



## Economic status and acknowledgement of earned entitlement



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### ABSTRACT

We present a series of experiments that investigates whether tendencies to acknowledge entitlement owing to effort and productivity are associated with within-society economic status. Each participant played a four-person dictator game under one of two treatments, under one initial endowments were earned, under the other they were randomly assigned. The experiments were conducted in the United Kingdom, and South Africa. In both locations we found that relatively well-off individuals make allocations to others that reflect those others' initial endowments more when those endowments were earned rather than random; among relatively poor individuals this was not the case.

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## 1. Introduction

The notion of distributive justice underpinning market-driven societies is that effort and productivity, owing to inherent talent or acquired ability, should be acknowledged and rewarded (Miller, 1976; Milne, 1986). In behavioural experiments, university students in the US and Europe have repeatedly acted in accordance with this notion.<sup>1</sup> However, Jakiela (2011) found that, in dictator games played with either windfalls or earnings, while US students exhibited a strong earned endowment effect, i.e., they were significantly more inclined to redistribute windfalls than earnings, poor Kenyan villagers did not. And Cappelen et al. (2013) found that, in dictator games played with earnings that depended on a mix of productivity and luck, students in Tanzania and Uganda rewarded productivity significantly less than students in Germany and Norway. Each of these two studies presents evidence of an Africa effect that is consistent with an argument put forward by Platteau (2000), that owing to Africa's tribal structure and dependence on agriculture egalitarianism prevails and effort and productivity tend not to be rewarded. Such an Africa effect could, as Platteau points out, explain Africa's slow economic development.

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<sup>1</sup> Contributions to this literature include Hoffman et al. (1994), Ruffle (1998), Konow (2000), Rutström and Williams (2000), Cherry (2001), Gantner et al. (2001), Cherry et al. (2002), Frohlich et al. (2004), Cappelen et al. (2007), Oxoby and Spraggon (2008), List and Cherry (2008).

To our knowledge, [Jakiela \(2011\)](#) and [Cappelen et al. \(2013\)](#) are the only studies that identify systematic differences in notions of distributive justice across societies using behavioural experimental methods. However, numerous analyses of attitudinal surveys such as the World Values Survey, the US General Social Survey and the European Social Survey indicate that, within developed market-driven societies, the poor favour redistribution while the rich do not ([Alesina and Giuliano, 2011](#)). This difference is consistent with early theoretical models of the political economy, which assume that people care only about their own consumption.<sup>2</sup> However, it is also consistent with models incorporating an other-regarding preference for fairness and [Babcock and Loewenstein's \(1997\)](#) proposition that “people tend to arrive at judgments of what is fair or right that are biased in the direction of their own self-interests” ([Babcock and Loewenstein, 1997: 111](#)).

In Kenya using a behavioural experiment similar to [Jakiela's \(2011\)](#) conducted within the context of a field experiment, [Jakiela et al. \(2014\)](#) identified a causal effect running from academic achievement to acknowledgement of earned entitlement. If we assume that higher academic achievement is associated with higher expected future earnings, this finding is consistent with [Babcock and Loewenstein's \(1997\)](#) proposition.

The objective of this paper is to take a first step towards reconciling these distinct strands in the literature, i.e.: the experimental studies focusing on US and European students who have repeatedly acknowledged earned entitlement; the studies of [Jakiela \(2011\)](#) and [Cappelen et al. \(2013\)](#) identifying Africa-based subject pools that are less or entirely disinclined to acknowledge earned entitlement; the survey-based analyses of [Alesina and Giuliano \(2011\)](#) and others, indicating that people at the lower end of the income distributions of developed countries might also be less or entirely disinclined to acknowledge earned entitlement; and the recent study by [Jakiela et al. \(2014\)](#) revealing a causal effect that is consistent with [Babcock and Loewenstein \(1997\)](#) within an African country.

The most notable lacuna in the body of evidence just described is experimental data pertaining to the notions of distributive justice held by poorer people in developed countries. Such data would allow us to establish whether the observed differences in attitudes towards redistribution between the rich and poor in developed countries derive from nothing more than a preference for own consumption or from other regarding preferences that depend on their relative economic status. In addition, if, in accordance with [Babcock and Loewenstein \(1997\)](#), we find that poor people in developed countries do not acknowledge earned entitlement, the prior discovery of people in Africa who do not acknowledge earned entitlement must be reviewed in a different light.

To address this lacuna we conducted a series of experiments designed to investigate whether an individual's tendency to acknowledge earned entitlement is associated with his or her economic status relative to others in the UK. We selected unemployed residents of Oxford to represent low economic status individuals and students and employed individuals also residing in Oxford as bases for comparison. The students allowed us to demonstrate that, when applied to the standard participant pool, our experiment yields the usual result, i.e., an earned endowment effect (EEE hereafter). However, the employed are the better basis for comparison as they, rather than investing in their future economic status, are realizing their current actual economic status and are likely to be more comparable to the unemployed in terms of age, marital status and familial responsibilities. We found a statistically significant EEE among the students and employed and no EEE among the unemployed.

Then, to investigate the generalizability of our findings, we extended the series to South Africa. We chose South Africa because, while it is a middle income country, it is African, it has many problems in common with its lower income neighbours and, especially important given our objective, it has one of the highest inequality rates in the world ([Finn et al., 2014](#)). In South Africa, we focused on Cape Town, the location of one of the continent's best universities. Thus, we were able to build a participant sample that was highly comparable to the Oxford sample in many regards, while varying in terms of its wider societal context. In Cape Town, as in Oxford, we found a statistically significant EEE among the employed and no EEE among the unemployed. However, the average South African university student, like the Tanzanian and Ugandan students in [Cappelen et al.'s \(2013\)](#) study, tended not to acknowledge earned entitlement. Anticipating this and a less clear-cut distinction between the employed and unemployed, in South Africa our research design included the collection of data on participants' perceptions of their households' economics status. When we used this data to re-categorize the Cape Town participants into the relatively well-off and the relatively poor, we found a highly statistically significant EEE among the relatively well-off, but not among the poor.<sup>3</sup>

Our findings support [Babcock and Loewenstein's \(1997\)](#) proposition and indicate that it may explain variations in notions of distributive justice not only within rich countries like the UK but also in middle income countries with high inequality like South Africa. At the same time, our findings are consistent with those of [Cappelen et al. \(2013\)](#) and suggest that, while [Jakiela](#) and co-authors' findings are consistent with [Platteau's \(2000\)](#) argument, they might alternatively be owing to the low economic status of their Kenyan farmers relative to other Kenyans.

The remainder of the paper is organized as follows: Section 2, directly below, presents our experimental design, analytical framework and hypotheses; Section 3 presents the results; and Section 4 concludes.

<sup>2</sup> See [Personn and Tabellini \(2002\)](#) and [Drazen \(2002\)](#) for reviews of this literature.

<sup>3</sup> After conducting a similar but not identical re-categorization of the Oxford participants, we could not reject the hypothesis that the two datasets could be pooled in a single regression analysis. The results of this exercise are reported in the on-line Supplementary Information (SI).

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