



Political self-serving bias and redistribution



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ABSTRACT

We explore the impact of the *self-serving bias* on the supply and demand for redistribution. We present results from an experiment in which participants decide on redistribution after performing a real effort task. Dependent on individual performance, participants are divided into two groups, successful and unsuccessful. Participants' success is exogenously determined, because they are randomly assigned to either a hard or easy task. However, because participants are not told which task they were assigned to, there is ambiguity as to whether success or failure should be attributed to internal or external factors. Participants take two redistribution decisions. First, they choose a supply of redistribution in a situation where no personal interests are at stake. Second, they choose a redistributive system behind a veil of ignorance. Our results confirm and expand previous findings on the self-serving bias: successful participants are more likely to attribute their success to their effort rather than luck, and they opt for less redistribution. Unsuccessful participants tend to attribute their failure to external factors and opt for more redistribution. We demonstrate that the self-serving bias contributes to a polarization of the views on redistribution.

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1. Introduction

Political polarization has been recognized as a challenge for finding political consensus on social and economic issues. Keefer and Knack (2002) argue that polarization increases legal uncertainty and thereby hinders growth. Alt and Lassen (2006) provide evidence for higher variations in political business cycles in politically more polarized countries. Other studies have concluded that polarization reduces the likelihood to obtain broad consensus for policy changes and increase collective decision-making costs (Alesina and Drazen (1991), Rodrik (1999)). What makes societies polarized? Sunstein (2011) emphasizes the role of groups in unifying their members' views with respect to a shared political agenda, which results in stronger polarization across groups. In this article we provide evidence that the experience of success and failure contributes to the polarization in political views.

Our work focuses at a particular domain of social consensus, namely the degree of redistribution between rich and poor members of the society. The recent resurgence of inequalities in democratic countries has led to a renewed interest in the questions of redistribution.¹ A great body of research has sought to understand the factors driving the demand and the supply of redistribution.² Both empirical (Alesina and Angeletos, 2005) and experimental works (Frohlich et al., 1987) have documented the heterogeneity of preferences regarding redistribution. Our research goes one step further, showing that views on redistributive systems are not only shaped by individual preferences, but also malleable by economic experience. In an experimental setting we demonstrate that having been successful in a real effort task makes participants less likely to redistribute income between two other participants, and less likely to opt for redistributive systems behind a veil of ignorance. Unlike studies eliciting views about redistribution in field

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¹ Various recent works have documented this phenomenon (World: Atkinson (2003), Piketty and Saez (2006); US: Piketty and Saez (2003); Germany: Dustmann et al. (2009)).

² The literature has investigated egoistic concerns (Corneo and Grüner, 2002; Milanovic, 2000), altruistic motivations (Fong, 2001; Boarini and Le Clainche, 2009), social considerations and future perspectives (Keely and Tan, 2008).

settings we can randomly assign participants to the success and failure conditions.

Our analysis builds on previous works on the self-serving bias (SSB hereafter). Theories about the SSB postulate that individuals show a tendency to attribute their failure to situational factors, and their success to their own dispositions.³ In other words, the SSB claims that, when an individual succeeds at a task, she tends to congratulate herself for her efforts, while she is more prompt to blame the situation when she fails. The SSB predicts therefore a tight relationship between wealth and the perception of the causes of poverty: wealthier individuals are more likely to believe that they deserve their wealth. Considering the above discussion, this might have two effects on the political market. First, the self-serving bias may affect voters whenever they believe that they are successful in life: because people are not willing to recognize that their success is due to random events, they are more likely to support low tax rates. Second, the SSB might also be at play on the supply side of the political market: when deciding on redistribution, politicians are also influenced by their own experience, and, thus, exposed to the SSB. In this work, we investigate both dimensions of redistribution. On the one hand, we explore how participants are affected by the SSB when they decide redistribution for other individuals, having no personal interests at stake (supply side). On the other hand, we analyze how participants' preferences toward redistribution are modified by the SSB when they must decide for a redistribution rule that will affect their unknown future own payoffs (demand side).

In accordance with the literature on the SSB we find that succeeding or failing in a task gives rise to systematically different attributions and subsequent redistribution decisions. These findings suggest that increased inequality might have a particularly strong impact on polarizing views about redistribution. Rich people do not only oppose redistribution because they expect to be net payers, but also because the SSB systematically shifts their fairness principles. Likewise, poor people favor redistributive taxation not only because they expect financial gains, but also because the SSB leads them to shift the blame for their situation to external factors. Taken together this makes it difficult to reach a consensus and is likely to increase political tensions across different strata of the society.

