Consequences of economic inequality for the social and political vitality of society: A social identity analysis

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Abstract

Economic inequality has been found to have pernicious effects, reducing mental and physical health, decreasing societal cohesion, and fuelling support for nativist parties and illiberal autocratic leaders. We start this review with an outline of what social identity theorizing offers to the study of inequality. We then articulate four hypotheses that can be derived from the social identity approach: the fit hypothesis, the wealth categorization hypothesis, the wealth stereotype hypothesis, and the socio-structural hypothesis. We review the empirical literature that tests these hypotheses by exploring the effect of economic inequality, measured objectively by metrics such as the Gini coefficient as well as subjectively in terms of perceptions of economic inequality, on wealth categorization (of others and the self), the desire for more wealth and status, intergroup hostility, attitudes towards immigrants, prosocial behavior, stereotyping, the wish for a strong leader, the endorsement of conspiracy theories, and collective action intentions. As we will show, this research suggests that inequality may have even more far-reaching consequences than commonly believed. Indeed, investigating the effects of inequality on citizens' socio-political behaviors may be increasingly important in today's turbulent political and social landscape.

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Since the Global Financial Crisis hit in 2008, economic inequality has been a topic which has attracted considerable interest. Economic inequality has not just captured the eye of academics, but also of citizens worldwide and it is now high on the agenda of many politicians. This is not surprising because economic inequality — defined as the magnitude of the income or/and wealth gap between the poor and wealthy within a particular society — has been found to have a wide range of pernicious effects. This includes associations with increased illness and reduced mental and physical health (Wilkinson & Pickett, 2009); reduced trust, cooperation, and social cohesion (e.g., Elgar, 2010; Gustavsson & Jordahl, 2008; Van de Werfhorst & Salverda, 2012); and heightened violence and social unrest (Dorling & Lee, 2014; Ezcurra & Palacios, 2016; Fajnzylber et al., 2002a, 2002b; Tay, 2015; Uslaner & Brown, 2005; for a review see d'Hombres et al., 2012). These effects extend into the political domain too. In particular, there are indications that a greater wealth gap is associated with lower political participation (Mueller & Stratmann, 2003; Solt, 2008), reduced support for democracy (Andersen, 2012), lower trust in government (Chi & Kwon, 2016; Linde, 2012; Rothstein & Uslaner, 2005), stronger endorsement of authoritarian values (Solt, 2012), greater electoral support for nativist parties (Colantone & Stanig, 2019) as well as illiberal leaders (Acemoglu & Robinson, 2006; cf. Boix, 2003), and increasing rates of domestic terrorism (Krieger & Meierrieks, 2019). For these reasons, among others, it has been suggested that rising inequality threatens to undermine the liberal international order (Flaherty & Rogowski, 2021).

World leaders are well aware of the dangers of excessive inequality. During his term, President Obama repeatedly drew attention to the problem of societal inequality in the United States (US) when stating "The combined trends of increased inequality and decreasing mobility pose a fundamental threat to the American Dream, our way of life, and what we stand for around the globe" (The White House, 2013). These concerns are shared by leaders in many Western European countries. For example, in 2016 when Prime Minister David Cameron addressed the issue of poverty and inequality in the United Kingdom (UK), he noted:

> The economy can't be secure if we spend billions of pounds on picking up the pieces of social failure and our society can't be strong and cohesive as long as there are millions of people who feel locked out of it. (Glazer, 2016)

Pope Francis expressed a rather similar concern in 2014 when he described economic inequality as "the root of social evil" (Green, 2014).

These comments highlight an important insight — the problem with economic inequality goes much deeper than how much individuals have in their wallets vis-à-vis one another. In this review, we will discuss a programme of work that aims to explore and explain the socio-political effects of economic inequality. To do this, we focus on the way in which economic inequality affects citizens' socio-political attitudes and their perceptions of the social and political vitality of their society. We start with the assertion that the social identity approach can help us understand why and when inequality can harm social and political life. In particular, drawing on classic self-categorization theorizing (Turner et al., 1987), we first consider how inequality can be expected to affect how people *perceive* and *categorize* themselves and others in society. Next, drawing on the principles of classic social identity theory (Tajfel & Turner, 1979), we describe how inequality can be expected to shape *group dynamics* and *intergroup relations* within societies. This is followed by a review of the empirical literature that can speak to these theoretical claims. In particular, we review research that examines the way in which inequality shapes the social categories that we use to describe ourselves and others, how inequality affects individuals' motivations to attain more wealth and status, affects the relationships between social groups, and shapes our beliefs or stereotypes about the wealthy and the poor. Further, we also discuss how economic inequality undermines societal stability and how this affects people's willingness to support strong leaders (including those who endorse anti-democratic processes) and their propensity to believe in conspiracy theories. Finally, we consider how, when inequality is perceived as unfair and illegitimate, responses such as collective action are triggered.

Understanding inequality through the lens of social identity theorizing

The study of inequality has been dominated by work that has either focused on economic outcomes (e.g., whether inequality affects economic growth; whether it triggers economic recessions; Kremer et al., 2014; Persson & Tabellini, 1994; Piketty, 2014) or those to do with health (e.g., whether inequality affects individual health, well-being, happiness and mental illness; see Burns et al., 2014; Helliwell & Huang, 2008; Oishi et al., 2011; Wilkinson & Pickett, 2009). While this work has generated valuable insights and created a strong case for the importance of monitoring economic inequality, it has less to say about whether and how growing inequality affects a society's social and political life. What is more, the processes by which inequality may impact on society as well as political attitudes has been relatively neglected. However, recent work has made some strides towards rectifying this neglect. In particular, Buttrick and Oishi (2017) have suggested that the negative social impacts of inequality can largely be understood as a result of the decreased levels of interpersonal trust and increased levels of competition and status anxiety in unequal societies. In an attempt to explain *why* inequality has such a wide array of problematic consequences in society, this work suggests that the negative effects of economic inequality are largely mediated via psychosocial pathways (Elgar, 2010; Elgar & Aitken, 2011; Kawachi & Kennedy, 1999; Layte, 2012; Marmot & Wilkinson, 2001), which makes sense when we consider that inequality permeates culture and societal structures. That is, inequality leads people to live in separate worlds and this in turn, undermines social ties and reduces trust and prosociality (Buttrick et al., 2017). Fundamentally then, inequality enhances divisions between groups, where these fractures erode a sense of shared fate (Rothstein & Uslaner, 2005).

However, Buttrick and Oishi (2017) also point out that a more refined theoretical analysis is required. That is, if inequality diminishes trust, the question remains: "trust in whom"? Does it affect generalized trust (which is often measured in research on inequality), or trust in society, community, or the groups to which an individual belongs? Similarly, if inequality increases competition and status anxiety, the question remains: competition with whom? Does inequality cause people to compete with those they are close to in their community (e.g., neighbours), or colleagues at work, or with the members of particular groups in society? As Buttrick and Oishi (2017) argue, theoretical progress is only possible when researchers provide a more precise analysis of the source of trust and competition most affected by inequality.

Østby (2013) voices a similar concern. She states: "My first conceptual objection is that, in the inequality–conflict literature, most attention has been focused on inequality between individuals" (2013, p. 213). This means that there is a theoretical mismatch between the individual level of analysis and the phenomenon when looking at the societal level or collective level outcomes such as willingness to engage in collective action or the way that economic inequality affects perceptions of the collective level normative climate. This aggregation problem, described in political science research as questionable 'methodological individualism' (Mols & 't Hart, 2017) stems from an over-reliance on individual-level explanations, and failure to account for social norms and group dynamics. Focusing specifically on collective action or collective protest, Østby (2013) makes the point that "the topic of interest, violent conflict, is a group phenomenon, not situations of individuals randomly committing violence against each other" (p. 213).

