

Week 6 – Inequality

Guillem Riambau. Political Economy (YSS3220).

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Today: Singapore

- [Insightful essays](#)
- A note on surveys
- Education system
- Palm Oil: problems and solutions (Charlotte, Alice, Vincenzo)

Surveys

Think about Singapore:

- a) what percentage of the total wealth do households in the lowest decile have?
- b) what percentage of the total wealth do households in the topmost decile have?

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 - Data: 1 vs 34

Surveys

Think about Singapore:

a) what percentage of the total wealth do households in the lowest decile have?

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- Data: 1 vs 34
- Tian Jiao: 2 vs 35
- Aya: 5 vs 36
- Dragan: 1 vs 55

Surveys

Think about the USA:

- a) what percentage of the total wealth do households in the lowest decile have?
- b) what percentage of the total wealth do households in the topmost decile have?

- Data: 7.86 vs 48.2 (lowest quintile vs top quintile)

<https://www.cbo.gov/publication/55413#data>

Surveys: be wary!!

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Surveys: be wary!!

Think about Singapore:

a) what percentage of the total wealth do households in the lowest decile have?

b) what percentage of the total wealth do households in the topmost decile have?

- Answer 1: 12 & 90
- Answer 2: 4 & 70

Such answers appear consistently on survey data.
Need to take with pinch of salt.

Education system

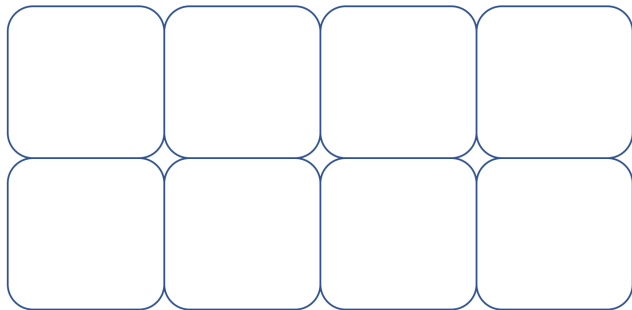
- Why do we care?
- What's the optimal system for fairness?
- How does SGP fail to meet the optimal features?

Usual disclaimer: we are doing Singapore not because it does particularly well/badly in the area, but because it's the place we reside in

Education system: why do we care

- Income clearly correlated with education level
- Health outcomes, political engagement, etc. also positively correlated
- Education plays a key role for social mobility
- Affects outcomes
- Affects opportunities

Optimal system for fairness



All districts are similar when it comes to observable characteristics: same proportion of

Ethnic groups

Income groups

Age groups

etc.

Districts = School districts

Schools = Primary/Middle schools

All districts are similar when it comes to observable characteristics: same proportion of

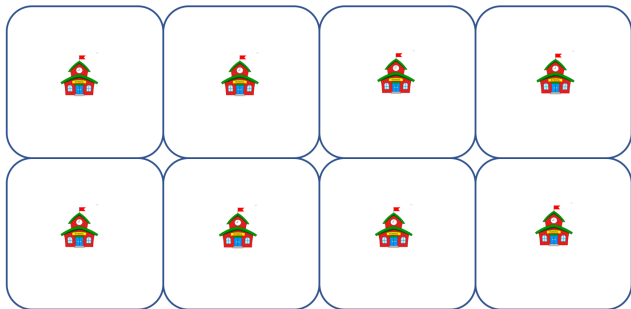
Ethnic groups

Income groups

Age groups

etc.

All have the same number of schools, and all schools are identical









Still, this will not guarantee equal opportunities / equal outcomes / social mobility. Why?

Education system: distortions

In equilibrium¹

- Tutoring
- Home atmosphere
- Parents' Human Capital
- Expectations (Theodora Boneva, Oxford. [▶ Study 1](#)
[▶ Study 2 \(not discussed in class time, added here in case you are curious\)](#))

Off the path

- (next)

(1) See “This is What Inequality Looks Like”, by TEO You Yenn (2018). See <https://teoyouyenn.sg/>

Education system: distortions

In equilibrium

Off the path: access restrictions

- Alumni status
- Distance
 - Agarwal et al. (2016): “School allocation rules and housing prices: A quasi-experiment with school relocation events in Singapore” [▶ details](#)
 - Eddie D.W. Sue, Wei-Kang Wong (2010): “The political economy of housing prices: Hedonic pricing with regression discontinuity”
- Volunteering
- ...

