How Segregation Shapes Our Views on Inequality

By Asher Lawson , INSEAD

Economic segregation could make people care less about wealth disparities.

Wealth inequality, long a pressing issue that was **exacerbated** by Covid-19, remains a significant problem to governments and policymakers around the world. Many nations including the **United States**, **Japan** and **France** have recorded skyrocketing income disparities in the past few years, while South Africa has claimed the unenviable title of the country with the **highest wealth inequality**.

Economic inequality can hinder economic growth, erode social cohesion and lead to political polarisation. Yet, a US-based **survey** across income groups revealed that fewer than half of those polled believed it to be a “very serious issue”. Just over 40 percent of those in the lower-income bracket (those earning less than US$35,000 annually) thought it was a “very important priority” for the government to address.

Researchers have long sought to understand why individuals don't seem as concerned about economic inequality as one may **expect** them to be. In our **paper**, recently published in *Nature Communications*, my co-authors* and I suggest that economic segregation – the separation of people with different economic means – is a critical factor in moulding attitudes about wealth inequality.

The impact of economic segregation

Economic segregation shapes many aspects of our lives, affecting where we live, work, shop, play and go to **school**. For instance, students from families in the top 1 percent of the income distribution are **more likely** to meet similarly wealthy people at elite universities than they are to meet students from the entire bottom half.

Although individuals of different financial means are obviously aware of each other's existence, economic segregation hinders cross-class interactions and fosters class isolation. Consequently, as wealthier people cluster in homogeneously affluent neighbourhoods, they interact **less frequently** with middle- and lower-class individuals and are less exposed to situations where the juxtaposition of wealth and poverty is salient.

We hypothesised that economic segregation reduces concerns about inequality by impeding economic comparisons, even when people are exposed to the same level of overall inequality. When individuals are grouped by economic means, and live in areas and patronise institutions away from other economic groups, the segregation reduces their exposure to cues about the actual level of inequality in society. Given that people evaluate societal inequality by **sampling** their immediate environments, this lack of cues may lead them to underestimate the extent of these disparities.

Imagine, for instance, someone living in a highly segregated, high-income district who passes an unhoused person when driving back from an expensive meal, compared to someone living in an economically integrated area who sees the unhoused individual lying on the pavement outside the restaurant while eating their meal.

While both scenarios involve the same level of inequality, the juxtaposition of a fine-dining meal and a lack of housing in the economically integrated district makes the contrast between financially better- and worse-off people more salient. In other words, even when the level of inequality remains the same, segregation can obscure the contrast between wealth and poverty, impeding economic comparisons and creating an impression of fairness.

Out of sight, out of mind?

In our first study, we combined data measuring economic segregation in the US with over two decades of data regarding concerns about inequality from the **World Values Survey**. For the latter, we focused on data in which respondents indicated how much they believed "incomes should be made more equal" vs. "we need larger income differences as incentives". We found that living in segregated areas is significantly associated with decreased concerns about income disparities, regardless of the actual level of economic inequality.

We then ran several studies to examine the causal effect of segregation on attitudes about inequality. In one study, we asked participants to imagine living in each of four cities in a particular country. For each city, they were shown images of a busy street and the incomes of 12 individuals who lived in that city.

We randomly assigned participants to one of two conditions: economically segregated or economically integrated. Although overall inequality across cities remained constant, the variable was where inequality mostly occurred – within the city or between cities. In the economic segregation condition, participants saw a country where inequality mainly occurred between cities (i.e. individuals are grouped in different cities according to their income levels). In the economic integration condition, participants saw a country where inequality mainly occurred within each city (i.e. the highest- and lowest-income individuals live in the same city).

Participants were asked to rate the level of inequality within each city, the fairness of the income distribution in the country, and their concerns about it. We also asked them to imagine living in the country and indicate how often they would think about the amount of money they and other people make.

As predicted, participants perceived lower inequality in the economic segregation condition than in the economic integration condition. They were also less worried about inequality and expected to think less about their and others’ income when high- and low-income individuals lived in different cities.

Shaping better policies

Across our studies, we found that both real and hypothetical economic segregation dampens concerns about inequality. Segregation among a country’s residents or a company’s employees weakened concerns about inequality by obscuring the contrast between those of different means. We therefore suggest that economic segregation reduces concerns about inequality above and beyond people’s perceptions of its magnitude.

Salient economic reference groups make for easy comparison across varying levels of wealth, which can influence support for policies aimed at alleviating inequality. For instance, people are more supportive of redistributive policies when they **personally know** someone who is unemployed or suffering economic hardship. As making sense of inherently ambiguous concepts like “financial success” requires comparing financially well-off individuals to less fortunate others, less frequent engagement in such comparisons can also affect attitudes about inequality. Indeed, one reason for low buy-in for policies supporting social change is that individuals just aren't exposed to the problems.

Although our study focused on economic segregation, our findings may shed light on other forms of segregation. Despite abolishing formal racial segregation, informal segregation persists in both the US and in post-apartheid South Africa, among other places. Similarly, an **analysis** of public spaces in Northern Ireland revealed that, despite a lack of formal barriers, Catholics and Protestants often limit their use of spaces frequented by the other group.

Furthermore, since socioeconomic status often intersects with people’s racial and ethnic identities, the effect of economic segregation on concerns about inequality may be amplified by group-based segregation along racial and ethnic lines. How are groups supposed to understand each other if they simply don’t come into contact?

Inequality often hides in plain sight, and it can be obscured by the fault lines of segregation. Whether you’re a policymaker planning cities and **housing** or a manager designing office spaces and work environments, it’s key to consider the role of exposure to diverse people – be it economic status or otherwise – and incorporate it as a central principle.

The question of whether integration is superior in all aspects remains to be seen. It might cause conflicts, people could feel less comfortable being among different groups, and so on. However, the alternative (segregation) leads to reduced concerns about inequality, and potentially other deleterious effects which could impede the ability of societies to function.

*****Shai Davidai****, Columbia Business School, and* ***Daniela Goya-Tocchetto****, University at Buffalo.*

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About the author(s)

Asher Lawson is an Assistant Professor of Decision Sciences at INSEAD.

About the research

"**Economic segregation is associated with reduced concerns about economic inequality**" is published in *Nature Communications*.