We propose that the social identity approach, comprised of social identity theory (SIT; Tajfel & Turner, 1979) and self-categorization theory (SCT; Turner et al., 1987) is ideally placed to provide the necessary theoretical insight at the right level of analysis. This is because the social identity approach provides explicit theorizing on how the broader socio-structural context affects individual level psychological processes (e.g., economic and political factors affecting status relations between groups) and therefore provides a powerful framework for exploring the relationships between individual and group behavior. It follows then that drawing from the social identity approach and extending it to the context of economic inequality should allow us to achieve much needed theoretical progress in terms of understanding why and when inequality is likely to have negative societal and political consequences. More specifically, the approach is well suited to developing an account of the categorization processes as well as the group processes and intergroup relations that underpin the effects of economic inequality on political and societal outcomes.

The first theoretical component of the social identity approach—social identity theory (Tajfel & Turner, 1979) — was developed as a response to individualistic accounts of group behavior (which suffered from the same mismatch of levels of analysis discussed above). As a starting point, it asserts that structural factors (such as economic inequality) are often more powerful determinants of (individual-level as well as collective-level) behavior than individual-level characteristics (e.g., an individual's wealth or status). The key assumption of the social identity approach is that individuals derive their social identity from the groups to which they belong (e.g., student, sports fan, employee, team member). Tajfel (1978, p. 63) defines social identity as "that part of an individual's self-concept which derives from (...) knowledge of (...) membership of a social group (or groups) together with the value and emotional significance attached to that membership”. Group member’s positive social identity is to a large extent based on favourable comparisons that can be made between their own group and relevant comparison groups. Indeed, the result of this comparison is crucial because when people perceive that their own group is different from *and better than* an outgroup, positive social identity is enhanced. Extending this reasoning, the social identity approach assumes that the nature of intergroup comparisons is determined by the status of the group as indicated by the position of the group on the social hierarchy (Mullen et al., 1992; Otten et al., 1996; Sachdev & Bourhis, 1991). Status can be achieved on various dimensions and it can be based on a number of different achievements. For example, high status can reflect a group’s superior skill set, knowledge, physical strength, political power, or — and of particular relevance here — more wealth and affluence (see Jetten, 2019).

Self-categorization theory (Turner et al., 1987) has refined some of the ideas of social identity theory and can be seen as a direct development of it. Differences between the two theories are that social identity theory explanations are more motivational and directed at explaining intergroup relations, whereas self-categorization theory focuses more on cognitive processes and represents a general theory of the self. As such, self-categorization theory aims to explain a broad range of social behavior and focuses on how people categorize themselves and others (Turner et al., 1987).

How then does the social identity approach help us to understand the consequences of economic inequality? Drawing from the initial and preliminary social identity analysis of inequality by Jetten et al. (2017), we unpack and develop four hypotheses that they put forward that help to explain why and when economic inequality affects outcomes (see Table

1).[1] Importantly too, and going significantly beyond the Jetten et al. (2017) work, we review the empirical evidence for each of them.

First, economic inequality should affect basic categorization processes relating to the self and others. In particular, inequality increases people's tendencies to see the world through a lens of wealth whereby wealth becomes a relevant categorization to understand the social world and their own place within it. Therefore, our first hypothesis (the fit hypothesis) proposes that growing inequality enhances the likelihood that income and wealth differences become more visible. That is, in line with classic self-categorization theorizing (Turner et al., 1987), inequality enhances the salience of wealth categories as comparatively fitting ways to parse the world because members of different wealth groups are seen as having more in common with one another than with the members of different groups. This should not only make people more likely to break down the world into the rich, middle class and poor when judging others, but also when they think about their own place in the social world (Turner, 1999).

H1: the fit hypothesis: Higher inequality makes wealth a more fitting category to understand the social world.

H2: the wealth categorization hypothesis: Higher inequality makes the "us" versus "them" difference along wealth lines more salient.

H3: the wealth stereotype hypothesis: Stronger wealth categorization should be associated with richer and more developed stereotypes about both the poor and

[1] The fifth hypothesis — the so-called *socio-economic status impact hypothesis* — that Jetten et al. (2017) identified states that: 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 for the wealthy, they are determined by status anxiety (stability of their wealth position). We will not elaborate on this hypothesis here and instead refer the reader to Jetten (2019) for an in-depth analysis.

wealthy (particularly in terms of assertiveness, competence, friendliness and morality).

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, and this will enhance the willingness to engage in collective action to redress inequality.

Table 1: *Four inter-related hypotheses on why and when economic inequality affects collective and individual level responses. Adapted with permission from Jetten et al. (2017).*

Building on this first hypothesis, we propose a second hypothesis (H2; the wealth-categorization hypothesis) which draws more strongly from classic social identity theorizing than self-categorization theorizing. In particular, we posit that an enhanced fit of wealth categories to define the self and others also triggers specific group dynamics enhancing the salience of “us” versus “them” distinctions, over time. This may lead to deteriorating relations between different wealth groups, greater intergroup competition and ingroup bias. Ultimately, this may undermine a sense of shared superordinate group identification, leading to a splintering of society into subgroups and the withdrawal of individuals from society at large, lower social cohesion and lower levels of identification with society.

Processes associated with the first two hypotheses should affect the content of wealth groups’ identities (H3; the wealth stereotype hypothesis). That is, stronger wealth categorization (H1) and enhanced “us” versus “them” dynamics along wealth lines (H2) should be associated with richer and more developed stereotypes (so-called “classism”, Horwitz & Dovidio, 2015) about both the poor and wealthy (particularly in terms of assertiveness, competence, friendliness and morality). Importantly, we predict that there should be asymmetry in the content and valence of the stereotyping of poor and wealthy groups: Wealth categorization should be associated with negative stereotyping of the poor (i.e., as incompetent, unfriendly, immoral, see Jones, 2011) and with positive stereotyping of the wealthy, although this should be most evident along competence dimensions (i.e., as competent and ambitious).

A final hypothesis relates to the way that inequality shapes perceptions of the socio-structural context and consequently the way that perceptions of the socio-structural context shape responses to inequality. As argued before, a key premise of the social identity approach is that group members will be motivated to achieve a positive comparison with other groups along some relevant dimension in order to achieve or maintain a positive identity. The theory posits too that socio-structural factors such as the permeability of group boundaries and the stability and perceived legitimacy of status relations between groups determine the strategies that group members will use in order to try to achieve a positive identity (Tajfel & Turner, 1979; see also Harvey & Bourhis, 2011). As we will outline in greater detail further below, growing levels of economic inequality might be one factor that directly or indirectly affects perceptions of the socio-structural context and this may enhance, in some conditions, status threat perceptions among both poorer and wealthier groups in society (see Jetten, 2019; Jetten, Mols, & Steffens, 2020). In particular, these socio-structural perceptions determine whether inequality is challenged and whether there will be a collective push to redress levels of inequality. Thus, the fourth hypothesis (the socio-structural hypothesis) posits that perceptions that (a) boundaries between wealth groups are impermeable, (b) the social system is unstable, and (c) the wealth gap is illegitimate will enhance the likelihood that wealth groups (and in particular the poorer wealth groups) will be motivated to engage in collective action to demand greater economic equality. In what follows, we will unpack these hypotheses in greater detail and provide some initial evidence for each of them.

