

# Economic Inequality and Academic Freedom

Ravi Kanbur

[www.kanbur.dyson.cornell.edu](http://www.kanbur.dyson.cornell.edu)

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# Introduction

- The term academic freedom these days invokes controversies on freedom of speech, de-platforming and cancel culture.
- These are important debates but they are not the focus of this talk, for the simple reason that they are not the area of my knowledge and expertise.
- Rather, my focus will be on the role of economic resources in determining opportunities in academic education and research, freedom in the positive sense.

- I will develop three broad propositions:
- (i) economic inequality begets academic inequality, which in turn sustains economic inequality;
- (ii) economic inequality curtails positive freedom and positive academic freedom;
- (iii) to enhance positive academic freedom, policy should target general economic inequality as much as specific academic inequality.

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# Economic Inequality

- Preliminaries: Inequality of what and Inequality between whom?
- What: Economic magnitudes like income or consumption.
- Host of technical issues eg price corrections. Big debates.
- Whom: Typical practice is to focus on differences in economic magnitudes across individuals.
- Again, host of technical issues eg differing needs across individuals. Big debates.
- Given the what and the whom, measure of spread or inequality of the what across the whom. Gini coefficient. Mean Log Deviation. Etc. Again big debates.

- There is also debate in the economics literature on economists' instinctive fall back on the individual as the basis for inequality between whom.
- Economic inequality across groups is a key feature of most societies. These groups are defined most obviously by gender, race, ethnicity, caste, religion, language, region, and so on. This corresponds of course to the distinction between vertical and horizontal inequality.
- One way of marrying the traditional focus in economics on inequality across individuals with the salience of groups is to “decompose” overall inequality among individuals into two components—that accounted for by inequality within groups and that accounted for by inequality between groups (Kanbur, 2006).
- We can then ask what fraction of overall inequality is accounted for by the between-group and within-group components to provide a particular perspective on inequality.

- National Statistical Offices and International Organizations resolve these debates in some fashion and produce numbers on inequality which we all use.
- What, broadly, are the trends in these numbers? Are we living in an age of rising inequality?
- To read the general discourse, one would think that the answer has to be yes.
- And the narrative is indeed backed up by outcomes in several large countries from the 1980s and 1990s onwards, including of course the USA, China and India.
- Thus a large share of the world's population lives in countries for which economic inequality as conventionally measured has been rising.

- However, global patterns on outcomes are more nuanced than this.
- At the same time as inequality was rising in some countries, it was steady or actually falling in others.
- Till about five to seven years ago, for example, the general Latin American experience had been of a previous decade and a half of falling inequality. The levels of inequality were still relatively high, but the trend was decidedly downwards, bucking the usual characterization of Latin America.

- Overall, as Hasell (2018) notes, “It’s a mistake to think that inequality is rising everywhere. Over the last 25 years, inequality has gone up in many countries and has fallen in many others. It’s important to know this.”
- Even in China, the poster child for rising inequality, Kanbur, Wang and Zhang (2017) argue that there may be signs of a deceleration of the rise, a plateauing, and perhaps even a small decline from its high peak in 2010 or so.
- So, are we living in an age of rising inequality? If by this is meant that income inequality is rising everywhere, the claim is easily dismissed. But I have argued that there is a more fundamental sense in which we are indeed living in such an age:

- “Inequality is not rising everywhere nor in the world as a whole. But there is, indeed, a sense in which we are living in an age of rising inequality, going beyond the Piketty (2014) argument that rising inequality is the natural state of capital accumulation in a capitalist economy. This is that the trend of technological progress is to displace basic labour in favour of skilled labour and capital. Such labour-saving technical change, also called skill-biased technical change has been the hallmark of the world economy for at least the last three decades, and looks set to continue in the decades to come...” (Kanbur, 2019, p. 438)

- But if the fundamental forces of capital accumulation and technical change are making for rising inequality, what explains variations in inequality trends around the world? The answer, I argue in Kanbur (2019), is policy.
- Those countries which have had some combination of (i) redistribution of market generated incomes and (ii) what has been termed “predistribution”, reducing inequality of physical and in particular human assets, have mitigated the underlying forces.
- The second of these, the addressing of human capital differences with which individuals enter the market, leads us to the question of education inequality.

# Academic inequality

- By and large, quantity measures of education have improved in the world over the past half century. Primary school enrollment, for example, has increased in most countries, and the gender gap has closed.
- Systematic data as compiled for example by Roser and Ortiz-Ospina (2017) show that the Gini coefficient of years of schooling is lower in younger generations than in older generations, and there has been on average a remarkable decline in the overall education Gini as a global phenomenon.

