

# Analysis Plan for Social Preferences of Different Income Groups

## Part I

The Final stage of the study will include “spectators” randomly assigned to one of three treatments. Each spectator will decide on a redistribution of money between two other participants, where only one of the participants is initially allocated an amount of 12 ILS while the other has no money.

The outcome variable in our study is the level of implemented inequality by spectator  $i$ . Each spectator will make a single redistribution choice in one of three treatments that differ in the source of the initial inequality: Luck, Merit, and Taste. The initial unequal allocation between the two participants is 12-0. The spectator can then redistribute between the participants (the spectator can choose a final allocation of 12-0, 10-2, 8-4, 6-6, 4-8, 2-10, 0-12). The level of implemented inequality is defined as the absolute value of the difference between payoffs (after the redistribution decision) divided by 12. We denote the implemented inequality by spectator  $i$  by  $e_i$ .

We will collect data from 1140 spectators: 570 with income that is above average and 570 with income that is below average (based on the panelists self-reported income that they update periodically as registered panelists in the panel company). We will ask the panel company for as much variance as possible along the gender, age, marital status and education variables for each income group. The spectators will be randomly assigned to one of the three treatments.

Using a linear regression model (additional regressions will be used for robustness, see below), we will estimate the effect of the treatments on this dependent variable. In this study, we focus on the difference in attitudes between individuals with income that is above average and individuals with income that is below average. We are interested in the differences in their redistributive behavior within each treatment and also in the difference between how they differ in their level of implemented inequality between all pairs of treatments. We will examine the overall effect of the treatments on the entire sample as well. There are a few controls that we plan to incorporate into some of our specifications. These include controls provided by the panel company: age, level of education, gender, income (income is not only a control but also one of our main interests), and political stance.

In order to augment our analysis, we also create an index reflecting attitudes towards inequality in society and attitudes towards different redistribution policies. This index will be the average of the answers to 3 general questions related to redistribution and inequality and 5 questions related specifically to inherited inequality, estate tax and inheritance taxation (all 8 questions will be asked following the spectator’s redistribution decision). The answers to all questions are on a scale of 1-5

(question 1 is based on Almas et al. 2020 and the rest are taken from or based on Stantcheva, 2022).

We will also ask the spectators to shortly explain the reason for their choice of redistribution.

We have a few specifications for the regressions:

1. No controls. That is, only with treatment dummies.
2. Full set of controls.
3. **Main specification of interest:** Full set of controls and an interaction term between treatments and the dummy for above-average income.
4. Regressions 1 and 2 separately for above-average income and below-average income individuals (obviously without income as a control variable).

#### Part I – Robustness

For robustness purposes, we will run the above specifications using an ordered logit. In addition, we will reweight the data set according to the actual demographic characteristics of both income groups (using updated information from the Israeli Central Bureau of Statistics) and run the linear regression above using the new weights (*entropy balancing*). Finally, all four specifications above will be held with all spectators and excluding spectators who fail an attention-filter question.

#### Part I – Correlations

We will examine correlations between the level of implemented inequality of the spectators and their attitudes towards inequality and taxation as reflected through their answers to the end-of-the-survey questions. We will examine the correlation between the level of implemented inequality and: (1) the index that is based on all 8 questions, (2) the index that reflects general attitudes towards inequality and redistribution (questions 1-3), (3) the index that reflects attitudes towards inherited inequality, estate tax and inheritance tax (questions 4-8), and (4) the answers to each question separately.

#### Additional Analyses

We will examine the spectators' reasons for the redistribution decision (an open-ended question). Specifically, we will classify the reasons into the most commonly-mentioned categories and examine differences in the reasons stated for the two income groups. We will also compare our data to the data collected by Almas et al., (2020). The comparisons will concentrate on treatments Luck and Merit that are common to both studies and on the first of our 8 questions regarding attitudes towards inequality and redistribution. Based on the first study, we expect our findings to be relatively close to those reported in their paper for the US. But, it is important to keep in mind that

unlike our previous study, the current sample is not intended to be representative and therefore our findings may not be as similar to those found in the US compared to the previous study.