The fit hypothesis: Inequality enhances the relevance of wealth as a basis for categorization

To understand why income inequality affects relations between groups, we first need to examine how inequality determines and shapes basic categorization processes — i.e., the categorization of self and others as well as of the social world more generally. That is, for economic inequality to affect how people act in society, it must affect the way they see and think about their social world. This insight was formalized by Jetten et al. (2017) in their claims that greater economic inequality will increase the tendency for people to see their social world through a lens of wealth, dividing it into the "haves" and the "have nots". These authors grounded their claims in the self-categorization theory tenet that a given social category is more likely to be salient if it maps onto the similarities and differences that people perceive in their social world (Brown & Turner, 2002; Bruner, 1957; Oakes et al., 1994; Turner et al., 1987). Importantly, to the extent that rising economic inequality exacerbates the differences between the rich and poor it should increase the comparative fit of wealth categories. This leads to a first 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, see also Jetten et al., 2017).

We have recently put this hypothesis to the test by exploring whether people in more unequal societies are indeed more likely to see the world through a lens of wealth (Peters et al., 2021). In particular, across five studies (two archival and three experimental), we examined whether people in societies with higher economic inequality (compared with historical levels, or the levels in other societies) were (a) more likely to refer to wealth categories when describing their social world, and (b) more likely to value information about others' wealth. We conducted an initial test of our first expectation in two archival data sets.

The first measured the percentage of wealth category words (i.e., words like “rich” and “poor”) in English language books published in the UK and the US between 1910 and 2008. The second measured the percentage of articles referencing wealth category words in the media publications of 12 countries with English as an official language. In both data sets, we found that when economic inequality was higher, so too was the tendency for books and media publications to refer to wealth categories. We also found that this relationship persisted even when we controlled for other economic indicators such as gross domestic product and national poverty levels.

While this evidence was consistent with our expectation, it has the standard limitations of cross-sectional archival data sets and we cannot discount the possibility that an unmeasured third variable could account for the observed association. To counter this problem, Buttrick and Oishi (2017) point to the importance of testing predictions using experimental research so that causality can be established. While experimental work therefore has a very important role to play in illuminating the causal impact of inequality, those who wish to conduct such studies face substantial practical challenges. The most important of these is the fact that participants often have very strong a priori beliefs of levels of inequality in their societies, which means that false feedback about inequality levels is often ineffective (see Wang, Jetten, & Steffens, 2021). There can also be ethical concerns with providing false feedback, especially if it implies economic inequality is low when it is actually quite high. To circumvent these practical challenges, we developed a paradigm that placed participants in a de novo society called Bimboola (see Sánchez-Rodríguez, Willis, et al., 2019; Sprong et al., 2019[2]) and manipulated whether the income earned by the members of this fictional society’s three wealth groups was relatively equal or relatively unequal.

[2] The studies using the Bimboola paradigm were conducted on the Qualtrics survey platform. Materials and the basic Qualtrics program can be freely downloaded here: https://sign.centre.uq.edu.au/research/resources-seminars/measures

Despite the fictional nature of the paradigm (with associated issues relating to external validity), the paradigm is well suited to determine causality and to explore the effects of inequality uncontaminated by other variables. Importantly too, the findings obtained in Bimboola are typically aligned with findings from other paradigms that manipulate economic inequality (e.g., Sánchez-Rodríguez et al. 2020) as well as with correlational study findings (see for example Sprong et al., 2019) thus providing some reassurance of the validity of the approach.

We conducted three experiments that aimed to test whether economic inequality can causally affect people's tendencies to spontaneously reference wealth categories in their own language and to value information about others' wealth. Consistent with our expectations, in two experiments using the Bimboola paradigm (N= 226 and 414), we found that participants who were placed in a more unequal society were more likely to spontaneously mention wealth groups in their written descriptions of life in that society and to rate that it was important to know another citizen's income group and salary when it comes to learning more about them as a person. The third experiment manipulated British participants' perceptions of the levels of inequality in the UK relative to other countries (N = 505) and found that those who were led to believe that it was more unequal were more likely to reference wealth categories when describing their own and others' lives.

Together, this programme of research suggests that people who live in societies with relatively high levels of economic inequality are indeed more likely to talk about the rich and poor — speaking to a more basic tendency to see the world through a lens of wealth. These findings point to the utility of self-categorization theory for understanding how material economic circumstances in a society can shape our social psychology in ways that are likely to have important societal consequences.

There is also some evidence that inequality affects how wealthy people perceive themselves to be. Specifically, in light of evidence that (a) higher economic inequality makes wealth a more fitting social category (i.e., the fit hypothesis, Jetten et al., 2017), (b) people are more influenced by others' wealth when economic inequality is high (Cheung & Lucas, 2016), and (c) people are more likely to make upwards comparisons than downwards ones (Boyce et al., 2010; Festinger, 1954), there is a basis for expecting that greater inequality may trigger perceptions of greater relative deprivation (see also Osborne et al., 2015; Payne et al., 2017). That is, if inequality increases the tendencies for people to contrast their wealth with that of people who are rich (rather than poor), then they should be more likely to perceive that they are relatively poor. This expectation was tested in a series of seven experimental studies in Spain, the US, and Australia (see Sánchez-Rodríguez, Jetten et al., 2019, $N = 969$) that asked people to evaluate their relative wealth in more and less unequal contexts. Importantly, although participants' wealth was objectively identical in these different contexts, people perceived that they were less wealthy when economic inequality was high than when it was low. In line with previous research (Payne et al., 2017), Sánchez-Rodríguez, Jetten et al. (2019) also found that individuals felt relatively more deprived in the high, compared to low, economic inequality conditions.

Yet other work suggests that economic inequality enhances the importance of wealth. This is, for instance, consistent with evidence that property crime is more frequent in countries with higher economic inequality (Hsieh & Pugh, 1993; Rufrancos et al., 2013). It is also consistent with evidence that people who live in a context of high economic inequality take more risks to increase their wealth (Payne et al., 2017), such as by spending more money in the lottery (Bol et al., 2014; Freund & Morris, 2006). There is also evidence that higher economic inequality increases people's interest in status goods (Walasek & Brown, 2015, 2016). Economic inequality also enhances the use of social class cues (e.g., the different ways the wealthy and poor dress and engage in different leisure activities) to signal status differences between the wealthy and poor (see Kraus et al., 2017 for a review).

In line with this past literature, our own work presents both experimental and correlational evidence for the positive effect of economic inequality on people's motivation to seek more wealth and status (Wang et al., 2021). For example, in a large-scale cross-national data set covering over 140,000 participants from 73 countries and regions, we found that higher inequality (indicated by the Gini coefficient) was associated with a greater desire for wealth and status. Interestingly, this relationship was generally stronger among lower social class rather than higher social class individuals.

This finding is consistent with at least three theoretical perspectives. First, it supports a neo-material perspective which suggests that because life is harsher in unequal societies than in equal societies, people need more material wealth to buffer themselves against the negative consequences of inequality (Lynch et al., 2000). Second, it is also consistent with the social rank and material rank hypotheses which claim that higher economic inequality would lead people to be particularly anxious about their social status in terms of material success (i.e., status determined by income and wealth) relative to other dimensions (i.e., status determined by creativity or social ability; Walasek & Brown, 2019). For this reason, people should be more motivated to seek wealth in order to achieve a higher status. Third, and perhaps most consistent with our social identity theory lens, inequality should enhance status anxiety because social status disparities become more salient in more unequal societies, enhancing the obsession with accumulating and gaining material goods and wealth (Jetten, 2019; Jetten, Mols, & Steffens, 2020; Mols & Jetten, 2017; see also Wilkinson & Pickett, 2009). That is, in unequal societies where wealth and status become more salient and important attributes in defining interpersonal disparities (Hypothesis 1; Jetten et al., 2017), it is not only that wealth is especially important for social comparisons and self-definition, but that people might experience a stronger “fear of falling”.

