

Are Fairness Perceptions Shaped by Income Inequality? Evidence from Latin America

Leonardo Gasparini
CEDLAS, UNLP & CONICET

Germán Reyes
Cornell

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Motivation

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- However, two pieces of evidence cast doubt on this assumption.
 1. Individuals do not directly observe inequality \rightarrow they form beliefs \rightarrow such beliefs are often biased (Gimpelson and Treisman, 2018).
 2. Individuals do not consider all inequities as unfair (e.g., meritocrats largely accept inequality derived from effort) (Cappelen et al., 2007).

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- \Rightarrow The extent to which fairness perceptions are shaped by income inequality remains an important empirical question.

This paper: fairness views and income inequality

- We study the link btw fairness and inequality in a particular scenario:
 - ▶ Latin America (LA), a region of highly unequal countries.
 - ▶ The 2000s, a period of pronounced decline in inequality.
- We combine opinion polls data with harmonized data from household surveys to answer three main questions:
 1. Are fairness views shaped by income inequality?
 2. What individual-level factors explain fairness views? [see paper]
 3. Are fairness views predictive of individuals' propensity to mobilize?

Data: Latinobarómetro and SEDLAC

- We use data from 18 LA countries over the 1997-2015 period.
- Income inequality: SEDLAC, a project which increases cross-country comparability from official household surveys.
- Fairness views: public opinion polls conducted by Latinobarómetro.

How fair do you think income distribution is in [country]? Very fair, fair, unfair or very unfair?

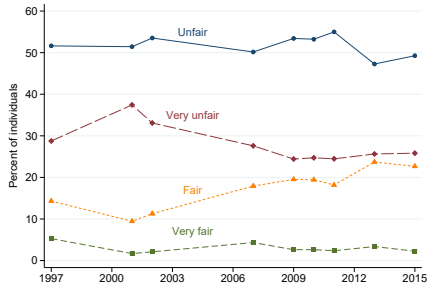
Outline

1. Are fairness views shaped by income inequality?
2. Are fairness views predictive of individuals' propensity to mobilize?

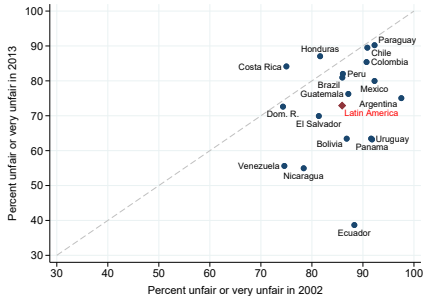
The evolution of fairness views in LA during the 2000s

Figure 1: Fairness views in Latin America over time and across countries

Panel A. Fairness views over time
(1997-2015)



Panel B. Fairness views across countries
(2002 vs. 2013)

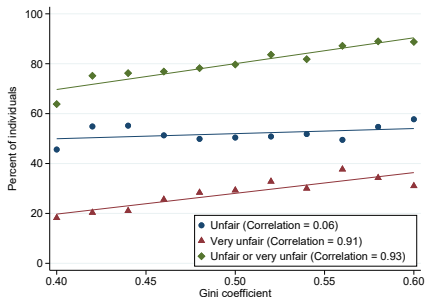


Notes: Panel A presents the average across 18 LA countries of the share of individuals that perceived income distribution as very unfair, unfair, fair, and very fair over the 1997-2015 period. Panel B presents the percentage of the population that believes income distribution is either unfair or very unfair in 2002 and 2013 for all LA countries for which data is available. Due to data unavailability in 2002, for the Dominican Republic we use 2007.

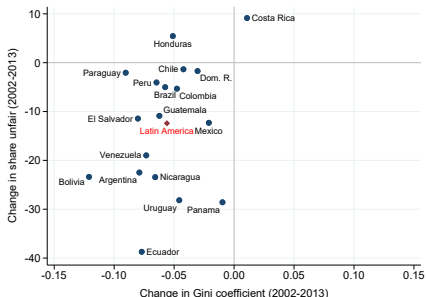
Fairness perceptions and income inequality

Figure 3: Fairness views and income inequality in Latin America

Panel A. Correlation between unfairness views and Gini



Panel B. Change in fairness and Gini across countries



Notes: Panel A shows a binned scatterplot of the Gini coefficient and fairness views for all country-years in our sample. To construct this figure, we group the Gini coefficient of each country-year in bins of width equal to 0.02 Gini points and then calculate the average fairness perceptions in each bin. Panel B plots the percentage point change in the share of the population that believes income distribution is either unfair or very unfair between 2002 and 2013 (or close years), and the change in the Gini coefficient between 2002 and 2013 (or close years) for all LA countries. Due to a break in data comparability or household data unavailability, for some countries, we use inequality data from adjacent years.

