Cutthroat Capitalism and Luck: Does Governmental Action Benefitting "a Lucky Few" Increase Individuals' Desire to Redistribute?

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Introduction:

- Income inequality in the United States has increased considerably over the past 30 years and is currently at a historically high level. In the U.S, the top one percent of earners control about 18-19% of total income.[1]
- Compared to other OECD nations, the U.S. is in fact an outlier. For example, Scandinavia maintains a society where only 5-8% of its income is earned by their top one percent.[1]
- Question: Why do Americans not support or call for policies that would result in a more equal society despite these statistics?
- Theoretical design for this study is based on Scheve and Stasavage's compensatory argument theory from their book *Taxing the Rich* (2016).
    - Analyzing a host of historical cases, the authors concluded that societies generally tax the rich when people believe that the state has privileged the wealthy in some way. [3]
- Luck stemming from a governmental action or policy can intentionally or unintentionally advantage a "lucky few" in society
    - Luck does not always come from a lottery or random chance

Experimental Design:

- Almas et al. (2020) "Cutthroat capitalism versus cuddly socialism: Are Americans more meritocratic and efficiency-seeking than Scandinavians?"
- Participants in this study were supplied by Amazon Mechanical Turk and included a sample size of 1,413 American residents above the age of 18. (935 individuals in the worker group and 478 in the spectator group)
- Workers completed the same simple code recognition task and then were allocated earnings (called points in the experiment) in pairs. In each pair, one worker received six points and the other zero. The spectators were then randomly assigned to a pair of workers and asked to decide whether to redistribute the earnings between the pair. Both the spectators and worker pairs were randomly assigned to one of three treatments, which are identical in nature except for the source of inequality in the earnings. The treatments are summarized below:

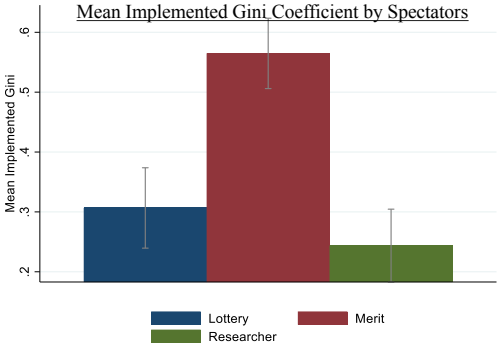
Luck treatment (L): The spectator chooses point earnings in a distributive situation where **luck** is the source of inequality. In the luck treatment, the spectators are told that initial earnings are decided by a lottery. The worker who wins the lottery receives 6 points and the other worker receives 0 points.

Merit treatment (M): The spectator chooses point earnings in a distributive situation where **productivity** is the source of inequality. In the Merit treatment, the worker who performed better on the code recognition task receives 6 points and the other worker is given 0 points.

Government treatment (G): The spectator chooses point earnings in a distributive situation where **"government-like" action** is the source of inequality. In the Government treatment a fourth person, the researcher, decides which worker receives all the earnings. The researcher takes on the role of a "government-like figure" who has the authority to decide the initial distribution. In this treatment, the spectators are told that the researcher will decide initial earnings, one worker is given 6 points and the other worker receives 0 points.

Data Analysis:

- This graph shows the spectators in each condition's mean payment to participant A (the participant who received 6 initial points). This higher the payment, the less redistribution was implemented.
- In accordance with my hypothesis: spectators redistributed most in the Researcher condition, then the Luck condition, and substantially less in the Merit condition.
- The results for the Research condition were found to be statistically insignificant
- However, the findings in the Lottery and Merit conditions were indeed statistically significant, and replicated the findings from the Almas et. al (2020) paper.



- Spectators in the Merit condition implemented a significantly higher Gini coefficient than both of the Lottery and Researcher conditions, very similar results to that of the Almas et al. (2020) paper.

Fairness Views:

- Almas et al. (2020) calculated the share of people in their sample that fall into the categories of egalitarians, meritocrats, and libertarians to categorize fairness views.
    - Egalitarians: the share of spectators dividing equally in the Merit treatment.
    - Meritocrats: the difference between the share of spectators allocating more to the more productive worker in the Merit treatment and the share of spectators allocating more to the lucky worker in the Luck treatment.
    - Libertarians: the share of spectators allocating everything to the lucky worker in the Luck treatment.
- My study added a third treatment to the original Almas et al. (2020) paper, so I created a new category to accommodate this change
    - Authority Adverse Libertarians: the proportion of spectators that give more to the lucky worker in the Luck condition minus the proportion of people that give more to the "lucky" worker in the Government condition.
- These calculations are consistent with what Almas et al. (2020) found in the U.S. (Percentage of spectators in each category).

Egalitarians: 18.47%
Libertarians: 24.07%
Meritocrats: 32.95%
Authority Adverse Libertarians: 5.19%

Conclusions and Future Research:

- The Government treatment (G) in my study was added onto the design of the Almas et. al study to see whether altering the source of luck would influence an individual's desire to redistribute. Although, the results in the Government treatment were not statistically significant, they are still interesting.
- This data shows that the way in which the source of luck is presented to an individual does seem to influence how they perceive inequality. If this study it were to be run again with a larger sample size perhaps this trend would be clearer in the data.
- The Almas et al. (2020) paper exemplified American's conceptions of fairness that tend to accept inequality more when it is based in merit as compared to luck. Being able to replicate this finding in my own study shows how powerful individual perceptions of inequality can be. These results could be useful in the American policy space: for example, directing strategies for framing policies to regulate inequality in the future that will garner the most support from voters.

Bibliography:

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