The wealth categorization hypothesis: Inequality harms intergroup relations

The work that we have described above shows that, in line with Hypothesis 1, inequality increases the chance that people will see the world in terms of wealth, as well as the extent to which people value wealth and their motivation to attain it. In this section, we will build on this work by developing theorizing that speaks to *why* income inequality may be expected to harm the relations between various groups in society. Adopting and developing Jetten et al.’s (2017) second hypothesis, we predict that *increased inequality should invite more frequent intergroup comparisons between wealth groups further enhancing “us” versus “them” dynamics* (H2, the wealth categorization hypothesis, see Table 1). That is, as inequality becomes more visible in society and becomes a more relevant basis for categorizing social groups in society, there is a greater likelihood of enhanced friction and even intergroup hostility.

Goh and Jetten (2015) provide some initial evidence of such enhanced “us” versus “them” dynamics. In this study, Australian participants were invited to the laboratory in small groups of four to eight (N = 96) and randomly assigned to imagine they were living in a fictitious country that was equal or unequal. Within their society, participants were assigned to either a rich or poor group. After this, participants responded to several questions, including one that asked how they would describe the relationship between the poor and rich group. We found that, regardless of which wealth group participants were assigned to, they perceived relationships between the wealthy and poor group as more negative when this fictitious country was more unequal compared to more equal. At the end of the study, participants were informed that a third group, the ‘newcomers’, would join their country and that they would be required to cooperate with them on a number of tasks. Interestingly, participants in the poor and the wealthy groups both anticipated that their group's relationship with the newcomers would be somewhat more negative when they were in a more unequal country. In sum, this study provided some initial evidence in a controlled setting that inequality causes people to be less positive and more negative towards members of other groups.

Further evidence for this is provided by Jetten et al. (2015; Study 3) who assigned participants to one of three wealth groups in a fictional society that consisted of five income groups and then informed them that inequality in their society was growing or declining (*N*= 151). Specifically, participants were told (growing income inequality condition in brackets): "Imagine that over the next 20 years, your society is affected by a change in the economy. As a result, the wealth gap in your society has decreased (increased). Status differences have decreased (increased): the poor have become richer (poorer), the moderately wealthy earn about the same, and the rich have lost some of the wealth and become poorer (gained more wealth and become richer)." After this, participants were told that a new group, the 'newcomers', would be joining their society and were asked to respond to a number of measures that tapped the extent to which participants would welcome these immigrants to their society. Results showed that *all* wealth groups became more opposed to immigrants when economic inequality was growing rather than declining, which suggests that growing inequality is equally threatening for those at the bottom, middle or top of a wealth hierarchy. This is consistent with observations by political scientists and sociologists that growing inequality leads to greater status competition such that *everyone,* regardless of class, status or income, experiences greater status instability and status anxiety. Indeed, this aligns with Wilkinson and Pickett's (2009) observation that inequality is perceived as a threat to everyone in society — the poor as well as the wealthy.

Looking beyond intergroup hostility, Hypothesis 2 suggests that to the extent that inequality promotes social division, splintering society into subgroups is likely to undermine generalized trust and social cohesion. Consistent with this hypothesis, there is evidence that inequality lowers cooperation between individuals (Nishi et al., 2015) and erodes perceptions of shared fate and trust (Elgar, 2010; Oishi et al., 2011; Uslaner & Brown, 2005; Wilkinson & Pickett, 2009). Similar effects have been found when researchers explored whether inequality affects prosocial behavior. For instance, across both experimental and correlational studies, Côté et al. (2015) found that higher income participants were less prosocial when living in high inequality states compared to low inequality states. In contrast, the prosocial behavior of lower income participants did not differ based on the inequality of their home state. There is also evidence that inequality is associated with the perception that society is less caring, more competitive (Nishi et al., 2015; Sánchez-Rodríguez, Willis et al., 2019), and less willing to promote others' welfare (Paskov & Dewilde, 2012). Economic inequality is also associated with the attribution of more masculine features (Moreno-Bella et al., 2019) and self-enhancement values onto others (Sánchez-Rodríguez et al., 2020).

It is important to note that most of this past work has been conducted among adults, with substantially less attention paid to the effects of inequality on children. However, because the adverse effects of early environments can persist into adulthood, it is also critical that we understand whether and how these effects take hold during childhood (Kolb & Gibb, 2011). To date, only a few studies have revealed how economic inequality might impact prosociality during development. In one recent study, Kirkland et al. (2020) developed an experimental paradigm to test the effect of inequality on preschool-aged children in a controlled laboratory setting (*N*=58). Specifically, Australian children were introduced to several puppets and the participating children and puppets took part in a series of games to earn points. These points would then be exchanged for stickers at the conclusion of the games. Economic inequality was manipulated by exposing children either to high (i.e., some puppets received few points while others received many) or low inequality contexts (i.e., all puppets received a relatively equal number of points). After this manipulation, children then participated in several prosocial tasks: (a) a sticker donation task directed to a child in need, (b) division of excess points among the puppets, and (c) evaluations of how fair the point distribution was. Results revealed that four-year-old children exposed to high inequality gave fewer stickers to a child in need compared to those exposed to low inequality, suggesting children's prosocial behavior may be impacted by inequality in similar ways to adults.

In sum, there is considerable support for Hypothesis 2: because inequality enhances "us" versus "them" perceptions, it both enhances intergroup hostility between groups, and lowers the tendency to engage in prosocial behaviors. There is also evidence that these tendencies may emerge at early developmental stages.

The wealth stereotype hypothesis: Inequality affects stereotyping

In this section, we propose that inequality not only enhances the fit of wealth categories (Hypothesis 1) and amplifies "us" versus "them" dynamics (Hypothesis 2), but also affects the content of these categories. That is, to the extent that individual tendencies to parse the world into the "haves" and the "have nots" becomes socially shared, this may provide the basis for rich stereotypes about these groups. To put it more formally, because strong *comparative fit* triggers an inference of *normative fit* (i.e., the notion that group differences reflect meaningful differences between social groups, Turner et al., 1987), we predict that inequality will also enhance essentialized perceptions of social categories and thus stereotyping of wealth groups. In this way, wealth-based categorization should trigger the stereotype content that best explains and legitimizes the status difference between the wealthy and the poor (Brown & Turner, 2002). Thus, we propose that higher economic inequality could give rise to enhanced stereotyping along the two key dimensions of person-perception: Vertical and Horizontal dimensions (Abele et al., 2020; Fiske et al., 2002). More specifically, in relation to the Vertical dimension, we predicted that higher inequality should enhance the perception that more wealthy people and groups are assertive and competent and the perception that poorer individuals and groups lack assertiveness and competence. Our expectations in relation to the Horizontal dimension (e.g., morality and friendliness) differ, because these attributions are not contingent on status relations, but rather depend on how competitive or cooperative groups are perceived to be (e.g., Fiske et al., 2002). To the extent that inequality enhances perceptions of competitiveness between groups, we predicted that under high (versus low) inequality both the wealthy and poor should be seen as less moral and friendly.

