

# Modernization and Inequality

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Early capitalism exploited workers ruthlessly, driving wages down toward the subsistence level.

In the late 19<sup>th</sup> and early 20<sup>th</sup> centuries, labor unions won the right to organize, giving workers bargaining power against factory owners. Marxist-inspired political parties mobilized the working class, and workers increasingly voted for these parties. This social class voting made workers a significant political factor: they elected governments that protected unemployed or retired workers from starvation.

A politically mobilized working class brought diminishing income inequality.

Eventually, the success of the welfare state made economic redistribution less salient.

Moreover, an intergenerational shift made Postmaterialist values increasingly widespread in high-income countries.

# Intergenerational value differences in 6 West European countries, 1970

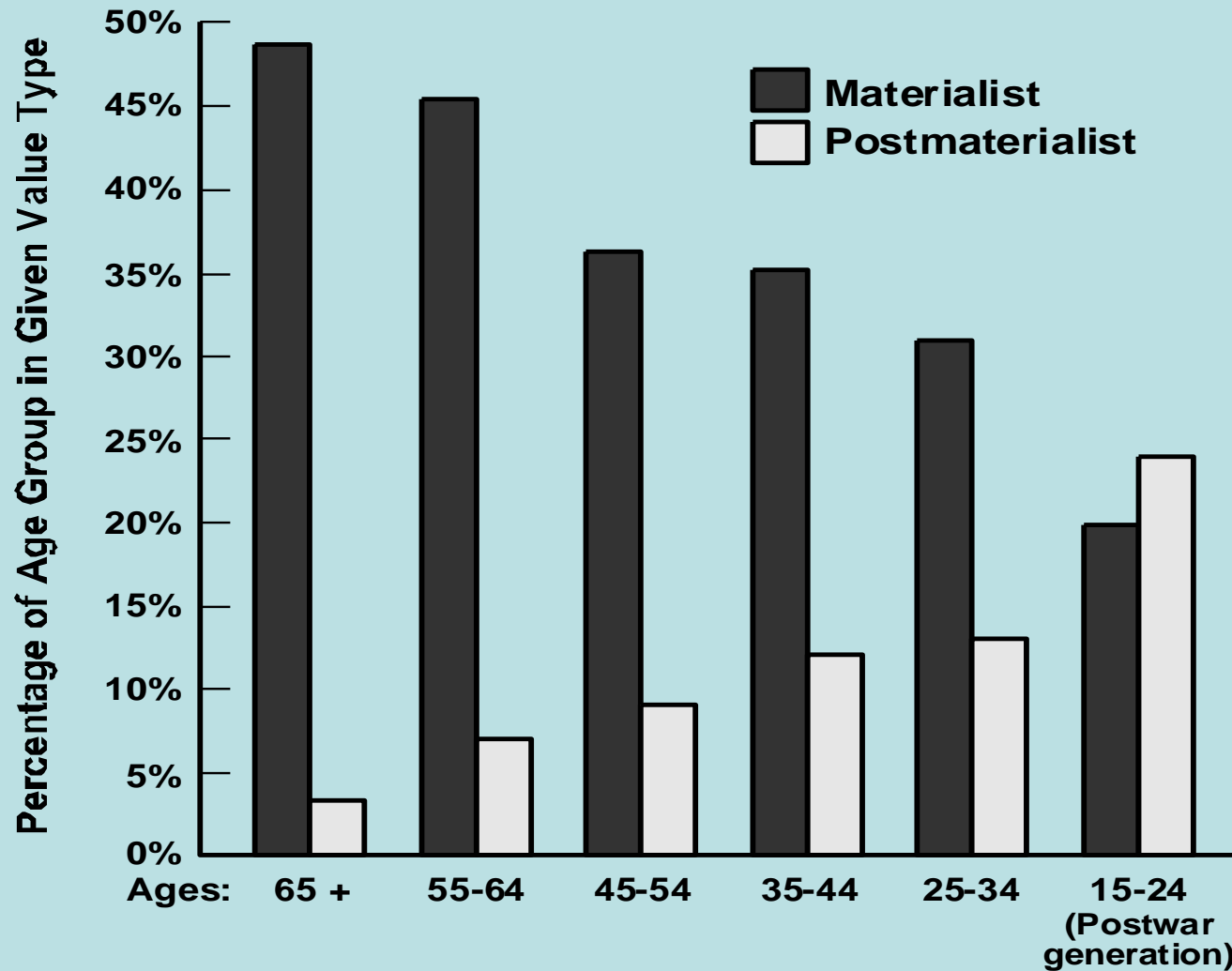
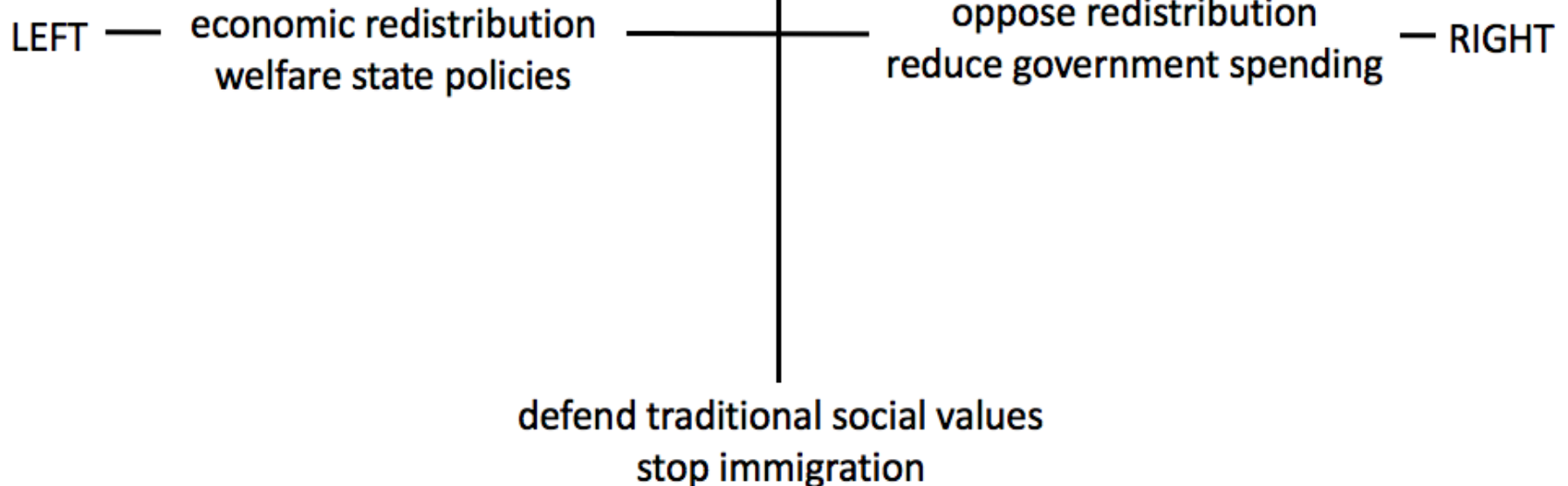


