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Individual and intra-household positionality in Vietnam

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ABSTRACT

We contribute new individual and intra-household findings to the literature on positionality – the degree to which an individual's perceptions of well-being are influenced by his or her income or consumption relative to others – using primary data from Vietnam. In addition to a rich field setting for testing social preferences, we interviewed male and female spouses separately providing novel gender disaggregated data and intra-household measures. We find that income is positional for two-thirds of the respondents, with a fifth willing to continue foregoing absolute income to maintain their relative position. Unlike earlier results, we find that women are more positional on average than men. Our results suggest that one's sensitivity to positionality is related to changes in one's relative position over time; respondents reporting a higher standard of living at the time of marriage were associated with a higher degree of positionality. We find an association between accord in a couple's positionality and the degree to which wives exercise decision making authority in the household.

"The son of a king will become king
The son of a temple janitor will sweep the leaves
When the people rise up and take over
The son of a king will lose power and sweep the temple."[2]

1. Introduction

Understanding positionality – the degree to which an individual's perception of well-being is influenced by his or her income or consumption relative to others – is central to constructing development policy and programmes that work to produce net benefits for poor communities. If development interventions produce positional goods that are unevenly distributed, any gains in well-being to a subset of the population can be offset by losses to others whose relative position has worsened, even if their absolute position remains unchanged. Hence considerations of who is sensitive to changes in relative position and what goods are positional can inform development debates over the merits of cash versus in kind transfers and the efficacy of targeting sub-populations. Understanding what interventions are most likely to be positional across most individuals, and whether there are differences in positionality across sub-populations or within households, has implications for the net change in welfare resulting from development efforts.

We contribute to this literature with new findings that build on the small body of empirical work on positionality in a developing country context, and in particular on Carlsson et al. (2007a) that looks at positionality in Vietnam. Vietnam's history under a communist regime that idealized equality makes it a particularly interesting country context in which to study social preferences. Unlike most previous studies, we are able to make use of a large, field-based, and randomly sampled group of households. Unique to this work, we interviewed male and female heads of households separately, allowing us to test for intra-household implications of positionality. The central aims of our study are to understand if income is positional, if sub-populations (women and wealth classes) are differentially positional, and if spouses have the same positional preferences, or preferences at least more in common than randomly paired men and women. We begin by reviewing the recent empirical literature on positionality and in particular, developing country work. Based on the literature to date, we look for evidence of income as a positional good in poor communes in rural Vietnam. We then estimate a model predicting positionality based on individual and household characteristics, look at wealth and gender more closely, and conclude with our intra-household results.

Our findings suggest that in the Ha Tinh province of Vietnam, income is positional: approximately two-thirds of respondents cared about relative position, and a fifth (22 per cent) were willing to continue foregoing absolute income to maintain their relative position. Unlike earlier results we found that positionality varies across gender, with women more positional than men, but less willing to give up absolute income in order to achieve a greater relative position. Our results suggest that one's sensitivity to positionality

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[2] Old Vietnamese poem (Fuller, 2012).

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is related to changes in one's own position over time. Respondents who reported a higher standard of living at the time of marriage were associated with a higher degree of positionality. Our results also suggest that husbands and wives do not have identical social preferences (challenging the unitary household model) but that spousal preferences are more similar than those of randomly matched men and women. Finally, our results show an association between accord in positionality within a couple and the degree to which wives exercise decision making authority within that household.

2. Background and theory

That relative position matters, and that consumption may be used to signal status has been observed at least since Smith (1776): "A credible day-labourer would be ashamed to appear in public without a linen shirt, the want of which would be supposed to denote that disgraceful degree of poverty, to which it is presumed, nobody can well fall into without extreme bad conduct."[3] The term "conspicuous consumption", the lavish spending to signal social standing, was coined by Veblen (1899) a hundred years later. The importance of relative position gained renewed attention with Frank (1985, 1997) and others exploring the "economics of happiness" (Easterlin, 1995, 2000, 2001; McBride, 2001; Ferrer-i-Carbonell, 2005). Following from the general proposition that utility depends on absolute and relative position, Hirsch (1976) wrote of positional goods – including income or leisure – for which personal utility depends on other's consumption of the good. The importance of positional goods in the public finance literature has been articulated by Frank (1997, 2005) who argued that competition for positional goods is inefficient, hence they should be differentially taxed at higher rates than non-positional goods.