Putting our hypotheses to the test, we conducted two pre-registered online experiments (N = 822) to examine whether and how inequality influences social class stereotyping on different dimensions (Tanjitpiyanond et al., 2021). In these experiments, participants were first introduced to a fictitious world with six different countries that varied in inequality. They were then randomly assigned to the country with the highest or lowest economic inequality and asked to imagine living in it. Participants were then introduced to a wealthy and a poor individual from their society in turn and asked to rate each individual on a list of traits related to assertiveness, competence, morality and friendliness. Participants also completed a measure of social categorization that allowed us to calculate comparative fit by exploring the ratio between intragroup similarity ratings ("how similar are people in the top/bottom 5% of the society?") with intergroup similarity ratings ("how similar are the top 5% to the bottom 5% of the society?") as well as the perceived quality of intergroup relations (e.g., agreement with the statement: "people from the top and bottom 5% trust one another").

We found a consistent pattern across both experiments. First, participants in the high (versus low) inequality condition stereotyped the wealthy as more assertive and the poor as less assertive. Put differently, we found that high (compared to low) inequality enriches stereotyping that the wealthiest people are ambitious whilst the poorest people are lazy.

Furthermore, mediational analysis provided support for the prediction that the categorization processes at least partly explained this effect. Specifically, high inequality enhanced the extent to which wealth was perceived as a fitting category to understand this fictional world (i.e., inequality enhanced comparative fit) and this, in turn, strengthened assertiveness and competence stereotyping when presented with wealthy and poor targets. We also found that participants perceived both the poor and the wealthy target individuals to be less moral and friendly in the high compared to the low inequality condition. Consistent with our predictions, there was evidence that the quality of intergroup relations mediated the effect of inequality on morality and friendliness stereotyping. That is, it appears that higher inequality impairs moral and friendly perceptions of both wealthy and poor individuals because inequality enhances the perception that intergroup relations are more negative (i.e., more competition and lower trust between the wealthy and poor groups).

The finding that economic inequality may enhance unfavourable stereotyping is likely to have important implications. In particular, there is evidence that perceptions of merit are important in determining whether people will accept inequality (Starmans et al., 2017). Thus, if inequality tends to exacerbate the extent to which the poor are seen as lazy and untrustworthy (and thus deserving of their lot), it is likely to impact the political will required to address both the symptoms and causes of inequality more broadly. The finding of Tanjitpiyanond and colleagues (2021) that inequality may influence different stereotype dimensions through unique pathways is also important because it points to distinct pathways through which the negative impact of stereotyping in more unequal worlds may be reduced. For example, overcoming the enhanced stereotyping along assertiveness and competence dimensions would require targeting basic categorization processes to counter the salience of wealth as a relevant dimension of categorization (e.g., reducing wealth-based segregation or reducing stereotypical media portrayals of the wealthy and poor). However, because friendliness and moral stereotypes appear to be more sensitive to the positivity or negativity of intergroup relations in a more unequal society (Hypothesis 2), targeting intergroup relations (in particular the perceived lack of trust and cooperation in society) would be required to counter stereotypes that the wealthy and poor are unfriendly and immoral.

However, as we will outline next, inequality not only transforms perceptions of individuals and groups of people, but it also transforms the nature of society itself. Therefore, any attempts to counter the negative effects of inequality on stereotyping should be informed by the broader structural impact of inequality on society. We will now consider how economic inequality influences perceptions of the structural relations between groups and the downstream implications of this.

The socio-structural hypothesis

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? Could even low levels of inequality lead to a public outcry and to widespread collective action challenging the wealth hierarchy? In line with the social identity approach, we propose that there are three features of the broader socio-structural context that determine how people respond to inequality. As briefly outlined in the first part of this review, these relate to (a) the permeability of group boundaries, (b) the stability of the wealth position, and (c) the legitimacy of the wealth positions of diverse wealth groups. Combining these factors, the fourth hypothesis that we put forward (the socio-structural hypothesis, see Table 1) posits that *perceptions that (a) boundaries between wealth groups are impermeable, (b) the social system is unstable, and (c) the wealth gap is illegitimate enhance the perception that the inequality in society is unfair and this will trigger enhanced willingness to engage in collective action*. We will discuss the role of these socio-structural factors in determining responses to economic inequality, after which we consider the way they affect the willingness to engage in collective action to redress economic inequality.

The socio-structural hypothesis: Inequality and the permeability of group boundaries

As hinted at by former US President Obama and former UK Prime Minister Cameron in the opening quotes, people will likely see inequality as more problematic when they perceive that the boundaries between groups are impermeable. This is because when boundaries are impermeable, people are stuck in their position in the wealth hierarchy, with little if any possibility of climbing upwards. Consistent with this, there is empirical evidence that the more that people endorse meritocracy ideologies (i.e., perceive that boundaries between groups are permeable), the less concerned they are about inequality, the more likely they are to defend the status quo (Day & Fiske, 2017; Shariff, Wiwad, & Aknin, 2016) and the lower their endorsement of policies aimed at enhancing equality (e.g., governmental welfare, Jaime-Castillo, & Marques-Perales, 2014).

The perceived permeability of group boundaries also matters in another way. Higher inequality may be perceived less of a problem when group boundaries are perceived as permeable —i.e., when inequality is not seen to not limit individuals' upward mobility attempts. These dynamics are well-captured by Hirschman and Rothschild (1973) who used the analogy of a traffic jam on a two-lane motorway to explain the effects of income inequality when the economy becomes unstuck after a recession:

> Suppose that I drive through a two-lane tunnel, both lanes going the same direction, and run into a serious traffic jam. No car is moving in either lane as far as I can see (which is not very far). I am in the left lane and feel dejected. After a while the cars in the right lane begin to move. Naturally, my spirits lift considerably, for I know that the jam has been broken and that my lane's turn to move will surely come any

> moment now. [...] But suppose that the expectation is disappointed and only the right lane keeps moving: in that case I [...] will at some point become quite furious. (p. 545)

Thus, people are more likely to perceive inequality as problematic (i.e., one lane moving faster than the other) when opportunities are open to all (i.e., permeable boundaries between wealth groups such that all groups are able to 'shift lanes'). There is some experimental evidence that high levels of societal inequality are perceived as more concerning in the context of high impermeability of group boundaries. Shariff and colleagues (2016) found in a sample of US participants that those who were led to believe that there was high societal social mobility were more accepting of economic inequality in the US (see also Day & Fiske, 2019). This provides some evidence that perceiving that group boundaries between wealth groups can be crossed may enhance the tendency to excuse high levels of inequality, making it more tolerable.

Next, we will discuss how perceptions of the instability —either in the context of high economic inequality or triggered by it— may affect attempts to regain stability.

The socio-structural hypothesis: Inequality undermines stability

Economists have shown that inequality enhances economic instability (e.g., Kumhof & Rancière, 2010). We argue that inequality will also enhance social and political instability — a state of societal disintegration that is captured by the sociological concept of anomie (Durkheim, 1897/1987; Messner & Rosenfeld, 2001; Teymoori, Bastian, & Jetten, 2016). It has been suggested that anomie is likely to arise in societies going through deregulation and moral decline (Durkheim, 1897/1987; Merton, 1938, 1968). We propose that high inequality will increase anomie perceptions, where these perceptions will have a number of negative outcomes in turn.

