Fairness Across the World: Preferences and Beliefs

Ingvild Almås^{1,2} Alexander W. Cappelen¹ Erik Ø. Sørensen¹ Bertil Tungodden¹

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¹ FAIR - The Choice Lab, NHH Norwegian School of Economics
² IIES - University of Stockholm

Large differences in inequality across the world



Less inequality in rich countries



The will of the people?

- Focus of the presentation: How are these global inequality differences related to the fairness views of people in each country?
- Future work: Understand how the fairness views co-evolve with social institutions (Bowles, JEL, 1998; Fehr and Hoff, EJ, 2011; Besley and Persson, AERI 2019).

Why are fairness views important?

Fairness and Voting



Fairness views - broader perspective

- The role of the fairness views of people may differ across societies due to different **political structures** (Alesina and Glaeser, 2004), limited **state capacity** (Besley and Persson, AER, 2009), and other factors.
- The fairness views of people may also shape inequality through non-voting mechanisms, for example by imposing wage rigidities in labor markets (Kaur, AER, 2019).

Inequality acceptance - two stories

- The classical view: Equality-efficiency trade-off
- **The fairness view:** Unfair and fair inequality

Inequality acceptance - preferences and beliefs

- Preferences: People may differ in inequality acceptance because they differ in how they trade off equality and efficiency (Okun, 1975) or in what they consider a fair inequality (Almås, Cappelen, and Tungodden, JPE, 2020).
- Beliefs: People may differ in inequality acceptance because they differ in their beliefs about how inequality affects efficiency (Acemogly, Robinson, and Verdier, JPE, 2017) or in their beliefs about the causes of inequality (Piketty, QJE, 1995; Alesina and Angeletos, AER, 2005; Bènabou and Tirole, QJE, 2006; Alesina, Stantcheva, and Teso, AER, 2018).

Fairness across the world: the approach

- Preferences: Study real distributive behavior of representative populations in 60 countries in identical economic environments, where we control and randomly vary the source of inequality and the cost of redistribution?
- Beliefs: Study beliefs about the equality-efficiency trade off and a broad range of beliefs about whether individual choices and background factors cause inequality?
- Policy attitudes: Relate these preferences and beliefs to whether people find existing inequality unfair and support redistribution - and to actual inequality and income levels in the countries.

Contributions of the paper

- Provides a unique study of fairness preferences across the world, including the largest experimental study implemented in the social sciences.
- Provides rich and novel data on the beliefs shaping inequality acceptance.
- Provides new understanding of how fairness preferences and beliefs may contribute to explain global variation in inequality.
- Provides global large-scale causal evidence on the importance of the source of inequality and the cost of redistribution for inequality acceptance in general populations.

Pre-analysis plan

- Describes the main research questions and formulates the main hypotheses to be tested, but more open than a classical pre-analysis plan.
- Describes the design in detail.
- Describes the identification strategy.
- The plan is publicly available and was posted on AEA RCT registry before we opened any data for analysis.

The design of the study

Fairness across the world – study design

- We implemented a module on the Gallup World Poll in 2018 in 60 countries (65800 respondents; 1000+ in each country, China (3600+) India (3000), Russia (2000)).
- ► The module consists of three parts:
 - Fairness preferences: All the respondents made a real spectator distributive decision for two workers.
 - Beliefs: All the respondents answered a subset of questions on their beliefs about the causes of inequality and their belief about the efficiency cost of redistribution.
 - Policy attitudes: All the respondents answered two questions about attitudes to current inequality and on whether government should aim to reduce inequality.
- Novel approach: First experimental study in Gallup World Poll (Falk et al., QJE,2018).

Countries included in the study



List of countries

- The 60 countries are: Afghanistan, Algeria, Argentina, Australia, Bangladesh, Bolivia, Brazil, Cambodia, Cameroon, Canada, Chile, China, Colombia, Croatia, Czech Republic, Ecuador, Egypt, Estonia, Ethiopia, France, Germany, Greece, Hungary, India, Indonesia, Iran, Israel, Italy, Japan, Jordan, Kazakhstan, Kenya, Malawi, Mexico, Morocco, Netherlands, Nigeria, Norway, Pakistan, Peru, Philippines, Portugal, Russia, Rwanda, South Africa, South Korea, Spain, Sri Lanka, Switzerland, Tanzania, Thailand, Turkey, Uganda, Ukraine, United Kingdom, USA, Venezuela, Vietnam, Zambia, and Zimbabwe.
- Covers all the large economies and 80% of the world population.

Fairness preferences

Spectators decide whether to redistribute earnings between a pair of workers who have conducted a job.

- Workers recruited through an international online market place (mturk).
- Same pool used in all countries.
- Spectators recruited and participating through Gallup World Poll.
 - Representative samples of the populations in the 60 countries.
 - ► Three treatments, between-individual design.
 - Luck (L).
 - Merit (M).
 - Efficiency (E), introducing a cost of redistribution.

