

# Inequality and Beliefs

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# Outline

- Egalitarian preferences and behaviors are affected by beliefs about justice and closely related beliefs about the moral worthiness of the needy.
- Overview how these beliefs have been conceptualized in the past.
- Introduce newer focus: target-specific beliefs
- Highlights from empirical research on target-specific beliefs
- Comments on the academic and policy relevance of this research.

# Perceived Fairness -> Attitudes to Inequality

- Fairness matters.
  - People are much more opposed to inequality when they believe that inequality reflects luck or circumstances rather than effort of factors under individual control.
  - People are more accepting of inequality when they believe it reflects a meritocracy.
- Pecuniary self-interest matters too. Just not as much as economists expected.

# Relevant Literatures

- The empirical regularity of beliefs in meritocracy being associated with acceptance of inequality reflects a common theme in various terms and theories of fairness across the disciplines:
  - Accounts of Protestant work ethic going back to Martin Luther (history)
  - Equity as a principle of justice (sociology, psych)
  - Reciprocity, especially “Strong Reciprocity” (anthropology, econ)
- Formal models of how beliefs about causes of income mobility and meritocracy affect demands for redistribution (economics)

# General Attitudes to Inequality and Beliefs about Merit

- Measures of general attitudes to inequality and redistribution
  - “Inequality is a problem that needs to be fixed.”
  - “The government should tax the rich to help the poor.”
- Measures of general beliefs that incomes are under volitional control
  - “The United States is a land of opportunity. Anyone who works hard enough can get ahead in life.”
  - “The economy is a meritocracy.”
  - “What does it take to get ahead in life?” “Effort, luck or circumstances beyond control, or both?”

# Target-Specific Attitudes about Inequality

- Attitudinal measures from U.S. Gallup data:
  - “People feel differently about how far a government should go. Here is a phrase which some people believe in and some don’t. Do you think our government should or should not redistribute wealth by heavy taxes on the rich?”
  - “Some people feel that the government in Washington, DC should make every possible effort to improve the social and economic position of the poor. Others feel that the government should not make any special effort to help the poor, because they should help themselves. How do you feel about this?”
- Attitudinal measures from German Socio-Economic Panel (SOEP)
  - “Taxes on those with high incomes in Germany should be increased.”
  - “Financial help to those with low incomes in Germany should be increased.”

# Target-Specific Beliefs about Merit

- Attitudinal measures
  - WHYRICH: Just your opinion, which is more often to blame if a person is rich – strong effort to succeed on his or her part, or luck or circumstances beyond his or her control? (Strong effort=1, Both=2, Luck or circumstances beyond his/her control=3).
  - WHYPOOR: Just your opinion, which is more often to blame if a person is poor – lack of effort on his or her part, or circumstances beyond his or her control? (Lack of effort=1, Both=2, Circumstances beyond his/her control=3).

# Data from Experiments

- Gifts of real money to real-life poor people in economic experiments.
- Experimentally manipulated information about the recipients in dictator games
  - Charity (worthy) versus anonymous student (Eckel and Grossman)
  - Race (Fong and Luttmer)
  - .Prior work history (Fong)
  - Substance abuse (Fong and Oberholzer-Gee)



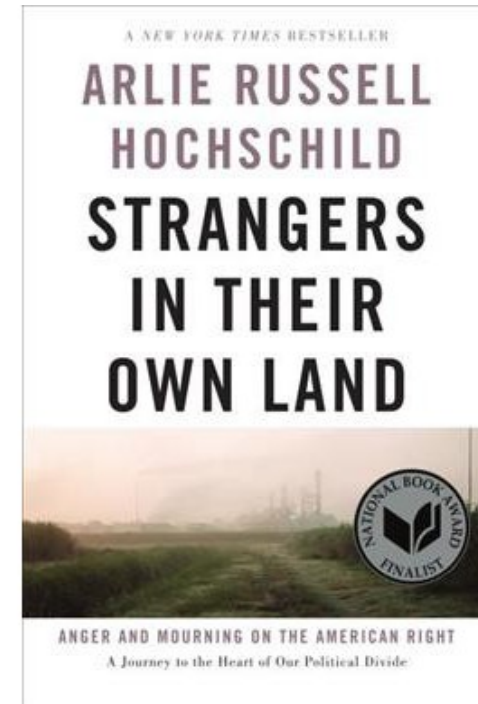
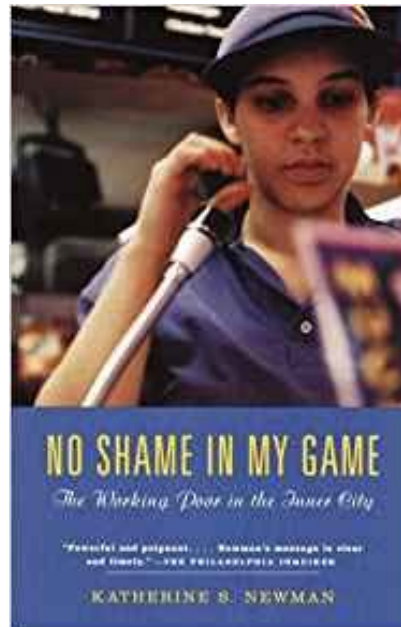
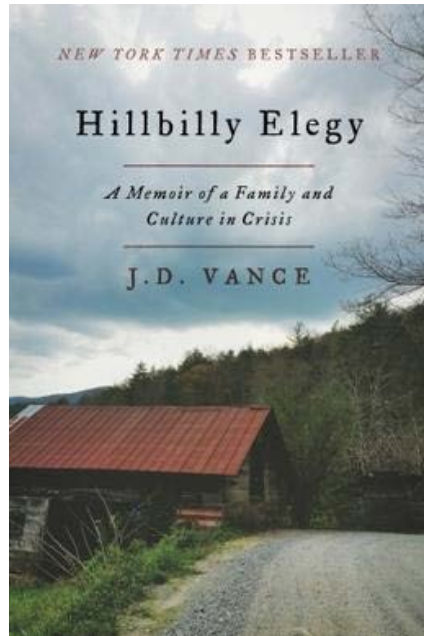
# Who Holds Target-Specific Beliefs?