- There are, however, three important caveats to this quantitative assessment.
- First, since there is an upper limit to the years of formal schooling there is a tendency for inequality to decline as enrollment rates rise from the bottom up.
- Second, this is an assessment of the quantity of education, not of its quality.
- Third, what is important is who is getting the increased education, in other words, the link between household economic resources and educational attainment also matters.

- There is widespread evidence that educational achievement in terms of level and quality is indeed well correlated with the economic resources of the household of the student.
- For higher education, Ilie and Rose (2016, p. 435), for example, present results which are consistently confirmed in empirical research:
- “Analysing Demographic and Health Survey data from 35 low- and middle-income countries in sub-Saharan Africa and South Asia, we show wide wealth inequalities in particular, with few if any of the poorest gaining access to higher education in some countries. We further identify that wealth and gender inequalities interact and tend to be wider in countries where levels of higher education are higher. This implies that expansion in access to higher education may predominantly benefit the rich, unless measures are taken to tackle inequalities.”

- These same tendencies are present in the higher education sector in rich countries (OECD, 2019, p. 239-240).
- The United States is a case in point, where the narrative of the role of post-war higher education expansion in mitigating economic inequality has been replaced by the role of this sector in maintaining and propagating inequality in the last three decades.
- A recent comprehensive analysis by Chetty et. al. (2017), based on data from over 30 million college students in the US in the period 1999-2013, arrives at the sobering conclusion that “children whose parents are in the top 1% of the income distribution are 77 times more likely to attend an Ivy League college than those whose parents are in the bottom income quintile”

- It is also quite remarkable that in the US these elite private universities, which cater disproportionately to students from high income families, do not pay tax on income from their significant endowments (around \$38 billion for Harvard and \$7 billion for Cornell in 2018).
- Further, donations to these universities from wealthy individuals, to fund research for example, attract tax breaks for these individuals.
- I will return to these tax breaks later in the talk.

- The inequalities in education, and in higher education specifically, reflect economic inequality but also propagate it.
- This is particularly so in this era of skill biased technical change, where the rates of return to each additional year of education have increased dramatically, and more so at higher levels of education.
- The overall effect is that inequalities in higher education are one of the forces making for rising inequality.
- The fundamental forces of technical change, displacing basic labor in favor of educated labor and capital, are strong and strengthening.
- Academic inequality is thus part and parcel of economic inequality, as cause and consequence.

# Positive Freedom

- Having defined and examined economic inequality, I begin the task of linking it to academic freedom by starting with a discussion of freedom in general.
- This is of course a vast topic, with interpretations within interpretations, likely to get one lost in a maze of semantics.
- For me it is useful to start, as with inequality, by asking the what and whom questions—freedom of what and freedom for whom?
- On the whom, the bulk of the literature focuses on the individual. This is not to say that the collectivity is not important for freedom—just that it is the individual's freedom, whatever that is, is the subject of interest.
- But what is it? I address this with reference to the work of Isaiah Berlin and Amartya Sen.

- Isaiah Berlin famously introduced the concepts of negative and positive freedom. The basic ideas themselves are of course quite old, going back at least far as Kant, but Berlin crystallized them in a way that structured discourse in the decades that followed.
- The literature has raised a range of issues with Berlin's formulation and wording (even whether the use of negative and positive is the right way round, and whether there are only two forms of freedom), but I think the negative-positive freedom distinction has much to recommend it as an organizing principle, especially in a more modern formulation as follows:

- “Negative liberty Berlin initially defined as freedom from, that is, the absence of constraints on the agent imposed by other people. Positive liberty he defined....as freedom to, that is, the ability (not just the opportunity) to pursue and achieve willed goals...” (Cherniss and Hardy, 2020).
- A somewhat colorful illustration of the distinction, linked directly to equality, is found in Anatole France’s famous dictum from his 1894 novel, *Le Lys Rouge*:
- “In its majestic equality, the law forbids rich and poor alike to sleep under bridges, beg in the streets and steal loaves of bread.”

- Thus neither poor nor rich are forbidden from begging—they have negative freedom. But only one of them has the positive freedom to beg or to not beg.
- A similar distinction can be drawn in the realm of markets.
- On the one hand a free market could be argued to enhance negative freedom if an individual is not prevented from purchasing commodities on the market.
- But whether the individual in question can actually purchase from that market depends on whether the price can be afforded.
- Economic resources are a key determinant of positive freedom, no matter the provisions for negative freedom.

- The focus of my talk is positive freedom. Within economics, and in particular within development economics, the most elaborate and sustained development of the concept of positive freedom, what he calls substantive freedom, is that of Amartya Sen.
- In particular, Sen introduced the concepts of “functionings” and “capabilities”:
- “.....a functioning is an achievement, whereas a capability is the ability to achieve. Functionings are, in a sense, more directly related to living conditions since they are different aspects of living conditions. Capabilities, in contrast, are notions of freedom in the positive sense: what real opportunities you have regarding the life you may lead” (Sen, 1987, p. 36).

