

Abstract

This thesis consists of five essays revolving around the topics of inequality, health and housing policy. In the first chapter, we assess the distributional consequences of abolishing a retirement earnings test, by studying a Norwegian pension reform from 2011. We identify causal effects of the reform by comparing the outcomes of adjacent cohorts, who faced very different work incentives after reaching the early retirement age of 62 years. While the transition to an unconditional pension increased income inequality directly, we find no evidence that unequal opportunities for postponing retirement in response to the reform amplified inequality further. In fact, the substantial labor supply response was strikingly homogenous and thus neutral in distributional terms. Previous evaluations of the reform, however, have documented an increase in disability insurance take-up rates among other workers who lost an early retirement option. This underlines the importance of considering potential spill-over effects to other parts of the social insurance system.

The second chapter applies such a ‘holistic’ perspective, when assessing how local employment opportunities affect inflows to different social insurance programs in Norway. To represent a source of exogenous variation in local labor demand, we use a “shift-share” instrument, which interacts the initial local industry-composition with subsequent national industry-specific employment fluctuations. In addition to the anticipated impact on the take-up of unemployment-related benefits, we find somewhat similar effects for temporary disability insurance. Our findings highlight the potential pitfalls of social insurance programs that make a sharp distinction between unemployment and disability.

The third chapter also deals with how unequal opportunities in the local environment may shape people’s life outcomes, albeit with a different focus. In particular, I exploit the quasi-exogenous assignment of refugee families to public housing units across Norway to investigate if children exposed to a criminal local environment are more likely to become involved in crime. I find no evidence that being settled in a higher-crime neighborhood increases criminal behavior. This may raise questions about the use of urban planning and housing policies to tackle social problems.

In the fourth chapter, we investigate how material living conditions affect mental wellbeing by studying winners and losers of a large-scale housing lottery in Ethiopia, which randomly allocates the right to purchase heavily subsidized state-built apartments. Winners experience a substantial wealth shock and report higher levels of overall life satisfaction and lower levels of financial distress than losers do. We find no effects on psychological distress, however, which appears to be less sensitive to economic conditions.

The fifth and final chapter uses the same Ethiopian housing lottery to investigate the causal effect of economic resources on political attitudes. We find no effects on general attitudes toward redistribution or inequality aversion, but new homeowners are less favorable of housing taxes. Interestingly, we also find evidence of endogenous beliefs: winners are more likely to attribute poverty to personality traits and less likely to emphasize the role of luck. This suggests that people may find ways to justify their improved economic status even if it is – as in our case – the result of a lucky draw. Such beliefs might (eventually) erode support for redistribution, implying that rising inequality could potentially become self-reinforcing.