Figure 1. Value type by age group, among the Publics of Britain, France, West Germany, Italy, Belgium and The Netherlands in 1970.

# The New Politics Dimension and the Economic Left-Right Dimension

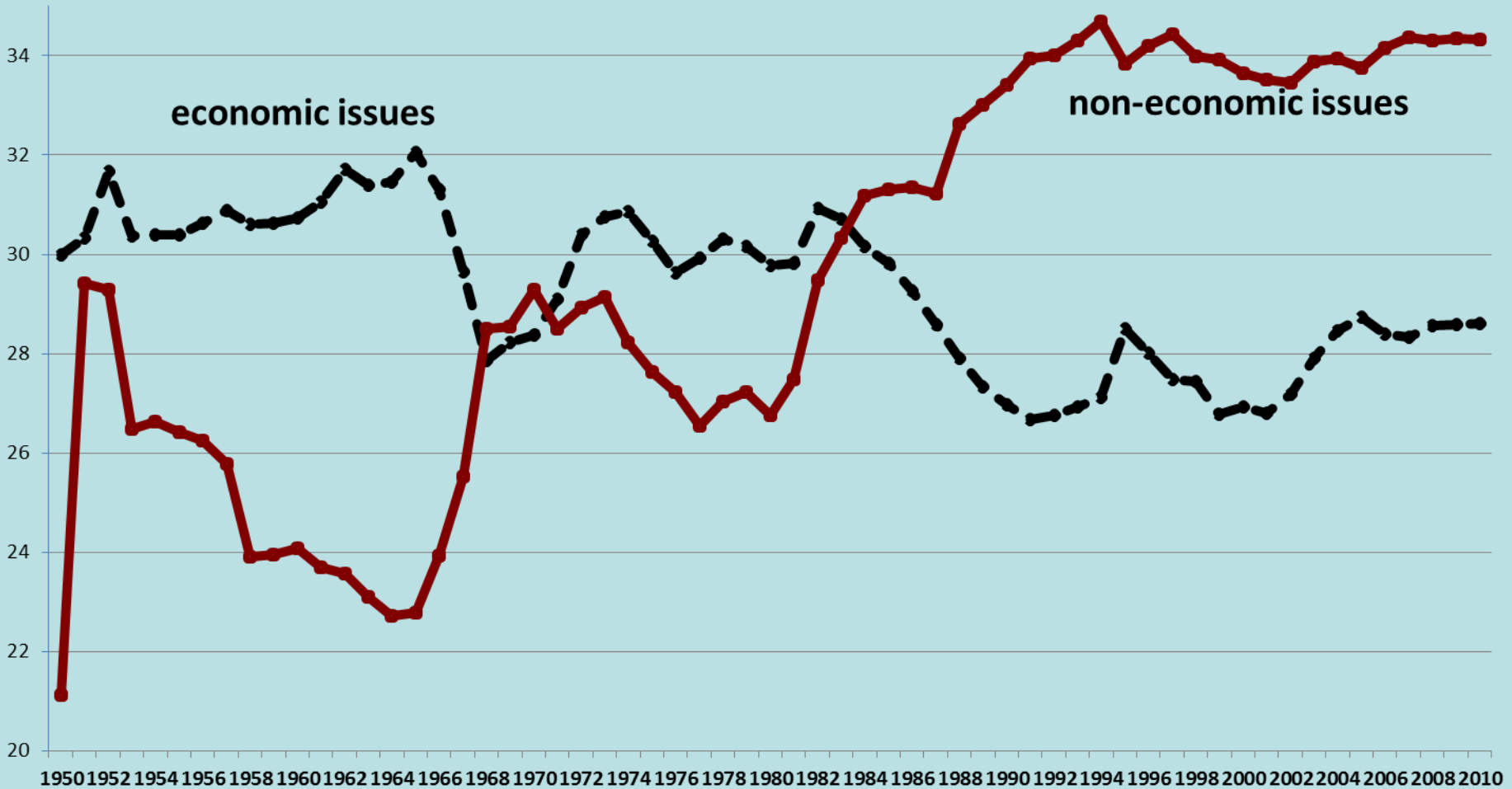
## NEW POLITICS DIMENSION

environmental protection  
gender equality  
rights for gays, immigrants

