

The impact of inequality on growth,
human development, and governance

@EQUAL Workshop

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Session 1: Discussion

21/09/2021

KØBENHAVNS UNIVERSITET



Implications for further research: our lab-in-the-field experiments

- Goal: contribute to a better understanding of people's *views, perceptions,* and *attitudes* towards inequality
- We focus on two key elements:
 - **Fairness views**
 - **Absolute vs. relative measures**
- We explore these elements using **two games**
 - **2** countries: Mozambique and Vietnam (possibly more)
 - 1 **rural** setting; 1 **urban** setting
 - **400** participants (200 rural + 200 urban)

Experimental design: overview

- PART A
Effort task + Game 1: Modified dictator game
- PART B
Game 2: Information prime and social preferences
- PART C
Questionnaire on local demographics
Questionnaire on personal characteristics and determinants of behaviour

Part A. Effort task + Game 1

- **Broad topic:** what do people consider to be fair income distributions; beliefs about the importance of the source of inequality (merit vs. effort); preferences for redistribution

- **Game:**

- 2 players

Poor player Rich player



- 2 scenarios: how the initial income endowments are determined



Part A. Effort task + Game 1

- **We have been discussing **two** questions:**
 - **First**, do differences in fairness views affect decisions to redistribute?

Poor player

Rich player



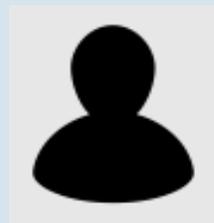
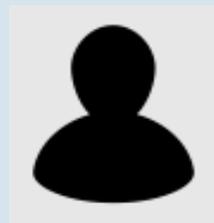
"The total amount of earnings between you and the other player is 12 tokens. How would you like to distribute this amount between you and the other player?"

Comparing redistribution between the two scenarios:

Control: luck

Poor player

Rich player



Treatment: merit (effort task)

Poor player

Rich player



Part A. Effort task + Game 1

- **We have been discussing two questions:**
 - **Second**, does exposure to peers' fairness views affect preferences for redistribution?

Comparing differences in the choice of the rich player:

Information

Poor player



"How would you like to distribute this amount between you and the other player? We will tell your answer to the other player, who will decide whether to accept or not, i.e. to choose a different redistribution."

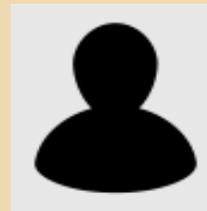
Rich player



"The other player said that he/she would like the distribution to be X for him/her and Y for you. Do you agree? If not, how would you like to distribute this amount between you and the other player?"

No information

Rich player



"How would you like to distribute this amount between you and the other player?"

Part B. Game 2

- **Broad topic:** studies in social psychology - differences between perceived and actual inequality depend on the measure used; results from experiments and surveys not consistent on absolute and relative inequality
- **Game:**
 - “1. You have X [low stake] Dong/MT that you can keep, or donate (a share or the entire amount) to a local community project. How much would you choose to donate?”*
 - “2. You have X [high stake] Dong/MT that you can keep, or donate (a share or the entire amount) to a local community project. How much would you choose to donate?”*

Part B. Game 2

- **We have been discussing three questions:**
 - **First**, does the framing of information on inequality affect social preferences?

Information: relative

[Real info] In village X in Mozambique/Vietnam, person Y is one of the richest and earns 10 times more than person Z who is one of the poorest.

Same two questions as before

Information: absolute

[Real info] In village X in Mozambique/Vietnam, person Y is one of the richest and earns 100 Dong/MT more than person Z who is one of the poorest.

Same two questions as before

Part B. Game 2

- **We have been discussing three questions:**
 - **Second**, how do general trends on inequality affect social preferences?

"Imagine a scenario where you are among the poorest in your village. The table below shows how much you and the richest person in the village earned 20 years ago and how much you both earn today."

	You (poorest)	Richest
20 years ago	40,000 Dong/100 MT	80,000 Dong/200 MT
Today	200,000 Dong/500 MT	600,000 Dong/1,500 MT

Information: relative

20 years ago, the richest person in the village earned 2 times more than you. Today, the richest person in the village earns 3 times more than you.

Same two questions as before

Information: absolute

20 years ago, the richest person in the village earned 40,000 Dong/100 MT more than you. Today, the richest person in the village earns 400,000 Dong/1,000 MT more than you.

Same two questions as before

Part B. Game 2

- **We have been discussing **three** questions:**
 - **Third**, how do people's perception of inequality trends affect altruism?

	You (poorest)	Richest
20 years ago	10,000 Dong/100 MT	20,000 Dong/200 MT
Today	20,000 Dong/200 MT	40,000 Dong/400 MT

"Above is a comparison of the weekly income levels of Person X and Person Y 20 years ago and today. What can you say about the inequality between Person X and Y? Pick one from below."

- A. Inequality stayed the same.*
- B. Inequality is increasing.*

Same two questions as before.

Concluding remarks

- Reiterate gratitude to Klarizze and Matthew
- Focus here was on our upcoming lab-in-the field experiments
- Have consulted broadly – and responses are generally: this looks interesting
- Wish to collect comments and suggestions from the “team” before proceeding:
 - General framing/set up
 - Are we asking the right questions (in the right way)?
 - Specific point to clarify: altruism and the “local community project”
- Many thanks for your attention