Do you accept the inequality?



Luck - Distributive decision (in the US)

- ▶ 1. Leave it as it is: (6, 0)
- ▶ 2. **Redistribute**: (4.5, 1.5) or (3, 3)

Treatments

- Merit: Manipulates the source of the inequality:
 - Earnings determined by the one who was most productive on the assignment.
- Efficiency: Manipulates the cost of redistribution:
 - Iceberg cost of 50% (3.6,1.2) or (2,2).
 - Highlights that there is a cost to transfer the money.

Important design choices

- Real choice: The decision made by a spectator was matched with a unique pair of workers.
- Same pre-redistribution earnings in all situations: All spectators faced the pre-redistribution earnings of (6 USD, 0 USD); PPP adjusted for each country.
- Complete information: Spectators had complete information about the source of the inequality and the cost of redistribution.

Theoretical framework

- We provide a simple social preference model to guide the interpretation of the results.
- The spectators choose the distribution (x, y), where y is the income to the worker with no pre-redistribution earnings. We assume that the spectators care about fairness and efficiency:

$$V(y) = -\beta(y - m_j)^2 - (c_j y)^2, \qquad (1)$$

where β > 0 is the weight attached to fairness relative to efficiency, m_j is what the spectator perceives as the fair income to the worker with no pre-redistribution earnings in treatment j, and c_j is the cost of redistribution in treatment j, j = L, M, E.

Optimal behavior in the different treatments

Luck and Merit treatments:

$$y(j) = m_j \tag{2}$$

Efficiency treatment:

$$y(E) = m_E \beta / (\beta + 1) \tag{3}$$

We observe that:

- $\beta \to 0$ implies that $y(E) \to 0$.
- $\beta \to \infty$ implies that $y(E) \to m_E$.

Fairness views

The spectators make distributive decisions in situations where there is no violation of procedural fairness. Three salient fairness views:

- **Egalitarianism**: Inequalities due to luck and performance are unfair.
- Meritocratism : Inequalities due to luck are unfair, inequalities due to performance are fair.
- **Libertarianism**: Inequalities both due to luck and performance are fair.

Summary: Treatments and identification

All treatments: Earnings of (6 USD, 0 USD).

 Only difference: Source of inequality or cost of redistribution.

The three treatments enable us to **identify**:

- General inequality acceptance.
- Causal effect of the source of inequality.
- Causal effect of a cost of redistribution.
- Prevalence of fairness views.

Beliefs

Each participant was asked a subset of 9 belief questions, on a 1–5 disagree to agree scale (1- strongly disagree, 5 - strongly agree).

- Source of inequality (luck)
 - In your country, one of the main reasons for the rich being richer than the poor is that the rich have had more luck in life than the poor.
- Cost of redistribution (tax incentives)
 - In your country, if the government increases the taxes that the rich have to pay, the rich will work less and invest less.

Potential sources of inequality

Q #		Choice or Background
	Hard work	С
	Risk preferences	С
	Time preferences	С
	Selfishness	С
	Illegal activities	С
	Luck	В
	Abilities (innate)	В
_	F. Opportunities	В
	Tax incentives	

Everyone answered these two (1-5 disagree to agree scale):

- Unfair inequality: In your country, the economic differences between the rich and the poor are unfair.
- Redistribution: In your country, the national government should aim to reduce the economic differences between the rich and the poor.

Results: Preferences

Inequality acceptance

Inequality implemented by spectator:

$$e = \frac{|x - y|}{x + y}.$$
 (4)

 Equivalent to the Gini coefficient in this economic environment.

Implemented inequality – pooled across treatments



Is there less inequality acceptance in rich countries?



Is there less inequality acceptance in rich countries?



Implemented inequality in Luck and Merit treatments



Implemented inequality in Luck and Merit treatments



Luck: Implemented Gini



Merit: Implemented Gini


Luck: Implemented Gini by country



Luck treatment

Merit: Implemented Gini by country



Merit treatment

Implemented inequality in Luck and Efficiency treatments



Implemented inequality in Luck and Efficiency treatments



Luck: Implemented Gini



Efficiency: Implemented Gini



Efficiency: Implemented Gini by country



Efficiency treatment

The empirical specification is

$$\mathbf{e}_{i} = \alpha + \alpha_{M} \mathbf{M}_{i} + \alpha_{E} \mathbf{E}_{i} + \gamma \mathbf{X}_{i} + \epsilon_{i},$$

where e_i is the income inequality implemented by spectator i, M_i and E_i are indicator variables for spectator i being in the Merit or the Efficiency treatment, and X_i is a vector of control variables.