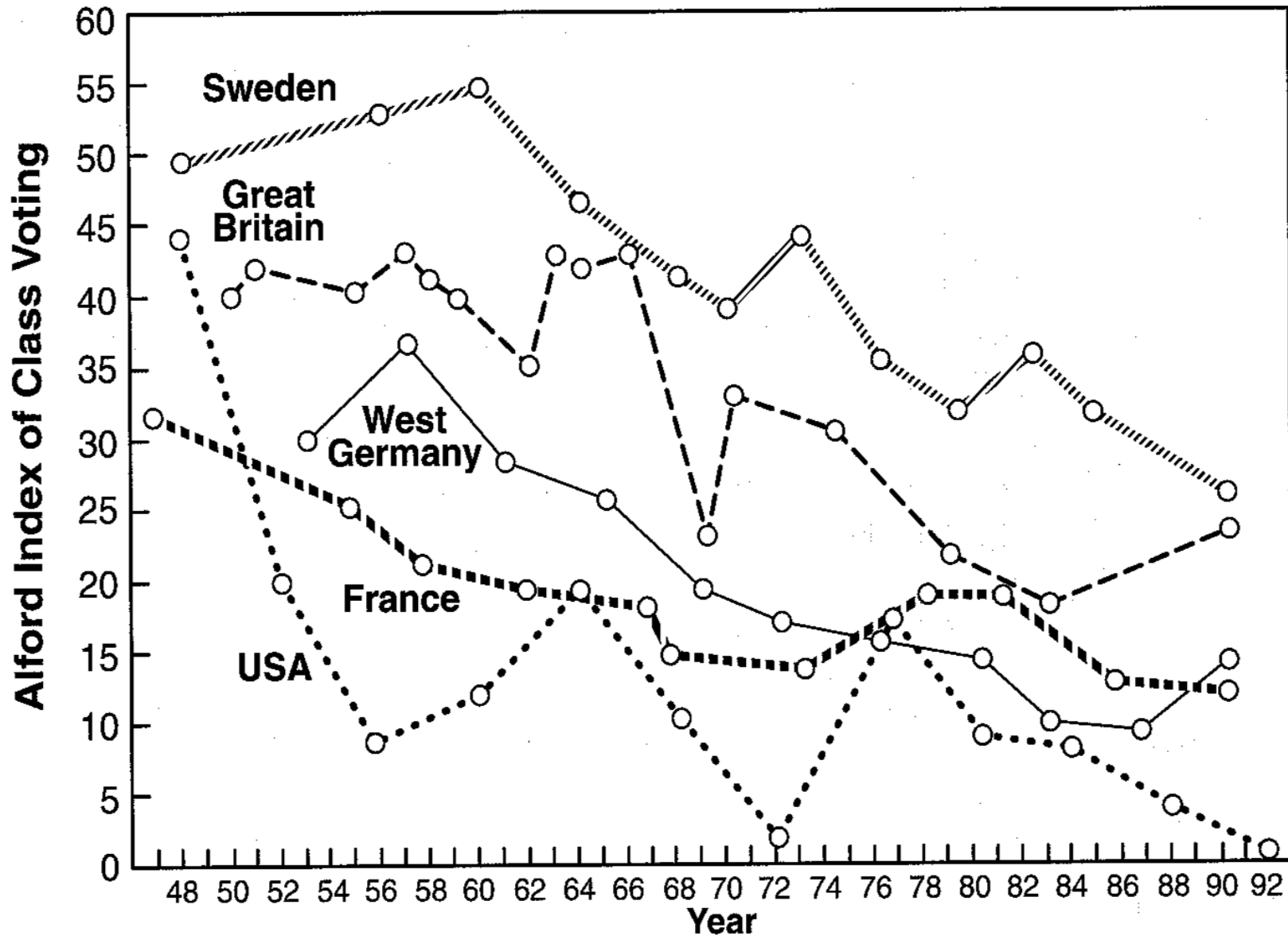


Postmaterialists emphasized new non-economic issues that cut across class lines. Postmaterialist causes such as environmental protection, anti-war movements and gender equality became increasingly prominent in the politics of developed societies, and emphasis on economic redistribution declined in political parties' election campaigns.