There is an extensive body of work showing that anomie can affect individuals' well-being. For instance, anomie is associated with reductions in well-being and life satisfaction

(Blanco & Díaz, 2007), and happiness (Brockmann et al., 2009); it is also associated with increases in depression (De Man et al., 1993; Lantz & Harper, 1990), meaninglessness, helplessness, and confusion (Martin, 2000; Thorlindsson & Bernburg, 2004, for reviews, see Bjarnason, 2009; Form, 1975). Perhaps most striking is evidence that high levels of anomie may lead to a greater risk of suicide (see Durkheim, 1897/1987; Messner & Rosenfeld, 2001; Steenvoorden, 2014). Anomie appears to affect the way individuals engage and interact with their social world, because it is associated with a perception that there is a breakdown of social fabric (e.g., low social trust and moral decline) and a breakdown in leadership (i.e., illegitimate and ineffective leadership) in society (see Teymoori, Bastian, & Jetten, 2016; Teymoori, Jetten et al., 2016). When people perceive that the pillars of their society are no longer functioning effectively, uncertainty and insecurity will rise. We propose that in an attempt to cope with anomie, uncertainty and fear, people will be geared towards regaining control in an out-of-control world. In the section below, we will present two lines of research that show that higher economic inequality is associated with higher levels of anomie and that this is associated with (a) a greater wish for a strong leader who can restore order, and (b) enhanced endorsement of conspiracy theories. We will discuss each of these in turn.

(a) Inequality triggers the desire for a strong leader

To the extent that higher levels of economic inequality prompt feelings of anomie, it may change people's responses to a particular style of leadership: leaders who promise that they can restore order and control. That is, the more people believe that there is a breakdown of the social order (i.e., anomie), the more they should be inclined to believe there is a need for a strong leader who takes charge and promises to make things right no matter what. Likewise, as political scientists have shown, (perceived) inequality is likely to erode citizens' commitment to liberal demoracy (Ceka & Magalhaes, 2020). This reasoning aligns with the work of Haslam and Reicher (2007), who found that people who had lost faith in the system were more attracted to leaders and groups who were seen as providing a viable alternative to the status quo, and also that of Scheepers, Felling and Peters (1990, 1992), who showed that people may deal with feelings of insecurity and anxiety that result from societal dysfunction by submitting to strong authorities.

Sprong et al. (2019) have provided correlational and experimental evidence for this reasoning. In a first study, we examined the relationship between inequality and the wish for a strong leader in 28 countries among 6,112 participants. We measured economic inequality objectively, using the Gini coefficient, and subjectively, by asking respondents to what extent they perceived that there was inequality in their country. Multilevel modelling showed that both objective and subjective economic inequality predicted the wish for a strong leader. While there was no evidence that anomie mediated the impact of *objective* inequality on the desire for a strong leader, there was evidence consistent with the possibility that anomie mediated the effect of *subjective* economic inequality on the desire for a strong leader. In other words, it seemed that the more that participants perceived that their country was economically unequal, the more they perceived that it was characterized by anomie, and this, in turn, was associated with a greater wish for a strong leader. A second correlational study among a community sample of Australians ($N = 515$) provided highly consistent findings using an extended measure of people's desire for a strong leader (including one that would break the rules or use undemocratic means to achieve his or her goals).

Finally, to overcome the limitations associated with these cross-sectional methods, we conducted two experimental studies ($N = 96$ and $N = 296$) in which we manipulated economic inequality using the earlier discussed Bimboola paradigm (see Sánchez-Rodríguez, Jetten et al., 2019). Importantly, these studies showed that high (compared with low) inequality causally increased participants' perceptions of anomie and wish for a strong leader. They also provided further evidence of the mediational role of anomie. Together then, these findings suggest that a social psychological lens can provide needed insights into the socio-political impacts of economic inequality and its mechanisms. Specifically, it is because inequality erodes and damages the vitality of society, so heightening anomie, that participants are more attracted to a strong leader who can take firm action and stop the (moral) erosion of the social fabric of society.

(b) Inequality triggers enhanced endorsement of conspiracy theories

Because higher economic inequality destabilizes society, it should also be associated with other phenomena that reflect uncertainty, perceptions of collective-level threat, a lack of control and instability. Specifically, there are reasons to believe that high inequality should be associated with a greater belief in conspiracy theories (defined as the belief that groups of people coordinate secretly to do something unlawful or unethical). Our reasoning is consistent with a growing body of work that suggests that conspiracy beliefs are a response to psychological needs under threat. People might gravitate towards conspiracy beliefs because of the promise that they offer answers to epistemic, existential, and social needs challenges (Douglas et al., 2017). Connecting this to our theorizing on the consequences of economic inequality, there are at least three reasons to believe that economic inequality presents epistemic, existential, and social threats, and that embracing conspiracy beliefs may (at least temporarily) counter these threats.

First, economic inequality is an inherently complex economic phenomenon. It is associated with multiple forces relating to, among others, wealth growth, globalization, competitive forces in the free market, skills levels of workers, and investments by the wealthy (see Krugman & Venables, 1995; Kuznets, 2019). It is nearly impossible for lay people to develop a full understanding of these forces. As a result, conspiracy theories that provide a simple and attractive explanation for the causes of economic inequality (by depicting inequality as the result of malevolent secret plans of powerful groups) become attractive because they provide certainty in a complex and uncertain world.

Second, because economic inequality undermines a sense of stability and order (Sprong et al., 2019), the perception that society is unequal is psychologically stressful and existentially threatening (Harding & Sibley, 2013). This is at least part of the reason why the perception of inequality is associated with negative effects on health and well-being (Gugushvili et al., 2020). Conspiracy thinking may be protective of health and well-being in an unequal society because it functions as a palliative strategy in the face of uncertainty (Federico et al., 2018; Franks et al., 2013). For example, by attributing the causes of inequality to a small group of malevolent actors, endorsing conspiracy theories can psychologically buffer the individual from perceived system threats (Jolley, Douglas, & Sutton, 2018).

Third, in line with the fit hypothesis (H1) which proposes that inequality triggers unfavourable social comparisons that threaten the status of the self and the group, as well as the wealth categorization hypothesis (H2) reasoning that inequality enhances wealth categorizations, harming intergroup relations, inequality is likely to enhance the need for people to restore the positive image of themselves and their group. Here again, conspiracy beliefs are appealing because the derogation of economically privileged groups is often at the core of their logic and they may thereby boost the group's positive image. Indeed, in line with classic social identity principles (Tajfel & Turner, 1979), the status and positive identity of the ingroup may be protected when conspiracy beliefs frame outgroup members as responsible for inequality, thereby protecting the image of the ingroup as competent and moral but sabotaged by the conspiracies' actors. In line with this reasoning, previous research has shown that perceptions of threat to the group's status, prejudice toward powerful groups, and perceptions of intergroup threat are all positively associated with the endorsement of conspiracy beliefs (Goertzel, 1994; Uscinski & Parent, 2014; Imhoff & Bruder, 2014; Mashuri & Zaduqisti, 2015). In sum, once economic inequality is salient, adopting conspiracy beliefs may reflect a coping attempt—an endeavour to come to grips with an uncertain, existential, and socially threatening situation.

We found initial evidence for some of these processes in studies involving different methods, measures, and samples (e.g., Casara et al., 2021). Specifically, multi-country datasets including 59 countries in total provided evidence to support the hypothesis that economic inequality is associated with greater endorsement of conspiracy beliefs at the country level. Next, in a correlational study among Australian citizens (N=515), the perception of economic inequality was positively associated with conspiracy beliefs even when controlling for age, gender, political orientation, income, and level of education. In two subsequent experimental studies (N= 96 and N=296) using the Bimboola paradigm (Sprong et al., 2019; Sánchez-Rodríguez, Jetten et al., 2019), the high (vs. low) economic inequality condition caused participants' conspiracy beliefs. Similar results were obtained in two additional experiments that used a simplified version of the Bimboola paradigm.