Treatment effects

	Implemented Gini	
Merit (d)	0.259*** (0.004)	0.259*** (0.004)
Efficiency (d)	0.050*** (0.004)	0.051*** (0.004)
Rich (d)		0.007 (0.006)
Poor (d)		0.007* (0.004)
Female (d)		-0.013^{***} (0.004)
Age (Z-score)		0.015***
Married (d)		-0.008* (0.004)
# children (Z-score)		-0.014*** (0.003)
Middle edu (d)		-0.003 (0.004)
High edu (d)		-0.008 (0.006)
Working (d)		-0.011*** (0.004)
Urban (d)		-0.011** (0.004)
Country FE Observations	No 64,784	Yes 63,714

Treatment effect by country, Merit



Coefficients from country-by-country regressions of gini on treatment indicators.

Treatment effect by country, Efficiency



Inequality acceptance: Luck



Inequality acceptance: Merit



Inequality acceptance: Luck and Merit



Rich countries are more meritocratic



Rich countries are not more efficiency-seeking



Preferences: Main findings

- Observation 1: Significant variation in fairness preferences across the world, particularly with respect to inequality due to luck. Rich countries are much more meritocratic than poor countries. Much less variance in efficiency preferences.
- Observation 2: Variation in fairness preferences may contribute to explain why we observe less inequality in rich countries. Rich countries are less accepting of inequality due to luck.

Results: Beliefs

Choice beliefs (means)



Background beliefs (means)



Beliefs: Choice versus Background



Beliefs: Efficiency



Rich countries believe more in background factors



Rich countries believe less in a large efficiency cost



Beliefs: Main findings

- Observation 3: Significant variation in beliefs across the world, both with respect to the source of the inequality and the cost of redistribution
- Observation 4: Variation in beliefs may contribute to explain why we observe less inequality in rich countries. Rich countries agree more that inequality is due to background factors and less that there are efficiency costs with redistribution.

Results: Policy Attitudes

The most divided country?

The most divided country



Is inequality in your country unfair?



Should government in your country aim to reduce inequalities?



Government should aim to reduce inequality?



Government should aim to reduce inequality?



Policy attitudes: Preferences and beliefs

- We find that both preferences and beliefs are significantly associated with policy attitudes.
 - Individuals who implement less inequality in the experiment demand more redistribution.
 - Individuals who believe that inequality is due to family background, luck, criminal activity, and selfish behavior demand more redistribution; individuals who believe that inequality is due to hard work demand less redistribution.
 - Preferences and beliefs are uncorrelated.

Actual inequality: Preferences and beliefs

- We find that inequality acceptance in the experiment is closely associated with actual inequality in society.
 - People from societies with more inequality implement more inequality in the experiment.
- Find the same pattern if we exploit regional variation.

Results: Concluding remarks

Concluding remarks

- We report from the first global experimental study of fairness preferences and beliefs.
 - Find large variation across the world in fairness preferences and beliefs.
- Contribute to explain why rich countries implement less inequality.
 - Less accepting of inequality due to luck.
 - Believe to a greater extent that inequality reflects background factors and less that it is costly to redistribute.
- Show that fairness preferences and beliefs are associated with policy attitudes and actual inequality in society.
- Find that present inequality is considered unfair in most countries and that there is largely support for further redistribution, the US being the most striking exception.
Thank you!

Fairness and moral motivation - work in progress

Understanding meritocracy

- What is a morally relevant choice? (Cappelen, Fest, Sørensen, and Tungodden)
- Why do people reward talent, but not other types of luck? (Bartling, Cappelen, Skarpeid, Sørensen, and Tungodden)
- Fairness in winner-takes-all markets (Bartling, Cappelen, Eckström, Sørensen, and Tungodden)
- Merit with limited information? (Cappelen, de Haan, and Tungodden)

Second-best fairness (Cappelen, Cappelen, and Tungodden)

The moral mind - a global study

- Selfishness (Cappelen and Tungodden)
- Moral universalism (Cappelen, Enke, and Tungodden)
- Freedom and paternalism (Bartling, Cappelen, Hermes, and Tungodden)

 Socialization of moral views - a global study, (Cappelen, Falch, Sørensen, and Tungodden)

Luck treatment

I am now going to ask you to make a decision that will decide how two real people are paid for some work they have conducted. You do not know these two individuals, but they will receive the payment that you decide. Recently, these two individuals were hired to do an assignment that could be completed in a short time. They worked independently and did not communicate with each other in any way. They were both paid a compensation for taking part in the work. After they had completed the assignment, they were told that it was randomly decided that one of them would earn an additional 6 USD for the work on the assignment while the other would not earn anything additional for the work on the assignment. However, they were also told that a third person could change how the additional earnings would be divided between the two of them. You are this third person and it is now up to you to decide whether you want to change how the additional earnings are divided between the two workers for the work on the assignment. You can choose between some alternatives and whatever you decide will happen; the two individuals will receive what you decide. How do you want to divide the additional earnings? Remember, what you choose will be paid to these two people in real life.