- In Gallup data, over 40% of respondents do NOT have general beliefs. Similar results in German SOEP data.
- Among these people, there is no association between the beliefs and political ideology.
- Men, fulltime workers, people without college degrees and younger people blame the poor more than they credit the rich.
- Those in the second-to-bottom income or social class also blame the poor more than they credit the rich. They also show especially strong opposition to transfers to the poor.
- These are all factors that affect views about the poor than views about the rich

# Beliefs about the Poor in America

- Negative views toward the poor among less-educated, almost poor or middle class, employed men are not “balanced out” by especially positive views toward the rich.
- From a fiscal point of view, this could mean they want more redistribution away from the poor AND away from the rich, possibly to their own class, the middle class.

# Beliefs about the Poor in America: Qualitative Evidence



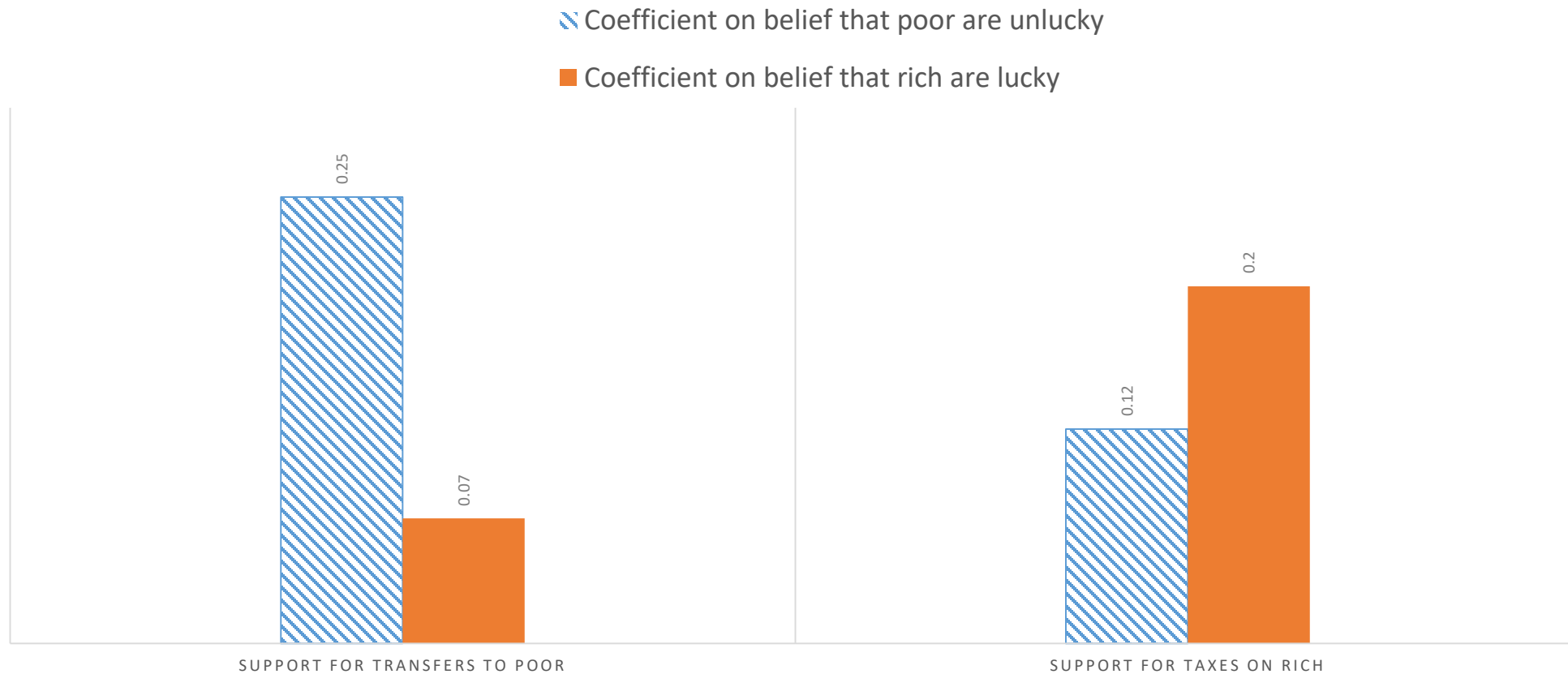
# Empirical Effects of Target-Specific Beliefs