These findings provide some evidence that conspiracy beliefs arise in situations characterized by anomie, threat, intergroup conflicts and a lack of stability — all features that are part of a social reality perceived as economically unequal (e.g., Elgar, 2010; Fritsche & Jugert, 2017; Harding & Sibley, 2013; Sánchez-Rodríguez, Willis et al., 2019; Sprong et al., 2019). Conspiracy beliefs can be seen as an attempt to cope with the stressors generated by a number of inequality-related environmental cues. However, even though conspiratorial thinking might temporarily restore epistemic uncertainty, counter existential threat and satisfy positive image needs, it may not be the most effective coping mechanism in the longer term. This is because conspiracy beliefs do not address the root problem: economic inequality.

The socio-structural hypothesis: Inequality and its legitimacy

While much research has focused on the relationship between high levels of objective inequality (as for example measured by the Gini coefficient) and particular outcomes, there is growing evidence that subjective indicators of inequality predict societies' social and political vitality just as well as objective indicators of inequality (if not better, see Sprong et al., 2019). This is not a new observation. Indeed, classic relative deprivation theorizing suggests that often it is not people's actual or objective wealth and standing that matters most for their perceptions of relative deprivation, but rather the extent to which people, relatively speaking, *feel* wealthy, and, importantly, the extent to which they *feel* they are entitled to more than they actually have.

Indeed, research suggests that people's perceptions that inequality is *fair* may be a more powerful predictor of a range of consequences than either actual or perceived level of inequality (Akbas et al., 2014). It has for instance been found that it is people's interpretation of the legitimacy of inequality, or the perceived ability of people to climb the financial ladder in a highly unequal society (e.g., the belief in ideologies relating to meritocracy; Starmans et al., 2017) that predicts whether objective inequality is associated with negative outcomes. For instance, it has been found in several European countries that the negative relationship between inequality and happiness holds mostly for those who are more ideologically opposed to inequality (i.e., the politically left) or suffer the most from it (i.e., the poor; Alesina et al., 2004). Furthermore, Dare and Jetten (2021) found in two studies that it was not the perceived level of inequality, but the perceived fairness of inequality that was predictive of willingness to behave prosocially towards those who are less well off.

Connecting these insights to our social identity analysis, we propose that objective inequality should have fewer problematic effects for social and political vitality when people perceive that inequality is fair and just (Tyler, 2011). Specifically, when people perceive that inequality is the result of the legitimate acquisition of wealth by the rich and the poor receiving their just deserts, people are less likely to perceive inequality as a problem. However, when people perceive that inequality is the result of unfair wealth acquisition such as corruption, fraud, exploitation, and nepotism, they are likely to react very differently. Therefore, as we will outline in the next section, we expect that it is not just the perceived level of economic inequality, but also the perceived legitimacy of inequality, that will motivate people's collective action intentions to redress or rectify economic inequality.

The socio-structural hypothesis: Predicting collective action

Precisely because economic inequality affects the stability of societies and because it triggers questions about whether the degree of inequality is legitimate and fair, inequality often gives rise to collective action. Indeed, in many regions around the world, rising levels of economic inequality are at least part of the reason why there has been a surge in collective action for social change (Walker, 2019). For example, in France, the Yellow Vest movement arose in response to rising fuel prices and cost of living and became a consolidated voice fighting for economic equality. Chile, a country with high levels of inequality (Andersen & Curtis, 2012), witnessed mass student protests demanding reforms to the education system to ensure equal access for all groups regardless of their socio-economic status.

Why does economic inequality trigger such protests? A few points are worth noting when responding to this question. First, recapping the social identity principles that we outlined in previous sections, regardless of actual levels of economic inequality, the subjective perception that inequality is increasing is sufficient to promote collective action. This is because the perception that society is divided between the 'haves' and the 'have nots' makes social categorizations along income and wealth especially salient, thereby motivating people to identify with their respective social class groups (Andersen & Curtis, 2012; Loughnan et al., 2011). As we argued before, in self-categorization terms, perceived inequality promotes the comparative fit of wealth groups as an important basis of social categorization (H1; Jetten et al., 2017).

Second, this in turn increases "us" versus "them" perceptions, whereby the boundaries between wealth groups are viewed as increasingly impermeable, limiting not only social mobility but also enhancing the perception that the status quo is illegitimate. When economic inequality is perceived as illegitimate, it promotes feelings of injustice, resentment, and anger, which mobilizes people towards action to push for social change (Kawakami & Dion, 1995; van Zomeren et al., 2008). This is particularly likely for those from lower social class backgrounds who not only experience economic inequality but also a sense of relative deprivation compared to higher-class groups (Walker & Smith, 2002), thereby creating intergroup comparisons that motivate collective action to improve the conditions of their group (Wright et al., 1990).

There is some evidence for these dynamics. In the context of the Yellow Vest movement in France, Jetten, Mols, and Selvanathan (2020) described events that made the gap between the rich and poor in French society increasingly salient over time. First, President Macron fuelled the salience of economic inequality through the introduction of policies that perpetuated pre-existing wealth gaps in French society, therefore raising resentment amongst the lower social class (see also Morales, Ionescu, Guengan & Tavani, 2020). Second, there was evidence that rising levels of economic inequality were viewed as a violation of core national values built around egalitarianism, thereby promoting a sense of identity threat and discontinuity from the country's glorious past (Jetten & Wohl, 2012; Liu & Hilton, 2005; Sani et al., 2008). These group-based perceptions, combined with an aggressive police response to the protesters, further fuelled perceptions that actions by those in power were illegitimate, increasing group divides and fuelling the mobilization of the Yellow Vest movement (see also Adam-Troian et al., 2020; Drury & Reicher, 2000).

As a result, various groups from the lower social class came together in solidarity through the emergence of a shared superordinate group identity built around a narrative of "victims of inequality" identity, contrasting away from a visible outgroup (i.e., the upper-class elites and political leaders). This qualitative analysis also helped to understand how "us" versus "them" dynamics were amplified when the Yellow Vest were further alienated in speeches by political leaders, which made the movement more distinct (Jetten et al., 2019). Nevertheless, the popularity of the movement rose despite this and its success was in part due to its ability to articulate and draw on collective grievances about inequality (and in highlighting the illegitimacy of those inequalities), thereby uniting disparate groups in the lower class of French society (see also Acar & Ulug, 2016).

Similar dynamics were at play in collective action by the Chilean student movement. Based on a longitudinal study, Alvarez et al. (2021) focused on the extent to which Chileans could be grouped into different categories depending on their socio-economic background *and* levels of participation in the movement (N=1226). The analysis shows that social class was a good predictor of participation in the movement. The upper class were largely uninvolved in the movement, reflecting the idea that the movement may threaten their group-based advantages (Wang et al., 2021). Interestingly though, it was the middle-class group (not the lower social class) that participated most in the movement. In particular, middle-class members of society engaged in conventional, moderate, as well as more radical forms of collective action. This echoes past findings that economic inequality causes those in the middle class to perceive their ingroup as less wealthy and more disadvantaged (Sanchez-Rodriguez, Jetten et al., 2019) and that this enhances their willingness to challenge economic inequality. These findings showed that the loyalties between the upper-class group and the rest of society sharply differed, and therefore contributed to polarizing responses in attempts to redress income inequality in Chile. Thus, attempts to rectify inequality tend to draw more heavily on some wealth groups than on others (see also Brandt et al., 2020).

To conclude, there is evidence that economic inequality triggers new intragroup and intergroup dynamics that help to explain the rise of collective action geared towards achieving greater social equality. It is by being mindful of basic (self-)categorization and social identity processes that one can better understand emerging collective narratives aimed at mobilising collective action. Such collective action that can both tear the groups in society asunder and also reshape society in ways that reduce economic inequality.