Decomposing changes in fairness views over time

- The correlation is robust to controlling for country FE, year FE, and individual-level characteristics.
- Several individual-level covariates predict fairness views.
 - ▶ e.g., Individuals who are older, unemployed, and left-wing are more likely to perceive the income distribution as very unfair.
- Hence, both aggregate inequality and individual-level characteristics are associated with fairness perceptions.
- Important question: which of these two factors mainly explain (in an accounting sense) the reduction in unfairness beliefs?
- To answer this, we perform a Oaxaca-Blinder decomposition.

Intuition of the Oaxaca-Blinder decomposition

- Consider the following regression

$$\text{Unfair}_{ict} = \beta_t X_{ict} + \gamma_t \text{Gini}_{ct} + \varepsilon_{ict} \quad \text{for } t \in \{2002, 2013\} \quad (1)$$

where Unfair_{ict} equals 1 if individual i perceives the distribution of country c in year t as unfair and X_{ict} includes individual-level controls.

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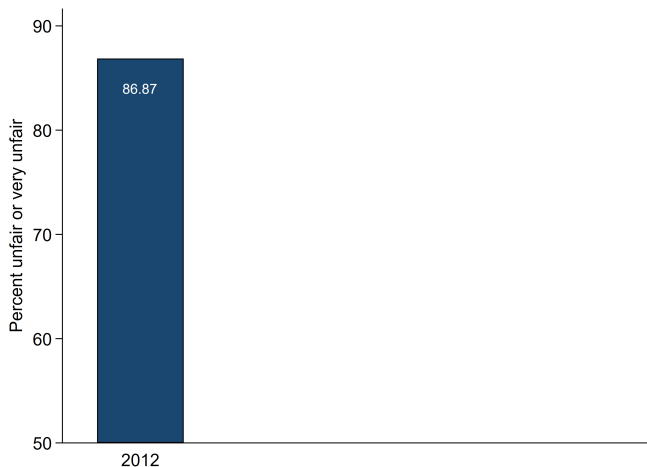
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- We can calculate the difference between the two years:

$$\begin{aligned} \Delta \text{Unfair} &= \underbrace{\hat{\beta}_{2002}(\bar{X}_{2013} - \bar{X}_{2002})}_{\equiv \Delta \text{Composition pop.}} + \underbrace{\hat{\gamma}_{2002}(\overline{\text{Gini}}_{2013} - \overline{\text{Gini}}_{2002})}_{\equiv \Delta \text{Gini}} \\ &\quad + \underbrace{\bar{X}_{2013}(\hat{\beta}_{2013} - \hat{\beta}_{2002}) + \overline{\text{Gini}}_{2013}(\hat{\gamma}_{2013} - \hat{\gamma}_{2002})}_{\text{Unexplained}} \end{aligned} \quad (3)$$

Results of the Oaxaca-Blinder decomposition

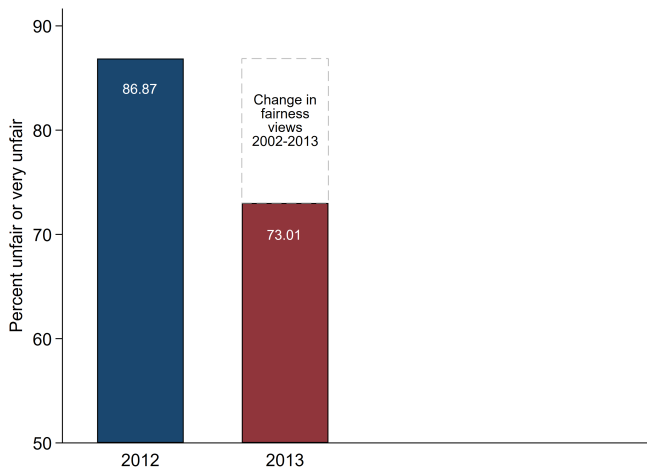
Figure 5: Oaxaca-Blinder decomposition of unfairness perceptions, 2002-2013



Notes: The regressors include the Gini, age, age squared, and dummy variables for: civil status, gender, literacy, maximum educational attainment, labor force participation, unemployment status, an assets index, political ideology, and religious views.