School and prices

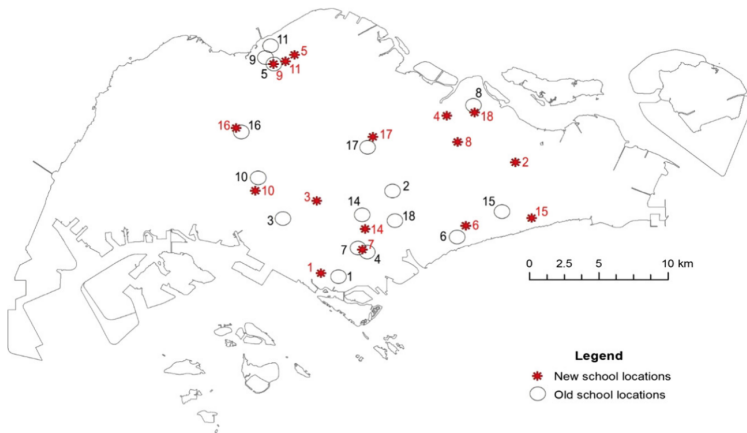
Table 2

School relocation events from 1999 to 2009.

No	Date	Current school name	Region	New school postal code	Old school postal code	Distance between old and new school locations (km)	Top 50 by popularity (1 = yes, 0 = no)
1	Dec-1999	Haig Girls' Sch	Geylang	427072	437128	1.094	0
2	Dec-2000	Temasek Pr	Bedok	469300	469268	2.197	1
3	Dec-2001	CHIJ Our Lady of the Nativity	Hougang	534793	828869	3.207	0
4	Jan-2001	Teck Whye Pr	Choa Chu Kang	688261	688943	0.684	0
5	Jan-2002	Si Ling Pr	Woodlands	739067	739146	1.705	0
6	Mar-2004	River Valley Pr	Central	237993	238372	0.450	0
7	Jan-2009	Anglo-Chinese Sch (Junior)	Central	227988	309919	1.389	1
8	Jan-2006	Fuchun Pr	Woodlands	739063	738926	0.809	0
9	Jan-2002	Bukit Timah Pr	Bukit Timah	598112	598668	0.940	0
10	Jan-2000	Blangah Rise Pr	Bukit Merah	109100	098888	1.307	0
11	Jan-2000	Poi Ching Pr	Tampines	529067	319320	9.176	0
12	Jan-2000	Raffles Girls' Pr	Bukit Timah	289072	278790	2.746	1
13	Jan-2001	Nan Chiau Pr	Sengkang	545080	239351	12.498	1
14	Jan-2004	Woodlands Pr	Woodlands	738853	739063	1.729	0
15	Jan-2005	Mee toh pr	Punggol	828867	218644	10.472	0
16	Jan-2000	May flower primary	Ang Mo Kio	569,878	569920	0.930	0

Note: The table summarizes the details of schools, including their old and new postal codes, regions, date of relocation, distance between the old and new school (measured in kilometer, km), and also the ranking of the school based on the popularity scores published by kiasuparent.com, a private consulting website. Two schools that are Yio Chu Kang Primary (Hougang) and Hong Wen Primary School (Kallang) are dropped from our samples due to lack of matched housing samples during the relocation event windows.

School and prices



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Labor Market

- next day

“What Drives Enrollment Gaps in Further Education?” (2016)

Chris Belfield, Teodora Boneva, Christopher Rauh and Jonathan Shaw

- Investment value vs. consumption value of higher education
- Decisions are driven by both
- Are they formed differently in different social groups?
- 885 UK students in Year 9 (13–14 y.o.)
 - Plans
 - Beliefs about pecuniary returns
 - Beliefs about consumption value
 - Likelihood they'll enjoy 6th form (= JC)
 - Likelihood they'll enjoy college

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Perceived consumption value ...

- >> Beliefs about pecuniary returns in explaining choices
- ... systematically differ across gender and across socio-economic groups

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 - Higher for females
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Perceived consumption value ...

- >> Beliefs about pecuniary returns in explaining choices
- ... systematically differ across gender and across socio-economic groups
 - Higher for females
 - Higher for kids of college-educated parents
- Once controlling for perceived consumption value
 - Gender gap disappears
 - Income gap (virtually) disappears
- Key mechanism: “enjoyment” of college, not as much perceived returns
- Policy recommendation?

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“Parental Beliefs about Returns to Educational Investments – The Later the Better?” (2017)

Teodora Boneva and Christopher Rauh

- Differences in parental investments \Rightarrow highly predictive of test scores and life outcomes (health, education,...)
- More educated & wealthier parents
 - More time
 - More money

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- Differences in parental investments \Rightarrow highly predictive of test scores and life outcomes (health, education,...)
- More educated & wealthier parents
 - More time
 - More money
- Why?
 - Resources
 - Preferences
 - Beliefs about productivity of investments
- Why relevant? Research shows “skills beget skills”, i.e., early stages skills increase productivity of later investments
- How to test this?

“Parental Beliefs about Returns to Educational Investments – The Later the Better?” (2017)

- How to test this? Survey on beliefs about returns to early vs. late investments (3–6 vs 7–10 y.o.)
 - level of early parental investments (in # hours helping kid with school work)
 - level of late parental investments (in # hours helping kid with school work)
 - initial human capital level of the child
 - future earnings of the child will be at age 30
- Low socioeconomic status (parents) → perceive returns to early investments lower
- No difference on late investments.

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