups was based on chance than when it was based on merit (see also [31]).

It has also been suggested that perceptions of permeability and stability of the wealth gap may interact and amplify responses to inequality. For example, we predict that inequality is most likely to be noticed and perceived as unfair when there is a concern about insufficient individual mobility (i.e., perceptions that boundaries between wealth groups are impermeable) as well as a perception that one's wealth position is unstable (e.g., when the economy is growing which leads to a unfavorable change to the wealth hierarchy [4,32], or when inequality enhances social and political instability by triggering social unrest, status competition, and status anxiety [33]). This is consistent with the SIA claims that people will be most inclined to engage in collective behavior when they perceive societal to be both impermeable and insecure. It is in these situations that people are most inclined to feel they have "nothing to lose", and therefore support radical and extreme solutions to problems, including violent collective action [34].

Groups within society are likely to differ in how they respond to inequality

We argue that the way in which people in different wealth groups respond to inequality is likely to differ. In line with this, there is evidence that those who are at the top of the wealth hierarchy are more tolerant of inequality than those at the bottom [35]. Indeed, recent research has shown that wealthier individuals are more likely than poorer individuals to be motivated to maintain inequality [36]. For instance, when playing an ultimatum game, richer individuals were more likely to pursue their self-interest and less likely to engage in strategies that challenge socio-economic inequality compared to their poorer counterparts [37, see also, 38-40].

Jetten, Mols, and Postmes [41] aimed to understand why wealth shapes behaviors in these ways. To do this, they assigned participants to one of three wealth groups in a hypothetical country where they were led to believe that inequality in their country would either increase or decrease in the future. Interestingly, they found that when participants expected that inequality would grow (versus decline) in the future, *all* wealth groups became more fearful of the future, *all* became more distrusting of others and *all* became more opposed to immigrants. This finding is consistent with the observations of political scientists and sociologists that growing inequality leads to greater status competition because *everyone* experiences greater status instability and status anxiety, regardless of one's class, status, or income [11]. The finding is also consistent with research showing that societies with higher income inequality

have higher levels of status anxiety (measured here as agreement with the item “some people look down on me because of my job situation or income”) across all income groups [42].

Nevertheless, it is likely that *the poor and the wealthy may be fearful of inequality for different reasons and under different conditions* (as explained in more detail by H5, *the socio-economic status impact hypothesis*). To understand this, we need to account for the way in which perceptions of the socio-structural context (i.e., permeability of boundaries, stability, and legitimacy of the wealth position) differentially affect poor and wealthy groups.

In line with social identity theorizing, for those at the bottom of the wealth hierarchy, a greater gulf between the ‘haves’ and the ‘have-nots’ is likely to enhance feeling of relative deprivation [43]. Such feelings of *relative deprivation* (and the *perceived fairness of relative deprivation*, H5) will fuel resentment and dissatisfaction with the state of affairs. Consistent with this theorizing, there is evidence that in more unequal counties in the USA, low-income residents are more likely to reject the notion of meritocracy [44].

We predict that wealthier groups are likely to fear inequality for other reasons. Here too, responses by the wealthy will depend on their perceptions of the broader socio-structural context. Social identity theorizing leads us to predict that, because the rich have already achieved a high wealth position, their main aim will be to maintain and protect status and wealth [7,9]. When upward mobility is limited (because boundaries between wealth groups are

impermeable) and where status relations are secure (i.e., unlikely to change), it is likely that high wealth will be associated with generosity towards members of lower status group (at times driven by feeling guilty about the advantaged status [45] or sympathy for the disadvantaged [46]). However, security of high status or wealth may also be associated with entitlement and the legitimization of inequality because the wealthy perceive that their wealth reflects superiority [47]. Consistent with this, research from Canada shows that perceiving that the dominant status was legitimate was associated with higher racism towards Aboriginal people [48].

There is another reason to assume that it is those with most wealth who will respond most strongly to inequality. Building on the prediction that high levels of inequality will create instability in the system, we predict that *the instability that inequality brings may be of more concern to the “haves” than the “have-nots”* (H5). Inequality may evoke anxiety and fear among those who are relatively wealthy because in an unequal society, the wealthy may not only face increased envy, but also awareness one can fall quite low when wealth evaporates. The constant threat enhances restlessness, competition, and individualism [status anxiety hypothesis; 10,49,50, see also 15]. This reasoning is consistent with social identity theorizing that an insecure high status position (here as a result of instability caused by inequality) will enhance status protection behavior and the motivation to justify the current status quo ([7] see also [51]).

Conclusions

Over the last decades, the social identity approach has proved to be a powerful framework for exploring the relationship between individual and group behavior and this theoretical framework has greatly advanced our understanding of group processes and intergroup relations more generally (e.g., addressing questions relating to intergroup conflict, prejudice). When it comes to examining responses to income inequality, the SIA also forms an ideal theoretical platform because inequality shapes perceptions of the broader socio-structural context, thereby determining how individuals in such societies are affected by inequality and how they respond. The five hypotheses presented here aim to provide guidance on how to better understand these processes and their use lies in the fact that they allow for an integrated and comprehensive analysis of why, when, and for whom inequality has such pernicious effects.

Conflict of Interests

None of the authors have any conflicts of interests regarding this article.

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Table 1: *Five interrelated hypotheses on why, when and for whom economic inequality affects collective and individual level responses*

<p>H1: the fit hypothesis: Higher inequality makes wealth a more fitting category to understand the social world.</p>
<p>H2: the wealth categorization hypothesis: Higher inequality makes ‘us’ versus ‘them’ difference along wealth lines salient.</p>
<p>H3: the wealth stereotype hypothesis: Stronger wealth categorization should be associated with richer and more developed stereotypes about both the poor and wealthy (particularly in terms of competence, warmth and morality). Stereotypes about the poor should be particularly negative and this should further legitimize negative treatment of the poor.</p>
<p>H4: the socio-structural hypothesis: Perceptions that (a) boundaries between wealth groups are impermeable, (b) the social system is unstable, and (c) the wealth gap reflects illegitimate differences, enhance the perception that the inequality in society is unfair.</p>
<p>H5: the socio-economic status impact hypothesis: The poor and wealthy may both be equally affected by inequality, but they are affected for different reasons. Responses by the poor are driven by relative deprivation perceptions (permeability of group boundaries and legitimacy) whereas they are determined by status anxiety by the wealthy (stability of their wealth position)</p>