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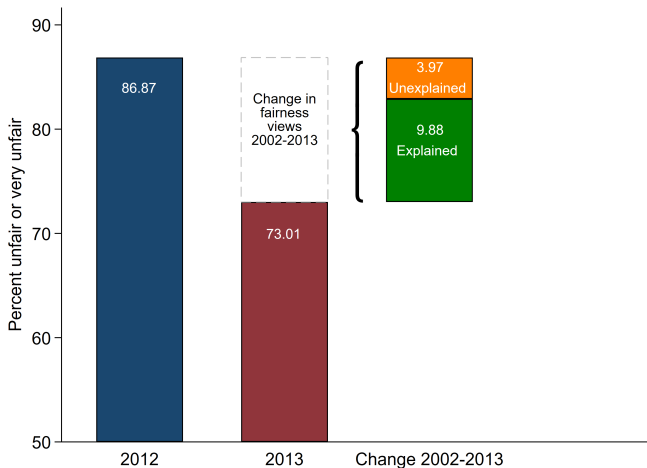
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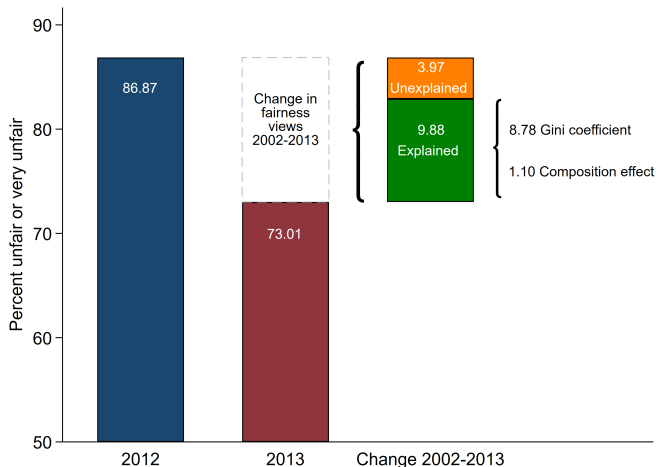
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Outline

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Fairness views and propensity to mobilize

- A vast literature relates economic inequality to social cohesion, conflict, and activism.
 - Arguably, the link between inequality and unrest is partly mediated by fairness views.
 - ▶ e.g., individuals mobilize partly because they believe inequities are unfair.
 - However, a given level of income inequality might not be seen as unfair by some individuals.
- ⇒ A regression that links social unrest to inequality can contain a substantial amount of measurement error.
- We sidetrack these issues by directly measuring the link between social unrest and fairness views (controlling for inequality).

Measuring social unrest

- We measure social unrest using the opinion polls data (self-reported).
- For several political activities, respondent answer whether they...
 - (i) Have ever done a given activity;
 - (ii) Would do the activity; or
 - (iii) Would never do the activity.
- Some examples of the types of political activities that we investigate
 - ▶ Complaining on social media.
 - ▶ Signing a petition.
 - ▶ Protesting without authorization.
 - ▶ Refusing to pay taxes.
- For each activity, we create a dummy that equals 1 if an individual reports having done the activity in the past.
 - ▶ Regress each of these dummies on unfairness perceptions (very unfair), the Gini, and individual-level covariates.

Logit regressions of activism, unfairness, and inequality

	Complain on social media (1)	Sign a petition (2)	Unauth. protest (3)	Refuse to pay taxes (4)
Panel A. Have done the activity in the past				
Very unfair	0.016*** (0.004)	0.013** (0.006)	-0.001 (0.004)	0.004 (0.005)
Gini	0.322* (0.175)	-0.123 (0.287)	0.164* (0.092)	0.105 (0.089)
Mean Dep. Var.	0.078	0.072	0.186	0.046
Panel B. Have done the activity in the past or would do the activity				
Very unfair	0.033** (0.015)	-0.012 (0.008)	0.016 (0.014)	0.024** (0.010)
Gini	0.627 (0.786)	-0.597 (0.479)	0.452 (0.446)	0.629* (0.328)
Mean Dep. Var.	0.413	0.527	0.210	0.187

- Fairness views are predictive of political activism, but the relationship is nuanced.

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- There are activities (e.g., refusing to pay taxes) where both fairness views and inequality have predictive power independent of each other.

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- For some activities (e.g., signing a petition), only fairness views have predictive power.

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- There are also activities (e.g., taking part in an unauthorized protest), where only inequality has predictive power.

Conclusions

- We study perceptions of distributive justice in a context of falling income inequality.
- Main takeaways:
 1. Fairness beliefs moved in line with the evolution of objective inequality.
 - ▶ In our sample, both unfairness perceptions and income inequality declined across countries and over time.
 2. Some individual-level characteristics, such as unemployment status and political ideology, are systematically correlated to fairness views.
 - ▶ Yet, aggregate inequality trends were more important for explaining changes in beliefs over time.
 3. Suggestive evidence that fairness views have predictive power for social unrest above and beyond income inequality (and vice-versa).

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Comments? Questions? Want the latest draft of the paper?
You can reach me at gjr66@cornell.edu

Appendix

References

- Cappelen, A. W., Hole, A. D., and Sørensen, Erik and Tungodden, B. (2007). The pluralism of fairness ideals: An experimental approach. *American Economic Review*, 97(3):818–827.
- Gimpelson, V. and Treisman, D. (2018). Misperceiving inequality. *Economics & Politics*, 30(1):27–54.