- As is well known, Sen departs from the narrowly economic conception of wellbeing in specifying functionings, which include for example being educated and being healthy.
- The same is true of capabilities. Voting in an election or taking part in a debate is a functioning. Having the opportunity to vote or to take part in a debate is a capability.
- Of course if there is a formal bar against voting or debating that would be a violation of negative freedom.

- But even if there is no such bar, but economic resources constrain the ability to vote (because taking time out to vote would mean loss of desperately needed income for example) or to engage in debate (because of lack of access to the internet) then there is loss of positive or substantive freedom, or capability in Sen's terms.
- Economic resources are instrumental in delivering capabilities, and economic inequality can then explain differing capabilities, "freedom in the positive sense", across individuals.
- What then, empirically, is the relationship between economic inequality and positive freedom?

# Inequality and Freedom

- The measurement of freedom is a vast topic with many controversies. Negative freedom, in particular, has spawned many indices.
- The connection between economic inequality and negative freedom has been analyzed extensively. A recent illustrative paper, for example, is that by Apergis and Couray (2015):

- “This study employs panel data from 138 countries (with unbalanced time frameworks) to investigate the relationship between economic freedom and income inequality. Both linear and non-linear cointegration methodologies are used to identify a long-run equilibrium relationship between: (i) the overall Economic Freedom of the World index and income inequality, and (ii) the major areas of the index and income inequality. The linear long-run parameter estimates document that the association turns out to be negative, while the non-linear long-run parameter estimates illustrate that above a threshold point the association between economic freedom and income inequality is negative, while below this threshold point, the association turns out to be positive. The empirical findings survive a number of robustness tests, such as alternative measures of income inequality.” (p. 88)
- As might be imagined, there are many such papers in the literature, with outcomes ranging from associational relationships to deeper causal interrogation through statistical analysis.

- As already noted, the focus of this talk is on positive freedom. But empirical analysis faces an immediate problem in actually measuring what Sen (1987) calls “freedom in the positive sense: real opportunities you have regarding the life you may lead.”
- This is because what is actually observed in our data is outcome, and not the set of opportunities from which that outcome came. What we observe is actual school enrollment, actual health outcome, actual nutrition, and so on. Two individual could have the same educational outcome, but very different possibilities for education. It is the set of opportunities, the set of possible outcomes, which conceptually captures positive freedom, but our data only registers a single actual outcome.

- Faced with this difficulty, one strand, perhaps the major strand, of the literature uses the outcomes, the functionings, and simply interprets them as representing capabilities or positive freedoms.
- The famous Human Development Index, for example, although its origins are claimed to lie in Sen's capability approach, is in fact a weighted sum of three outcomes—income, education and health—which are interpreted as representing capabilities or opportunities.
- The literature then asks how economic inequality impacts these outcomes. Although there are technical debates galore, perhaps one can point to a growing consensus that economic inequality is at least associated with lower performance on the components of the Human Development Index.

- Perhaps the most surprising provenance for such findings is from the IMF, whose recent research has investigated the association between economic inequality and economic growth:
- “Across a variety of estimation methods, data samples, and robustness checks, we find: (1) lower net inequality is robustly correlated with faster and more durable growth, controlling for the level of redistribution; (2) redistribution appears benign in terms of its impact on growth, except when it is extensive; and (3) inequality seems to affect growth through human capital accumulation and fertility channels.” (Berg et. al. 2018, p. 259)

# Policy: Targeting Economic Inequality or Academic Inequality?

- To recap, my focus in this talk is not on academic freedom in the sense of freedom of speech, de-platforming and cancel culture. I have no special or deep knowledge to bring to these questions.
- Rather, I have considered the role of economic resources and economic inequality as a determinant of freedom in the positive sense, “freedom to, that is, the ability (not just the opportunity) to pursue and achieve willed goals” (Cherniss and Hardy, 2020).
- This is in no way to deny the importance of negative freedom. Prohibition, whether formal or informal, of participating in academic activity for certain individuals or groups has been a central feature of many political configurations and societies, and continues to be so.
- But even when there are no such restrictions, the inequality of economic resources shapes opportunities in education and in the world of ideas more generally. It is this I wish to highlight and discuss.

- This then leads to a major policy question.
- If household economic resources determine access to and performance in the academic sector, and public resources devoted to the academic sector also determine access to and performance within the academic sector, which should be targeted if the objective is to equalize academic opportunity and thus enhance academic freedom and equality of academic freedom?
- Direct policies towards academic inequality are an obvious answer. But I wish to argue that general policies towards economic inequality are an important complement, and in some cases can be even more powerful.