The rest of the paper is organized as follows. In Section 2 we discuss previous experiments on redistribution and the veil of ignorance. Section 3 describes the experiment and the predictions. In Section 4 we present the results, and Section 5 concludes.

2. Literature review

An early contribution to the experimental literature on redistribution is Frohlich et al. (1987), who investigate the choice of redistributive systems behind a veil of ignorance⁴, focusing on the democratic process, where participants discuss the options until they reach a unanimous decision. They find support for a redistribution scheme that maximizes the average income with a floor constraint. Later work focuses on individual choices for redistributive systems and documents heterogeneity in redistributive preferences.

³ Miller and Ross (1975) describe the SSB as “[...] people indulge both in self-protective attributions under conditions of failure and in self-enhancing attributions under conditions of success”. See also Mezulis et al. (2004) for a recent meta study. For applications in the economic literature see e.g. Babcock et al. (1995), or Babcock and Loewenstein (1997).

⁴ The experimental literature has made an extensive use of the veil of ignorance to analyze the preferences for redistribution net of selfish interests. The political economy literature has distinguished between two versions of the veil of ignorance. According to Rawls, individuals should ignore everything they know about their position, whereas Buchanan's version of the veil requires only uncertainty about future outcomes (see e.g. Voigt (2015) for an overview.)

Some studies argue that redistribution is mainly determined by self-interest (Hoffman and Spitzer (1985), Durante et al. (2014), Ubeda (2014), Rodriguez-Lara and Moreno-Garrido (2012)), while others stress the role of social preferences (Tyran and Sausgruber (2006), Ackert et al. (2007), Schildberg-Hoerisch (2010), Balafoutas et al. (2013)). Klor and Shayo (2010) study the effect of group identity on redistribution and show that subjects tend to opt for redistribution which favors their group. Eisenkopf et al. (2013) analyze redistribution in a setting of unequal opportunities and find preferences for redistribution to be similar as in a setting where only risk affects the outcome. Gerber et al. (2013) conduct an experiment where they vary the ‘thickness’ of the veil of ignorance. Participants either (i) know nothing, (ii) have a noisy signal about their productivity, or (iii) have full information about their productivity. They show that the level of redistribution is decreasing in the level of information.

While these studies typically measure preferences for redistribution before the realization of income, Frohlich and Oppenheimer (1990), Cabrales et al. (2012), Cappelen et al. (2007), and Großer and Reuben (2013) investigate preferences for redistribution contingent on economic experience. Close to our work is Kataria and Montinari (2012), who report results from an unequal opportunity treatment, where participants earn a payoff which partly depends on luck and partly on effort. After the realization of profit participants vote on tax rates. In our design we combine the two approaches: we start with the realization of economic profits and measure the effect of redistribution choices affecting only the allocation of the profits of future economic activities. Furthermore, as opposed to the previous literature we choose a design in which there is a high degree of ambiguity as to the causes of success or failure.

All the papers discussed so far focus on the choices of subjects who are directly affected by the redistributive transfers. In contrast, Konow (2000) studies the behavior of subjects who are not directly affected by the redistribution. He shows that these ‘disinterested dictators’ act according to the *accountability principle*, i.e. they are more likely to reward individuals based on their efforts, and to compensate them for back luck. Our design allows to investigate redistributive preferences in situations where the subject is not directly involved (supply of redistribution), and when the subject is directly affected (demand for redistribution). The distinctive feature which distinguishes our experimental design from the previous literature is that instead of measuring preferences for redistribution we exogenously manipulate the participants' experience of success or failure and measure the effect on redistributive preferences.

3. The experiment

Our experiment explores the potential consequences of the self-serving bias on redistribution. Our protocol aims at generating a self-serving bias among participants, and capturing the effects of this bias on both the supply of and the demand for redistribution.

3.1. Design

The experiment started with subjects earning money in a real effort task. The purpose of this task was to allocate the status of either ‘overachiever’ (to the subjects with an above median performance among the subjects in a session), or ‘underachiever’ (to the remaining subjects). This stage was followed by a manipulation check. After that we elicited our two main measures of interest. First, subjects played the Disinterested Dictator Game (DGG), providing us with a measure of supply of redistribution. Second, we conducted the Redistribution System Game (RSG) as a measure for the demand for redistribution. All interaction was anonymous and computerized. We used z-tree

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