# Changing salience of economic vs non-economic issues in party programs, 1950-2010



# The decline of social class voting, 1945-1992

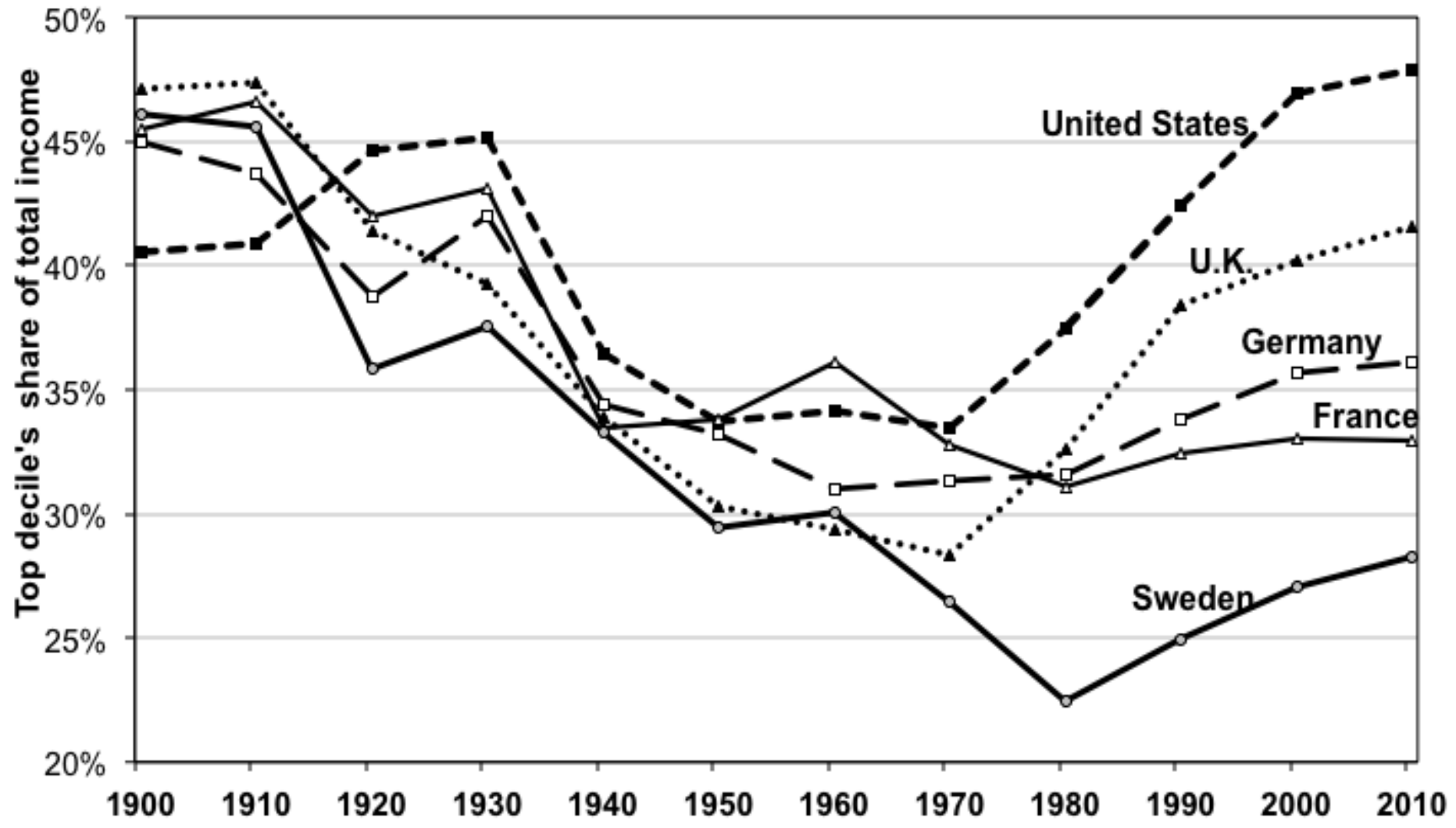




With the shift from manufacturing to the service sector, the percentage of industrial workers in high-income societies declined. Globalization further weakened the bargaining power of Western workers: they were directly competing with low-cost workers in China, India and Southeast Asia. Emphasis on economic redistribution declined.

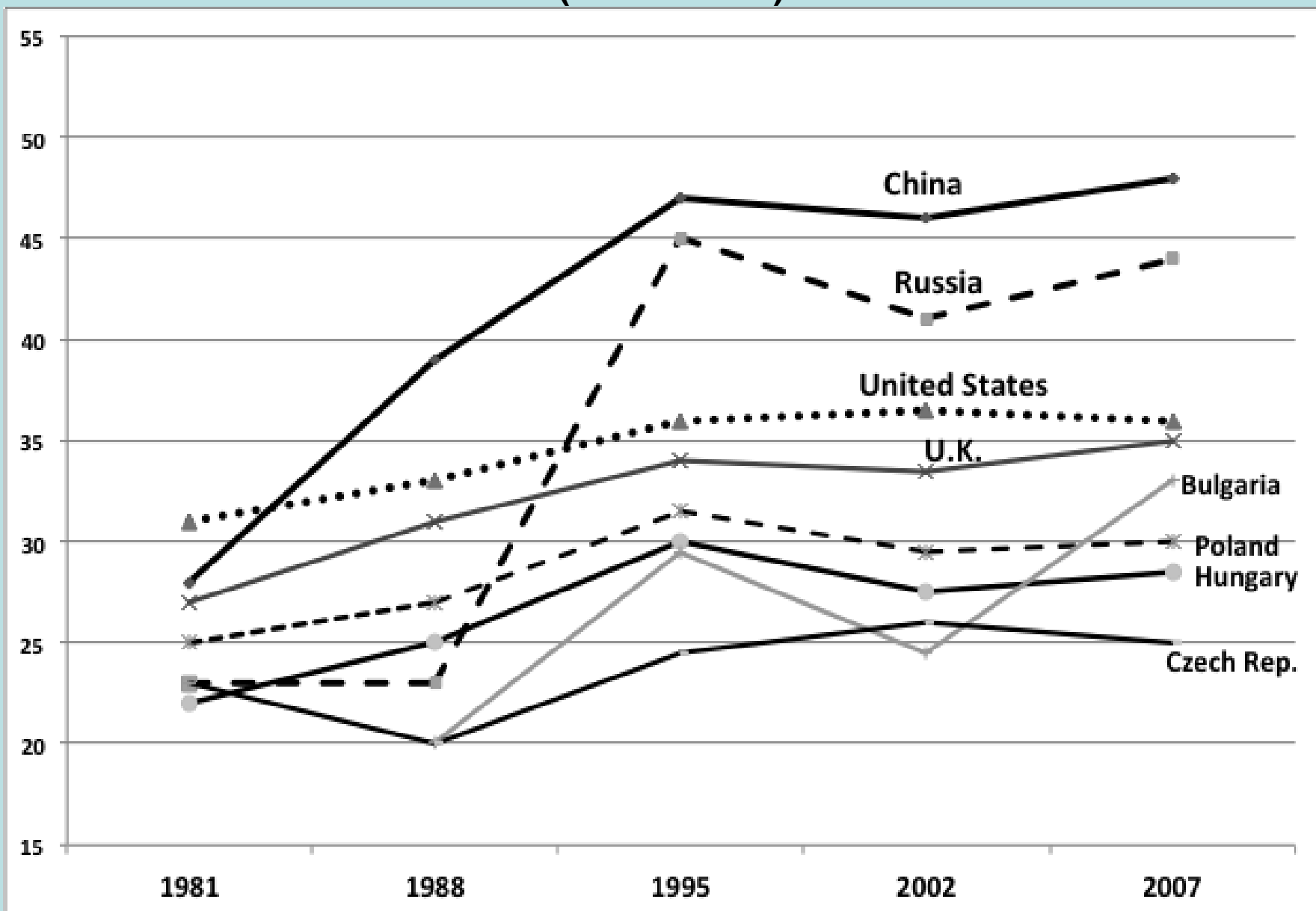
Since about 1970, income inequality has risen dramatically in most industrial societies. The economic gains of the past few decades have gone almost entirely to the top ten percent, mainly the top one percent. Today, income inequality in the U.S. is even greater than it was in 1900.