From this work there has been a small empirical literature on what is a positional good, including comparisons of public to private goods, goods to bads, and luxuries to necessities, attempting to characterize the most salient features of positional goods, such as their visibility, income elasticity, and whether they are in fixed supply (Solnick and Hemenway, 1998, 2005; Pagano, 1999, 2007; Heffetz, 2004; Carlsson, Johansson-Stenman, & Martinsson, 2007b). Most relevant to our work, the majority of these studies conclude that income is a positional good and generally more so than leisure (see also Frank, 1985; Pingle and Mitchell, 2002; Johansson-Stenman, Carlsson, & Daruvala, 2002; Luttmer, 2005; Alpizar, Carlsson, & Johansson-Stenman, 2005; Akay, Karabulut, & Martinsson, 2013).

Much less common to this literature is work on individual variations in positionality, though most of us would argue that we observe different proclivities to prestige goods among our colleagues. One reason is that experimental methods often use fairly homogenous student populations, with limited variability in several socio-economic characteristics, such as income, that are nonetheless central to development efforts. The belief that positionality exists even among the very poor dates to Adam Smith's day labourer and Karl Marx (1849, p. 33): "A house may be large or small, as long as the neighbouring houses are likewise small. . ." Veblen (1899) maintained that conspicuous consumption prevails across all income levels but is most detrimental to the poor because of the disproportionate burden that spending on positional goods places on them. More contemporary authors have written of globalization allowing for more cross-national standard of living comparisons, and the international demonstration effect that may have "profoundly different" welfare implications for developing countries (James, 1987). Carlsson, Gupta, and Johansson-Stenman's (2009) survey of income among Indian castes finds significant positionality within castes, with slightly more than half of the marginal utility of income coming from relative income effects. Moreover, they find that this income effect is more pronounced for lower castes and those with the lowest income. Conversely, while testing for sensitivity to both overall income and aid transfers in rural Ethiopia, Akay, Martinsson, and Medhin (2012) find comparatively low sensitivity to relative income, and suggest a threshold effect of a minimum income level at which positionality becomes pertinent.

Frank (1999) concludes that from an evolutionary standpoint, men will care more than women about relative social status. In Croson and Gneezy's (2004, p. 38) review on gender differences in social preferences they find that women are more generous than men with people they know, but men are more generous than women with strangers. They conclude that women's "other-regarding" preferences are more context-dependent, following on the generally held notion that women are more sensitive to social cues. Perhaps reflecting these contextual differences, the findings on gender and positionality are inconsistent. Carlsson, Gupta, and Johansson-Stenman (2009) found women in India to be less positional than men, opposite to Alpizar, Carlsson, and Johansson-Stenman's (2005) results for a student population in Costa Rica, and counter to Johansson-Stenman, Carlsson, and Daruvala (2002) who earlier reported no significant gender differences for a sample of students in Sweden. Akay, Martinsson, and Medhin's (2012) results from Ethiopia suggest that marriage, rather than gender, matters for positionality.

The hypothesis that sensitivity to positionality varies contextually also applies to explaining results across countries and cultures, and translating classroom results to behaviours in the field (e.g. Solnick, Hong, & Hemenway, 2007). A recent field experiment in Turkey found that during a religious festival that emphasizes sharing (Ramadan), the positionality of less religious Muslims (measured by the degree of fasting) declined compared to his or her positionality outside of Ramadan. For more religious Muslims, no change in positionality was associated with the religious festival, and positional concerns overall were similar to those in Western countries (Akay, Karabulut, & Martinsson, 2013). Akay, Martinsson, and Medhin's (2012) survey of rural farmers in Ethiopia finds lower income positionality than urban samples in the U.S., Sweden, and Costa Rica, though Carlsson and Qin's (2010) results in rural China are consistent with urban studies. Carlsson et al.'s (2007a) sample of rural farmers in the Binh Phuoc province of Southern Vietnam suggests an exceptionally low preference for relative position, even compared to the rural poor elsewhere. The authors invoke Samuel Bowles' (1998) argument that markets and other local economic institutions influence the evolution of our values and tastes.

Gaining a better understanding of what is positional, and to whom, is fundamental to informing international economic development that seeks outcomes that on net, benefit poor communities. Research is limited by the cost of conducting field work with a sufficiently large and random sample that enables analysis across socio-economic characteristics, and the difficulty of using hypothetical scenarios in some circumstances. Our work directly addresses some of these concerns. Using experienced local enumerators, we obtain a large, random sample that allows us to partially replicate earlier work in a developing country to understand the robustness of earlier results (replicating the country context but varying the region), and obtain new results with additional survey information and methods. The first part of the paper is devoted to this analysis and offers new results on the effects of gender and

[3] Quote from Heffetz (2004), who argues that positional signalling dates back to Plato, who stated in *The Republic*, "Since. . .appearance tyrannizes over truth and is lord of happiness, to appearance I must devote myself."