Egoistic and Sociotropic Policy Preferences

Roman Liesch Michael M. Bechtel

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WELL, I
LEFT YOU
HALF!

WHAT ARE YOU,
GREEDY?

We explore the sources of egoistic and sociotropic policy preferences.

- Relative importance of self-interest and sociotropic concerns
- Empirical equivalence problem
- Novel income conjoint experiment to
 - ① ... specify a policy's multidimensional income effects on self, average, and different income groups
 - ② ... explore role of social comparisons and altruistic concerns
- Findings:
 - 2:1
 - Sensitivity to average income effects related to concern for the poorest.
 - Similar sensitivities across various groups (including partisanship)

Individuals are motivated by personal gains...

- Utility as a function of income
- Income guarantees living standard
- Preparation for adverse events (risk)

Hypothesis 1 (Personal Income Effect)

Personal income gains increase support for policy.

... but also by pro-social considerations.

- Altruistic behavior generates satisfaction
- Concern for poorest: Improve situation of those who are worst off

Hypothesis 2 (National/Average Income Effects)

Average income gains increase support for policy.

Social benchmarking affects assessments of the income effects of policy.

- Assessment of changes in income relative to a benchmark
- Own losses when others benefits may trigger envy

Hypothesis 3 (Personal Income Gains: Social Comparison and Envy)

Individuals are more opposed to income losses if others gain.

We implement a randomized conjoint experiment detailing the income effects of a policy.

Policy Dimensions and Values

Dimension	Values
<i>Changes in Incomes</i>	
Average income in the United States	
Average income in your sector of employment	
Your personal income	-\$5,000 -\$2,000, \$0, +\$2,000, +\$5,000
<i>Changes of Wages in Different Income Categories</i>	
Individuals that earn about \$10k a year	
Individuals that earn about \$85k a year	
Individuals that earn about \$375k a year	-\$5,000 -\$2,000, \$0, +\$2,000, +\$5,000

Note: The table shows the dimensions and corresponding values used in the conjoint experiment.

Survey respondents chose the policy reform they preferred based on the income effects.

Please carefully review the options detailed below, then please answer the questions.
Which policy do you prefer? (1/4)

Impact of Policy on Incomes		Policy 1		Policy 2
Individuals earning about \$375,000 per year		\$0		\$0
Your personal income		+\$5,000		+\$5,000
Average income in the United States		+\$2,500		+\$2,500
Individuals earning about \$85,000 per year		-\$5,000		+\$2,500
Individuals earning about \$10,000 per year		+\$5,000		+\$2,500
Average income in your sector of employment		+\$5,000		-\$2,500
YOUR CHOICE:		☐		☐

We fielded an online survey among US citizens.

- September/October 2016
- $N = 2,760$
- Each respondent rates 8 policies in four binary comparisons ($2 \times 4 \times 2,760 = 22,080$ evaluated policies)
- Quasi-behavioral measures of altruism and reciprocity
- Large number of additional covariates (income, age, gender, partisanship,...)

Individuals care about personal and national-level income changes.

Even those who gain personally are still averse to average income losses.

Individuals care about the economic situation of the poor.

Those with low and those with high incomes care about the poorest.

Social benchmarking: How policies affect the poorest does not change personal income effects.

Covariates help us to analyze differences in sensitivities between different groups.

- Republicans and Democrats react similarly to income changes
- Identification with nationality does not influence sensitivities to income effects at the national level
- Social norms explain part of the sensitivity to national income increases
- Using relative income changes yields very similar results

We find that

- Policy preferences have egoistic as well as sociotropic roots
 - Personal income effects twice the size of national income effects
 - Individuals concerned about welfare of the poorest
 - Even if policy provides personal gains: Oppose income losses for the poor
- Remaining questions:
 - Which role do attitudes towards redistribution play?
 - Which role do fairness principles play (e.g., inequality aversion)?

Back up slides

Individuals care about average and personal income changes as well as low earners.

How policies affect the income of the middle class and rich does not influence personal income effects.

National Identity does not influence support for policies that affect the country

Average income changes affect individuals identifying with both parties very similarly.

Altruism helps to explain how average income increases influence support for policy.

Reciprocity helps to explain how average income increases influence support for policy.

Using relative instead of absolute income changes leads to similar results.