# The top decile's share of total income in Europe and the United States, 1900-2010



Since the collapse of communism, income inequality has risen even more sharply in Russia and China than in the U.S. or Great Britain.

# Net Household Income Inequality Trends: Russia, China and the West, 1981-2007 (Gini indices)



Conservative economists argue that market forces will eventually offset the sharply-rising trend toward income inequality:

Though industrialization led to the decline of the agricultural employment, it created even larger numbers of high-paid jobs in the industrial sector.

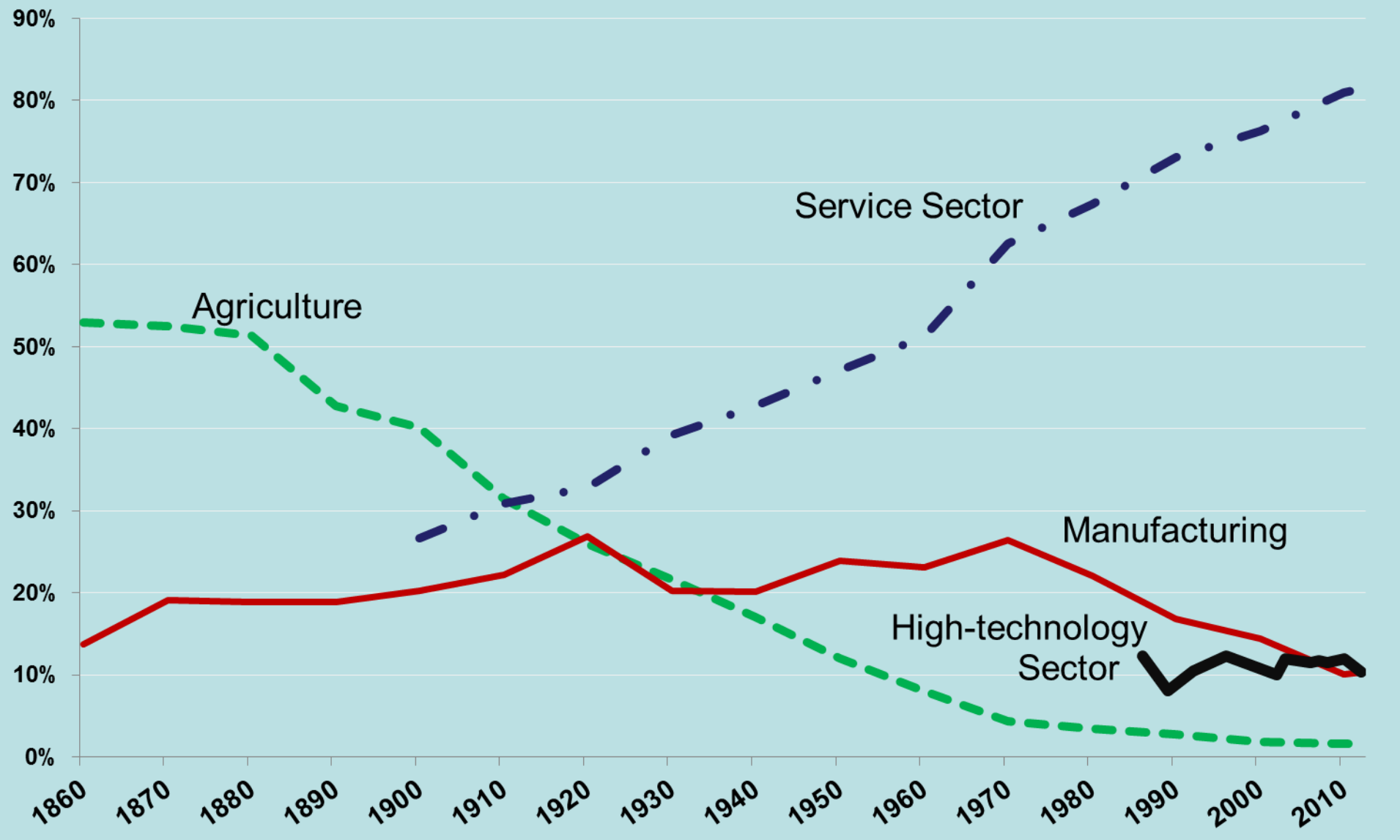
Similarly, it is claimed, the shift from industrial manufacturing will create large numbers of high-paid jobs in the knowledge sector.

But it doesn't seem to be doing so.

Although the decline of industrial jobs has been more than offset by rising employment in the service sector, this is largely producing relatively poorly-paid jobs.