## **Part II**

### Types of Fairness Views

In addition to the regression analysis, we will also categorize fairness views into types and present the distribution of each type in our participant pool. We will do so for the overall sample and within each income group (above average and below average).

We use the earlier definitions of fairness types given in Almas et al., (2020) with necessary adjustments and some additions.

The fairness views in our study will be: Libertarian, Egalitarian, Meritocratic, Anti-Luck and Anti-Taste.

Generally speaking, the different types reflect the following views (the first two are taken from Almas et al., (2020):

Libertarians consider any type of inequality as fair, no matter the source of inequality.

Egalitarians consider any type of inequality as unfair, no matter the source of inequality.

Meritocrats consider inequality due to merit as fair and due to taste and luck as unfair.

Anti-Luck consider inequality due to taste and merit as fair but inequality due to luck as unfair.

Anti-Taste consider inequality due to luck and merit as fair but inequality due to taste as unfair.

We will make the following assumptions that will allow us to provide an estimate for the proportion of each type in our participant pool.

Definition: The individual who received the amount of 12 ILS in the Taste treatment is called the *beneficiary*.

### Assumptions

Assumption 1 (based on Almas et al., 2020): If a spectator divides equally in the Merit treatment, then the spectator would also have divided equally in the Luck treatment and in the Taste treatment.

Assumption 2 (taken from Almas et al. 2020): If a spectator allocates everything to the lucky worker in the Luck treatment, then the spectator would also have allocated everything to the more productive worker in the Merit treatment.

Assumption 3: If a spectator allocates everything to the beneficiary in the Taste treatment, then the spectator would also have allocated everything to the more productive worker in the Merit treatment.

Assumption 4: If a spectator allocates a greater share to the individual with the larger initial earnings in one of the treatments, then the spectator would not have allocated a smaller share (i.e., an amount that is smaller than 6) to the individual with the larger initial earnings in any of the other treatments.

Assumption 5 (taken from Almas et al. 2020): The fairness view of a spectator is independent of treatment.

\*From Assumptions 1 and 4 we have that If a spectator allocates a greater share to the beneficiary in the Taste treatment, then the spectator would also have allocated a greater share to the more productive worker in the Merit treatment (from assumption 4 he can allocate either equally or more to the more productive worker in the Merit treatment. If he allocates equally, then by Assumption 1 he must also have allocated equally in the Taste treatment, a contradiction).

\*Similarly we get that if a spectator allocates a greater share to the lucky worker in the Luck treatment, then the spectator would also have allocated a larger share to the more productive worker in the Merit treatment

### Type Estimation

Given the assumptions, we will calculate estimates for the different types as follows:

- The share of Egalitarians will be estimated as the share of spectators who choose to divide equally in the Merit treatment.
- The share of Libertarians will be estimated by the minimum of (1) the share of spectators who do not redistribute at all in the Luck treatment and (2) the share of spectators who do not redistribute at all in the Taste treatment.
- The share of Meritocrats will be estimated by the minimum between the following two numbers: (1) the difference between the share of spectators allocating more to the more productive worker in the Merit treatment and the share of spectators allocating more to the beneficiary in the Taste treatment, and (2) the difference between the share of spectators allocating more to the more productive worker in the Merit treatment and the share of spectators allocating more to the lucky worker in the Luck treatment.
- The share of the Anti-Luck type will be estimated by the difference between the share of spectators allocating more to the beneficiary in the Taste treatment and the share of spectators allocating more to the lucky worker in the Luck treatment (if this number is smaller than 0 then we will say that we have no Anti-Luck types and treat the absolute value of the above difference as the share of the Anti-Taste type.

## References

- Almås, I., Cappelen, A.W. and Tungodden, B., 2020. Cutthroat capitalism versus cuddly socialism: Are Americans more meritocratic and efficiency-seeking than Scandinavians? *Journal of Political Economy*, 128(5), pp.1753-1788.
- Stantcheva, S., 2021. Understanding tax policy: How do people reason? *The Quarterly Journal of Economics*, 136(4), pp.2309-2369.