



Are individualistic societies less equal? Evidence from the parasite stress theory of values



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ABSTRACT

It is widely believed that individualistic societies, which emphasize personal freedom, award social status for accomplishment, and favor minimal government intervention, are more prone to higher levels of income inequality compared to more collectivist societies, which value conformity, loyalty, and tradition and favor more interventionist policies. The results in this paper, however, challenge this conventional view. Drawing on a rich literature in biology and evolutionary psychology, we test the provocative Parasite Stress Theory of Values, which suggests a possible link between the historical prevalence of infectious diseases, the cultural dimension of individualism–collectivism and differences in income inequality across countries. Specifically, in a two-stage least squares analysis, we use the historical prevalence of infectious diseases as an instrument for individualistic values, which, in the next stage, predict the level of income inequality, measured by the net GINI coefficient from the Standardized World Income Inequality Database (SWIID). Our findings suggest that societies with more individualistic values have significantly lower net income inequality. The results are robust even after controlling for a number of confounding factors such as economic development, legal origins, religion, human capital, other cultural values, economic institutions, and geographical controls.

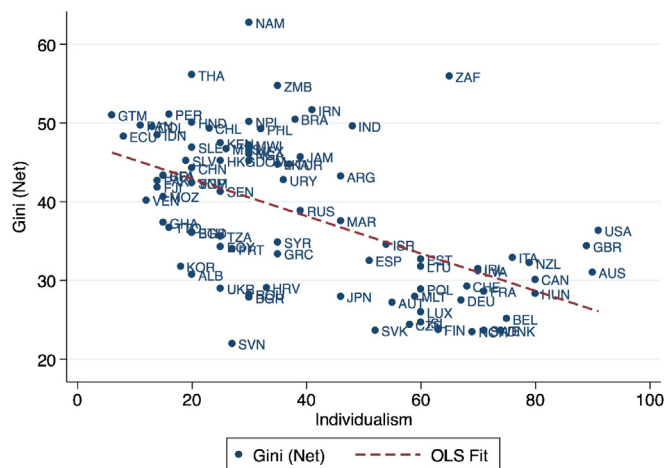
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1. Introduction

A rich literature in social psychology, and more recently economics, has identified the value dimension individualism–collectivism (IC) as one of the most important cultural determinants of economic growth and prosperity (Oyserman et al., 2002; Gorodnichenko and Roland, 2012). Broadly defined, the IC dimension is the degree to which people are embedded within groups in society. In individualistic societies the ties between individuals are loose and everyone is expected to look after themselves and their immediate family (Hofstede et al., 1991). Such societies place value on personal freedom, self-reliance, creative expression, intellectual and affective autonomy, minimal government intervention, and reward individual accomplishments with higher social status. Higher rewards generate productivity that makes societies richer by channeling entrepreneurial talent into experimentation and innovation (Gorodnichenko and Roland, 2012), but

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