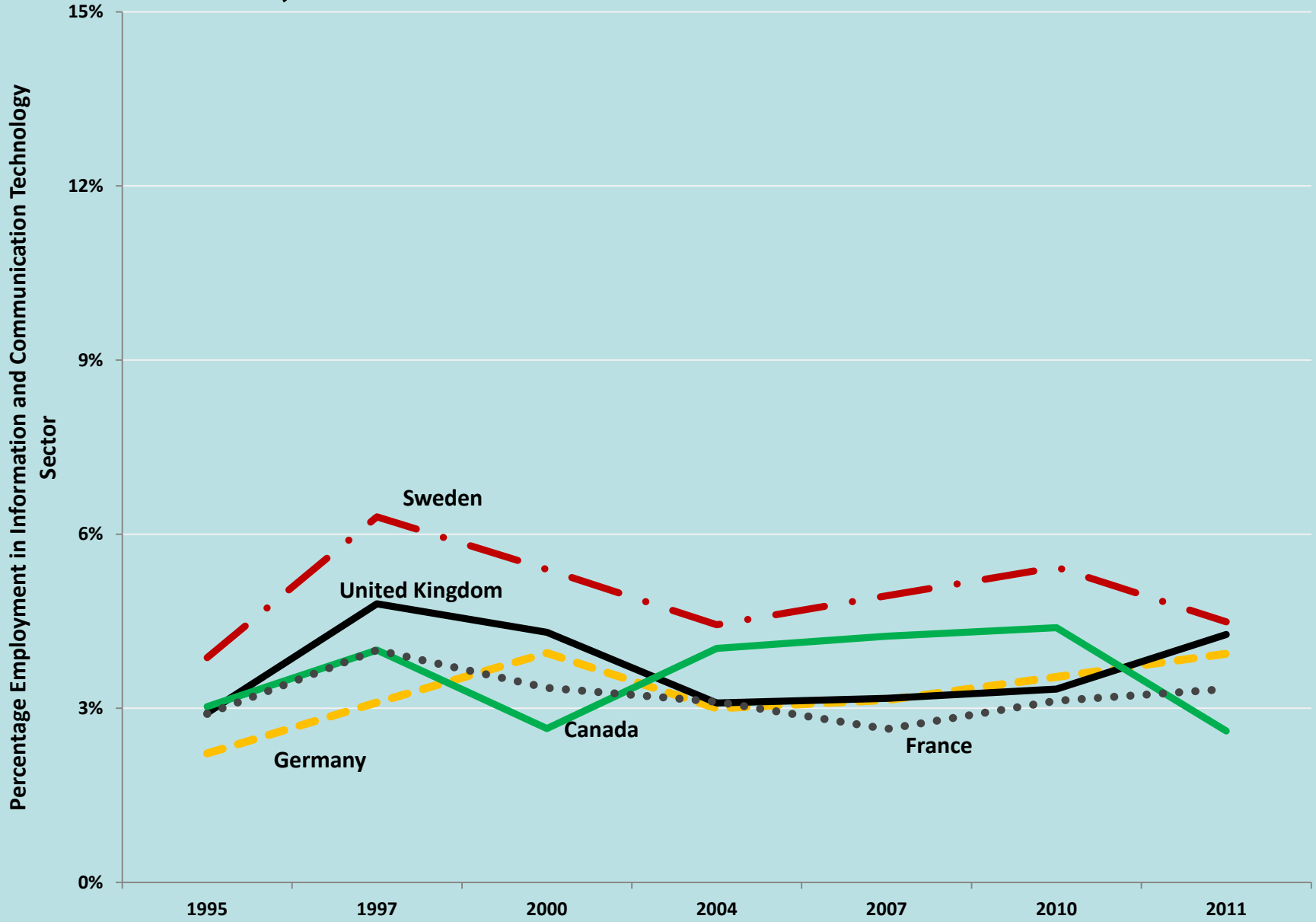
Jobs in the **high-technology sector** (such as Microsoft, Google, pharmaceuticals) are well-paid— but the percentage of people working in the high-technology sector has been flat in the last 25 years.