- Target-specific effects are significantly larger than non-target specific effects both:
  - (i) Across equations (within rows)
  - (ii) Within equations (within columns)

	Depvar = GOVPOOR	Depvar = TAXRICH
WHYPOOR	STRONGER (significant)	WEAKER
WHYRICH	WEAKER	STRONGER (significant)

# Results from Attitudinal Data

FIGURE 1. ESTIMATED EFFECTS OF TARGET-SPECIFIC BELIEFS ON SUPPORT FOR TAXES AND TRANSFERS



# Experimental Data

- We present novel analysis of data from a previously published experiment on dictator game giving of real money to real-life poor people.
- Addresses concerns about:
  - Cheap talk: real money is used
  - Beliefs endogenous to giving: WHYPOOR and WHYRICH beliefs collected prior to experiment
  - Separating other- versus self-regarding components beliefs: dictators have no self-interest in giving, so if beliefs have a self-serving and an other-regarding component, it is the other-regarding component that matters.

# Experimental Design

- One week prior to the experiment, subjects completed an online questionnaire containing the WHYPOOR and WHYRICH questions from the 1998 Gallup Social Audit, as well as general beliefs.
- In the experiment, subjects were randomly assigned to one of three welfare recipients who varied according to work history and stated intentions to work.
- After the experiment, subjects completed an exit survey including a question about why their recipient is poor.

# Prior Measures of Beliefs in Experiment on Giving to Welfare Recipients

Target-Specific Beliefs		
Gallup (1998)	Which of the following more often explains why a person is poor: circumstances beyond his or her control = 0, both = .5, lack of effort on his or her part = 1	-0.173 (0.038)
Katz-Hass (1989)	Most people who don't succeed in life are just plain lazy. Scaled from 1 (disagree strongly) to 5 (agree strongly).	-0.211 (0.011)
Katz-Hass (1989)	People who fail at a job have usually not tried hard enough. Scaled from 1 (disagree strongly) to 5 (agree strongly).	-0.159 (0.057)
NA	<i>First principal component of above questions in Panel A</i>	<b>-0.2129</b> <b>(0.010)</b>



Non-target-specific beliefs

Gallup (1998)	Which of the following more often explains why a person is rich: circumstances beyond his or her control = 0, both = .5, strong effort on his or her part = 1	-0.122 (0.147)
Katz-Hass (1989)	Anyone who is willing and able to work hard has a good chance of succeeding. Scaled from 1 (disagree strongly) to 5 (agree strongly).	-0.110 (0.189)
Katz-Hass (1989)	The person who can approach an unpleasant task with enthusiasm is the person who gets ahead.	0.092 (0.274)
Katz-Hass (1989)	If people work hard enough they are likely to make a good life for themselves. Scaled from 1 (disagree strongly) to 5 (agree strongly).	-0.024 (0.773)
Gallup (1998)	There is plenty of opportunity in America today. Anyone who works hard can go as far as he or she wants. Scaled from 1 (disagree strongly) to 5 (agree strongly).	-0.075 (0.374)
NA	<i>First principal component of above questions in Panel B</i>	<i>-0.057 (0.500)</i>

# Tobit Regressions of Dictator Game Offers to Welfare Recipients on Target-Specific and Non-Target-Specific Beliefs.

	(1)	(2)	(3)
Target-specific belief	-0.973***		-1.070***
	(-2.89)		(-2.72)
Non-target-specific belief		-0.420	0.169
		(-1.26)	(0.44)
Constant	1.943***	1.955***	1.940***
	(6.11)	(5.97)	(6.08)

# Possibly Helpful Concepts from Psychology

- Highly developed machinery for quick interpersonal thinking activates more for target-specific beliefs than general beliefs.
- Prototypes, Exemplars, Categorization Theory: ***Basic Categories***
- System I versus System II thinking: ***Fast/Intuitive versus Slow/Rational***
- Levels of Construal: ***High/Abstract versus Low/Concrete***

# Conclusion

- Connections between the level of abstraction used by academics and the level of abstraction used by laypeople.
  - Just as we sometimes think about summary measures of an entire income distribution, many survey measures as respondents to conceptualize inequality in general.
  - And, just as academic research has recently focused on specific parts of the distribution of income, and specific sources of income.
    - Top-income earners, different sources of income (Piketty and colleagues)
    - Poverty in America (Angus Deaton, Anne Case and others)
  - A layperson can think about specific income or social classes, such as the poor, the rich, welfare recipients, working poor, etc.
    - Views of the second-to-bottom income classes regarding the very bottom classes.
- Research on inequality has expanded to carefully examine specific segments of the distribution in fine-grained detail. The research presented today is a first step in an analogous direction for the study of redistributive politics.