Economic inequality in times of dramatic societal change

The causes and consequences of economic inequality are varied. Indeed, as our analysis shows, economic inequality affects almost every aspect of life. We can see this especially clearly when we consider the far-reaching consequences of economic inequality in times of dramatic societal change. For instance, let us consider how economic inequality has impacted societies' ability to respond effectively to the impact of COVID-19. It is evident that the negative effects of societal inequality have come to the fore in the face of the dramatic societal change that COVID-19 has brought upon us all. Not only has COVID-19 exacerbated inequality, but efforts to fight COVID-19 have hit the most vulnerable the hardest, and this compromised the effectiveness of responses to the pandemic (for an analysis, see Goldin & Muggah, 2020; Jetten, Reicher et al, 2020). For instance, during the first COVID-19 lockdown in 2020, there is evidence from many countries that lower wage individuals were less likely to be able to comply with social distancing measures simply because they are less likely to work from home or because they could not afford to avoid crowded public transport to get to work (Ogbunu, 2020). According to location data of 15 million US phone users that were broken down by income, limiting movement is a luxury that low-income people were less likely to be able to afford during COVID-19 lockdowns.

Although people in all income brackets were moving less once physical distance measures were introduced, wealthier people were more likely to stay at home earlier. This then gave more affluent people a social distancing head start, reducing their exposure to the virus at a crucial period in time and lowering their risk of falling ill (Valentino-De Vries, Lu, & Dance, 2020).

In this review, we have argued that to understand the effects of inequality on society and its politics, we need to develop an understanding of the way that collective level processes that are grounded in pre-COVID-19 economic inequalities determine the long-term impact of this pandemic on society and, by extension, the individuals in it. Indeed, while the explanation for why income inequality deepens following disasters is partly economic (e.g., more affluent businesses and communities benefiting more from recovery packages, Ulubasoglu, 2020), in line with social identity theorizing, the reasons for such dynamics are also partly psychological—and most importantly, grounded in collective level processes and intergroup relations.

One of the key defining features of communities and countries that experience high levels of economic inequality is that they are typically low in cohesiveness with strong "us" versus "them" dynamics (Jetten et al., 2017; Jetten & Peters, 2019). Furthermore, high inequality goes hand in hand with low trust and high competitiveness—all the ingredients that undermine a coordinated response to a disaster. In the context of a contagious virus where the actions of others determine whether the virus spreads or not, issues of trust and solidarity are more important than ever. Whether a community bands together or falls into chaos depends very much on whether the community is cohesive, whereby people are trusting of each other and have a strong sense of shared identity before the disaster. Given the importance of inequality in affecting trust, pre-existing inequality will be one of the key reasons to determine whether chaos or solidarity prevails after a disaster.

Concluding Remarks

In this review, we developed a social identity analysis of the consequences of economic inequality for the social and political vitality of a society. We further developed the four specific hypotheses that were introduced by Jetten et al. (2017) and discussed initial evidence for them. This conceptual frame as well as the empirical evidence hopefully provides guidance not only for future research but also for determining the best possible recovery responses when confronted with disasters in an unequal world. We first proposed a 'wealth fit hypothesis' (H1) suggesting that inequality increases people's tendencies to see the world through a lens of wealth. This prediction is well captured by Wilkinson and Pickett (2009; see also Loughnan et al., 2011) when they observe the following dynamic:

> If inequalities are bigger, . . . where each one of us is placed becomes more important. Greater inequality is likely to be accompanied by increased status competition and increased status anxiety. It is not simply that where the stakes are higher each of us worries more about where he or she comes. It is also that we are likely to pay more attention to social status in how we assess each other. (p. 44,)

In other words, with increasing levels of inequality, wealth becomes a fitting basis for categorizing the self and others in society.

Building on this first hypothesis, we posited a second hypothesis (H2; the wealth-categorization hypothesis) predicting that greater wealth categorizations then trigger specific intra and intergroup dynamics. To the extent that inequality enhances the salience of "us" versus "them" distinctions, over time this will lead to the deterioration of relations between different wealth groups (as will be evident from greater intergroup competition). Ultimately, (and we provided initial evidence to this effect) this will lead to enhanced intergroup hostility and reduced prosocial behavior across group lines.

Processes associated with the first two hypotheses then give rise to another process that determines the content of wealth group's identities (H3; the wealth stereotype hypothesis). That is, the enhanced wealth categorizations also enhance the development of richer and more elaborate narratives and self-stereotypes of one's own wealth group and the wealth groups that others belong to. Consistent with this, we found that inequality was associated with negative stereotyping of the poor across several dimensions (i.e., lower in competence, and lower in friendliness and morality) but also that higher inequality led to more positive evaluations of the assertiveness and competence of wealthy individuals (albeit also reducing their friendliness and moral ratings; see Tanjitpiyanond et al., 2021).

A final hypothesis states that the effects of the first three hypotheses need to be considered in the broader socio-structural context. In particular, socio-structural perceptions relating to the perceived permeability of group boundaries, the stability of the social system and questions whether the wealth gap is legitimate determine whether inequality is challenged and whether there will be collective pushes (in particular among the poorer wealth groups) to demand greater economic equality.

Examining support for these predictions, it is clear that economic inequality has a range of (mostly negative) consequences for the social and political vitality of a society. Indeed, our social identity analysis suggests that growing inequality undermines not only known outcomes such as an individual's health (for an overview see Wilkinson & Pickett, 2009), but also the sustainability and vitality of society as a whole. Here, we drew attention to some of the categorizations and (inter)group dynamics that are at work in more unequal societies and are responsible for some of these outcomes. By contributing to this knowledge, it will hopefully be easier to understand why and when inequality will breed such negative societal outcomes.

Filling this knowledge gap is timely because, to respond effectively to current inequality, we need to combine an analysis of the economic and health aspects of inequality with an understanding of the impact of inequality on categorizations and (inter)group relations within society and thereby on the social world of collectives and individuals alike. As we saw, all too often 'the group' is completely absent from analysis (with attitudes being conceived as the mere aggregate of expressed individual preferences), and social identity theorizing helps us address this old but as yet unresolved social science problem (Mols & 't Hart, 2017). The present review presents an attempt to give direction to a much needed concerted programme of research that builds on the growing interest in the way inequality affects outcomes other than those related to health. This is important because failure to recognize the social and political consequences of inequality —such as civic withdrawal, disinterest in politics, distrust of politicians and radicalization of political attitudes— may have far-reaching practical consequences. A further implication of this neglect is the risk of policy-makers putting too much faith in economic instruments to combat the negative effects of inequality and not enough on ways in which (inter)group tension needs to be managed in times of rising inequality. The psychological costs, as well as real financial costs, of not understanding these dynamics should not be underestimated.

Practically speaking then, would this mean that communities or societies with high levels of inequality are doomed? We believe that such a conclusion is not warranted. That is, even though high economic inequality does present a significant barrier in the path toward vitality and recovery after disasters such as the COVID-19 pandemic, it does not inevitably bring about irreversible outcomes. Therefore, even though high societal inequality is deeply embedded in societal structures and therefore cannot be easily rectified, it is instructive to consider ways in which its negative effects on solidarity, trust, and community cohesion can be countered. Some of our research provides clues on how this can be achieved. In particular, and rather ironically, we noted that the very resources that are destroyed by inequality are also the resources that are essential to buffer against the negative effects of inequality (Dare & Jetten, 2021; Haslam et al., 2018). In particular, social connectedness, a sense of solidarity, and a strong shared identity have been found to be key in buffering against the negative consequences of economic inequality on societies' social and political vitality (e.g., Wang et al., in press). It would be instructive to harness and develop these social resources in the process of collectively moving towards a more equal society. Future research should focus on exploring how this can be best achieved.

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