# Percentage of Workforce by Sector, 1860 - 2012





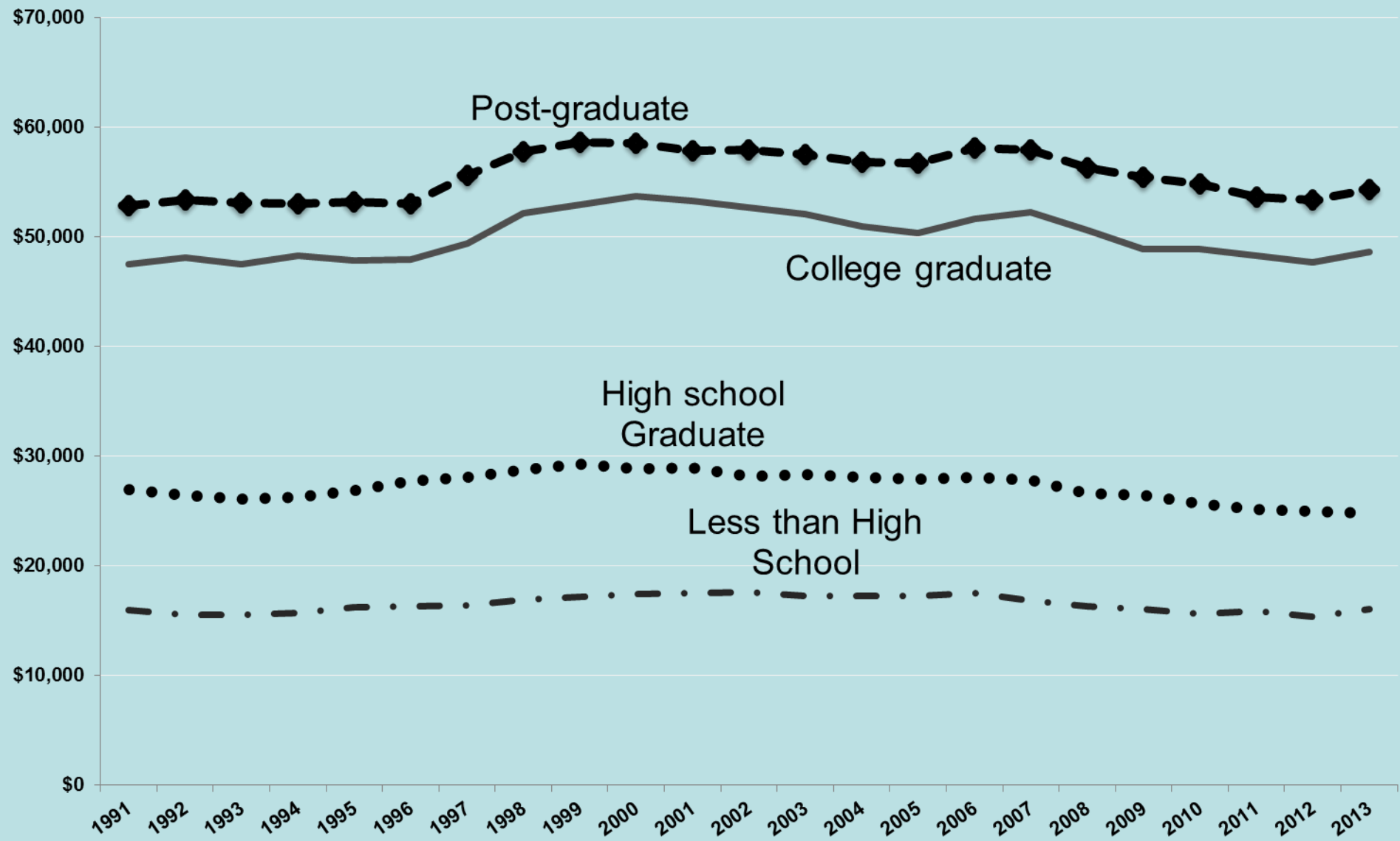
# Percentage of Total Employment in Information and Communication Technology Sector in Five Advanced Economies, 1995-2011



- Today, computer programs are not only replacing low-skilled jobs. Increasingly, they are replacing doctors, lawyers, professors, and other highly-educated professionals.
- Large corporations have taken over the medical profession, computerizing or outsourcing many jobs and reducing professionals to a commodity.

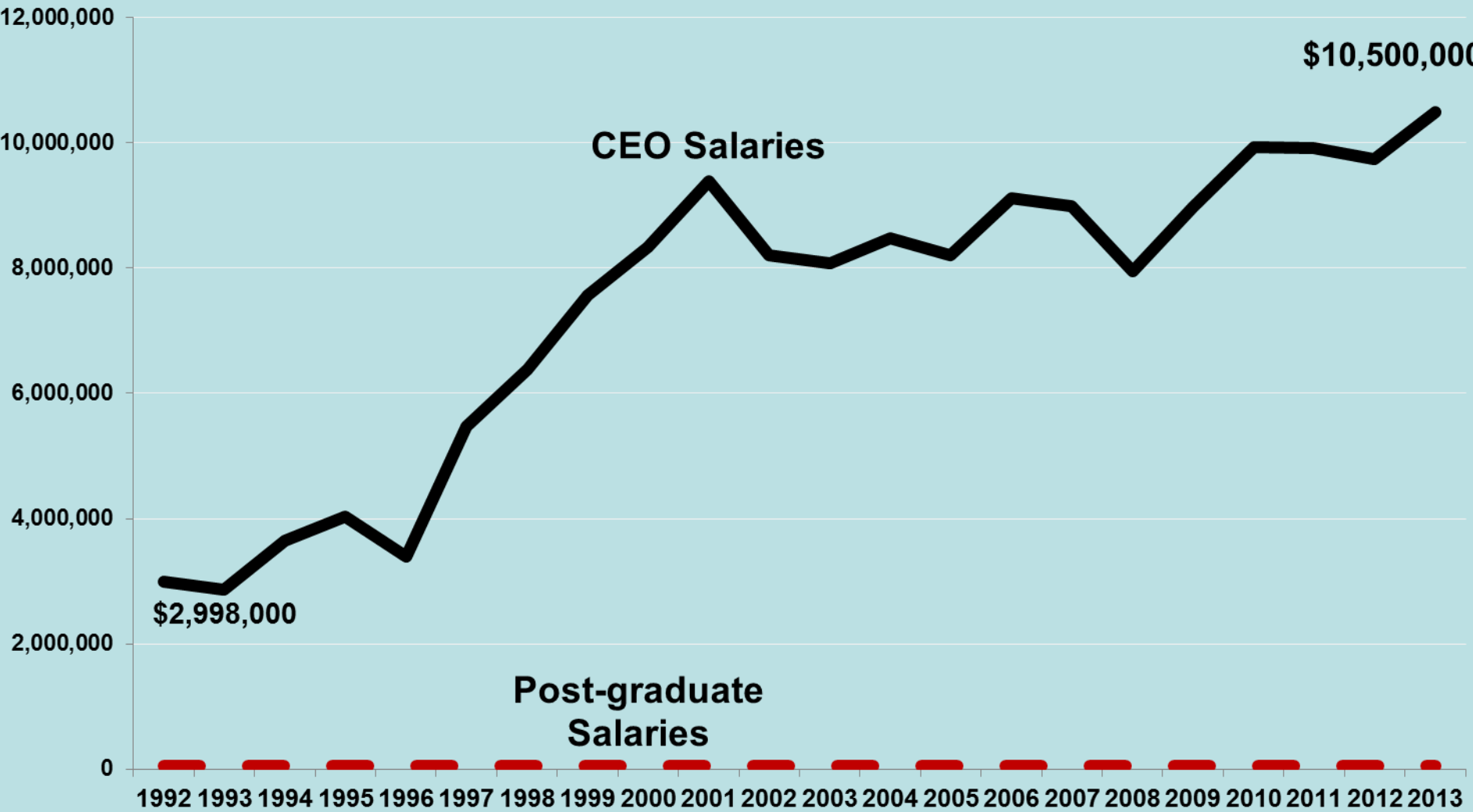
- It is widely-known that– despite massive economic growth-- since 1970, the real incomes of less-educated workers in the U.S. have been stagnant.
- Since 1990, this has also been true of people with university degrees– and even of people with post-graduate degrees.

