

DISTRIBUTIONAL PREFERENCES IN LARGER GROUPS: KEEPING UP WITH THE JONESES AND KEEPING TRACK OF THE TAILS

Raymond Fisman

Boston University

Ilyana Kuziemko

Princeton University

Silvia Vannutelli

Boston University

Abstract

We study distributional preferences in larger “societies.” We conduct experiments via Mechanical Turk, in which subjects choose between two income distributions, each with seven (or more) individuals, with hypothetical incomes that aim to approximate the actual distribution of income in the U.S. In contrast to prior work, our design allows us to flexibly capture the particular distributional concerns of subjects. Consistent with standard maximin (Rawlsian) preferences, subjects select distributions in which the bottom individual’s income is higher (but show little regard for lower incomes above the bottom ranking). In contrast to standard models, however, we find that subjects select distributions that *lower* the top individual’s income, but not other high incomes. Finally, we provide evidence of “locally competitive” preferences—in most experimental sessions, subjects select distributions that lower the income of the individual *directly* above them, while the income of the individual *two* positions above has little effect on subjects’ decisions. Our findings suggest that theories of inequality aversion should be adapted to account for individuals’ aversion to “topmost” and “local” disadvantageous inequality. (JEL: C91, D63, H23)

Keywords: Inequality aversion; Envy; Redistribution.

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E-mail: rfisman@bu.edu (Fisman); kuziemko@princeton.edu (Kuziemko); svann@bu.edu (Vannutelli)