- To focus just on policies to target inequalities within the academic sector could lead us to fall into a trap set by a strand of the “equality of opportunity” line of thinking.
- An argument has developed in recent years that public policy should refrain from redistributing income or wealth but focus on “equalizing opportunity” through equal public provision of high quality education.
- The reasoning is two-fold. First, it is argued that there are economic incentive effects from redistributing income or wealth which could affect efficiency and growth.
- Second, that normatively one should provide “an equal start” with equal education and then let income and wealth develop through individual effort and initiative.

- Haaparanta et. al. (2019) have questioned this line of reasoning in the context of a formal economic model of optimal taxation. Their conceptualization is general enough to cover all education but is also applicable to higher education and academia.
- They envisage academic educational outcomes for an individual as being a function of two types of inputs—public and private. Policy makers have a choice of how equal to make public inputs.
- We know that these are hugely unequal, but suppose for the sake of argument that there was equal access and equality in quality conditional on access.

- Even in this case where public inputs are equal, Haaparanta et. al.(2019) argue, there will be unequal educational outcomes because of unequal private inputs flowing from unequal household resources.
- There is the further question of how resources are to be raised for the provision of public education. These could be raised in a progressive or a regressive manner. The question of economic inequality is not evaded simply by focusing on equal provision of education. Combining these different elements together, Haaparanta et. al. (2019) conclude as follows:
- “Progressive taxation is a potent instrument for equalizing opportunity through equalizing education outcomes.....When educational outcomes are highly sensitive to parental inputs relative to public provision, perhaps paradoxically the case for progressive taxation tends to be stronger under the equality of opportunity objective.” (p. 16).

- All of the above is if public inputs to academia themselves do not have in-built inequalities.
- However, this is manifestly not the case, with resources of Universities being very unequally distributed. Taking the US as a leading example, endowment per pupil is \$3.1M for Princeton, \$2.3M for Yale, \$1.6M for Harvard and \$1.5M for Stanford. For my own University, Cornell, endowment per pupil is \$295K for its 25,000 students.
- But surely these are private resources? No, not completely. As noted earlier, these endowments enjoy tax free status because of their “educational mission”.

- Further, wealthy individuals who donate to these Universities, also enjoy tax breaks on the donation, as they do for donations to Foundations, which in turn support research at Universities. Dasgupta and Kanbur (2011) argue that tax breaks for philanthropy can increase inequality. Reich (2018) is among those who argues that such tax breaks are regressive:
- “In actuality, American philanthropy — and that of most other countries — is supported by taxpayers through tax concessions....[T]he core of the [tax] deduction remains the same: a subsidy in proportion to the tax rate of the donor....Clearly something has gone wrong when taxpayer money supports Bill Gates’s check-writing more heavily than your neighbor’s Boys & Girls Club membership.”

- A tax regime which is regressive thus goes hand in hand with unequal giving to the wealthiest Universities. Policies targeting economic inequality in general have powerful consequences for academic inequality.

# Conclusion

- Let me conclude by reviewing the arguments advanced in this paper.
- I started by examining trends in economic inequality.
- Although the fundamental forces of physical and human capital accumulation combined with technological change are making for rising inequality, the actual patterns of inequality around the world are intricate and nuanced.
- In the large economies of the world, and in countries where the majority of the world's population live, inequality as conventionally measured has risen. But there are many cases where inequality has fallen. This is because the nature and degree of policy response to these forces has varied across countries.

- The patterns of educational and academic inequality are also nuanced.
- On the one hand, inequality in levels of education as measured by years of schooling has declined globally, driven in large part by increased enrollments from the bottom upwards.
- However, this refers to the quantity of education, not its quality.
- Inequality within the education sector remains high, and access is closely associated with economic resources of the household of the student.

- My focus in this essay is on freedom, and academic freedom, in the positive sense.
- Having freedom in the negative sense, not being forbidden from doing certain things, is important.
- But even if there is no formal provision against participation, economic resources nevertheless determine access to and engagement with academic education and research—freedom in the positive sense.
- Thus economic inequality, which is a determinant of academic inequality, is in turn a determinant of positive academic freedom, and positive freedom more generally.

- While a natural response to the constraints which academic inequality poses to positive academic freedom is to address this inequality directly, an important complement to this, and perhaps dominating it, is addressing economic inequality in general.
- At the very least, raising of resource to address academic inequality cannot be divorced from economic inequality in general—the resources can be raised in a progressive or regressive manner.
- And, further, even if access to the academic sector is equalized, the inequality of overall educational outcomes is dependent also on inequality of household resources.

- Thus, as stated at the start, economic inequality begets academic inequality, and is then sustained by it.
- Since the underlying economic forces of our time are geared towards rising inequality, policy has to be targeted purposively to addressing and countering these forces to enhance positive freedom, including academic freedom in the positive sense.

Thank you!