# Median real income by Education Level, U.S. 1991-2013



- The U.S. economy has grown greatly since 1990, but the gains in real income have gone almost entirely to the top one percent.

# Median salary of Top-500 CEOs vs. median salary of people with post-graduate education, 1992-2013 (in 2013 dollars)

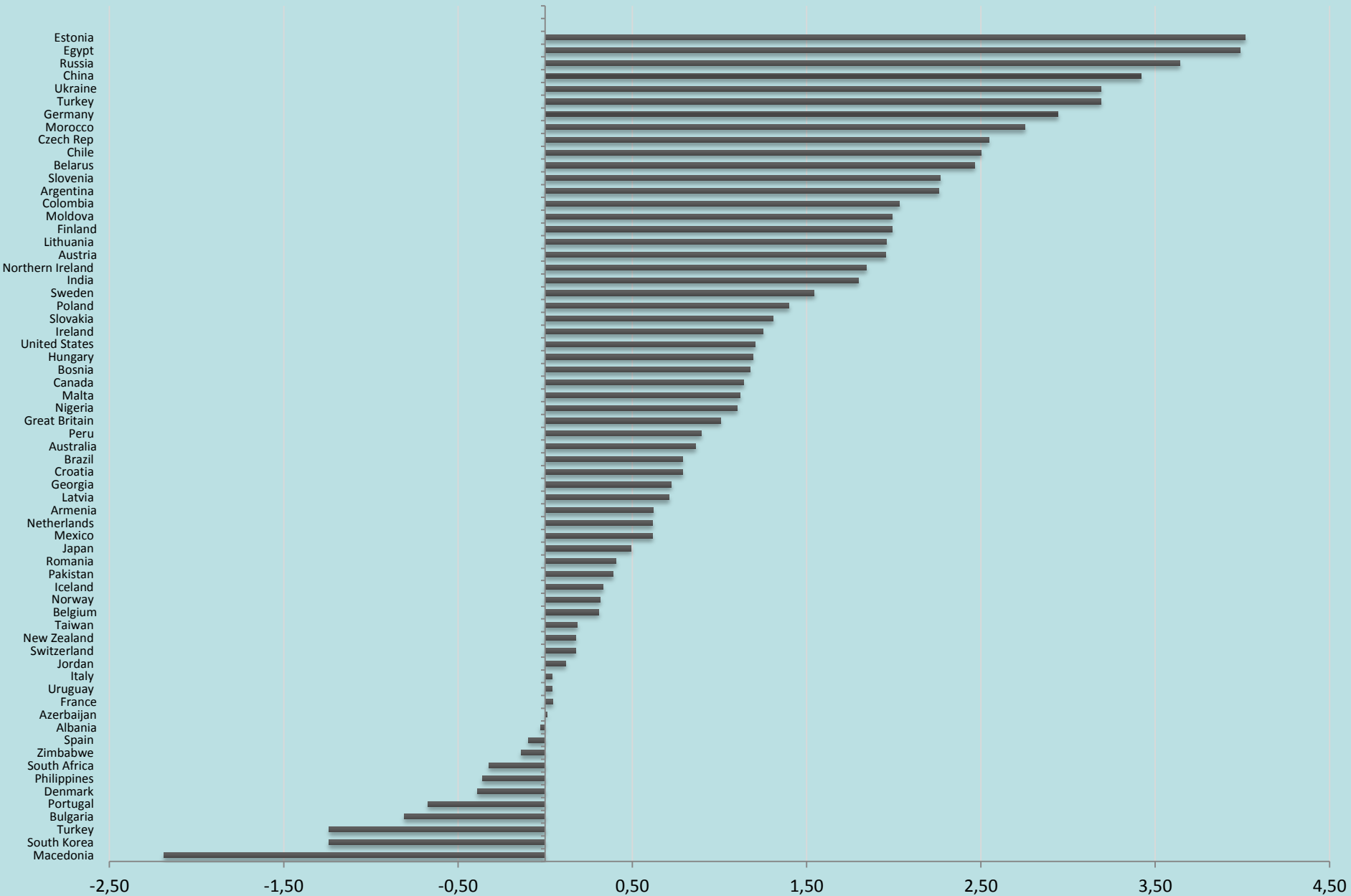


- Today, the real conflict of interest in advanced industrial societies is no longer between the working class and the middle class. It is between the top one percent and the remaining 99 percent of the population.
- The electorates have not yet become mobilized along these lines— partly because low-income voters are mobilized by non-economic issues such as abortion or same-sex marriage.

- But during the past 25 years, the publics of most countries have been growing increasingly concerned about the problem of rising income inequality.



# Changing Attitudes toward Income Inequality, 1989-2014





**END**

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