

Fairness, (perception of) inequality, and redistribution preferences

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Abstract

This special issue consists of nine surveys that delve into the recent development in the literature on inequality, examining its perception, sources, implications, and potential solutions. The review synthesizes key aspects, from the conceptualization of inequality perception to its profound consequences such as deteriorated social cohesion, unethical behaviors, and even violent conflicts. The papers underscore the complexity of individuals' preferences for redistribution, influenced by myriad factors like procedural fairness, societal norms, and ethnicity composition. They also explore the potential for interventions, such as wage transparency reforms, to tackle inequality. This synthesis underscores the persistent challenge posed by inequality, while also pointing towards unexplored avenues for future research, thus advancing our understanding of the socio-economic implications of inequality.

KEYWORDS

inequality, fairness, redistribution preferences

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Inequality, fairness, and preferences for redistribution are at heart for economic research for their profound implications for policy and societal well-being. Inequality remains a persistent issue that deeply impacts various aspects of society, hindering economic prosperity (Neves et al., 2016), deteriorating social cohesion (Stiglitz, 2012), and aggravating political instability (Pickett & Wilkinson, 2010).

Over the years, a rich body of literature has emerged, providing valuable insights into the causes, consequences, and remedies to inequality. They help advance our understanding of the principles of fairness that people adhere to, and the factors that shape people's preferences for redistribution. As the literature and the environments evolve and new challenges emerge, there is a need to continually update and deepen our understanding of these topics. The nine survey papers provided in this special issue represent some of the latest contributions to the literature, shedding new light on various aspects of inequality, fairness, and preferences for redistribution. They cover a broad range of topics, from the conceptualization of inequality perception to its profound consequences such as deteriorated social cohesion, unethical behaviors, and even violent conflicts. These papers not only provide new insights into these topics but also raise new questions and point to new directions for future research.

The first paper by Jachimowicz et al. (2022) provides a conceptual framework for studying subjective perceptions of economic inequality. The authors propose four guiding questions for researchers to help operationalize and measure these perceptions: (1) What kind of inequality that you study? (2) What level of analysis at which people are conceptualizing inequality? (3) What part of the distribution of resources people focus on? and (4) What comparison group people use to help assess inequality? The paper argues that these questions can help researchers to better understand and address inequality. The authors highlight the fact that different approaches to perceived inequality leads to different conclusion about the level of inequality people experience, which can be a serious problem when designing policy. The authors survey the recent literature and illustrate how their guiding questions can be applied and reconcile the findings. They end the paper by highlighting its utility in directing future research across the social sciences in both the theory and measurement of subjective perceptions of inequality.

One of the reasons why we are concerned about inequality is the negative consequences it may imply on social interactions. Xu and Marandola (2023) review the experimental literature on the effects of inequality on social capital in the past two decades. The authors find compelling causal evidence that inequality undermines trust, discourages cooperation, and encourages unethical behaviors. The overall effect on generosity is, however, less clear and more research in this area is certainly warranted. Whenever possible, the authors also discuss whether the rich or poor individuals are responsible for the deteriorated social capital under inequality. The authors also discuss the implications of their findings for policy and practice.

Apart from the unethical behaviors covered in Xu and Marandola (2023), inequality may result in violence and social instability. Hillesund and Østby (2022) provide the first systematic review of the emerging quantitative literature on the impact of horizontal inequality (namely inequalities between culturally defined groups) on both violent and nonviolent conflict mobilization. The authors consult 22 recent articles on this matter and ask whether horizontal inequalities lead to mobilization outside conventional political channels. These mobilizations include but are not limited to strikes, (violent) demonstrations, and communal conflicts. The authors conclude that horizontal inequalities can lead to both violent and nonviolent conflict, but the evidence on violent conflicts is more consistent. The paper also discusses the mechanisms through which horizontal inequalities can lead to conflict, including feelings of relative deprivation and group grievances.

The authors underscore how new and immature the literature is on horizontal inequalities and the choice between violent and nonviolent tactics. The authors call for more papers to fill this gap.

This special issue also includes discussions of some of the most concerned sources of inequality. Dai (2022) provides a comprehensive survey on how international trade affects income inequality at the country level by consulting the developments in trade literature in the past decade. The relevance of this paper are highlighted by the recent backlash against globalization and the diverging views of people toward trade, as evidenced by a worldwide survey conducted by the Pew Research Center. The author discusses the impact of trade on nominal income inequality and how trade affects real income inequality through the expenditure channel. One of the important observations is that globalization can indeed increase wage inequality within countries, overturning the conventional wisdom in the literature. How governments redistribute the gains generated by trade seems to be crucial here. Moreover, frictions in the labor market and institutional constraints in government-led redistribution further exacerbate the inequality problem within a country. This result emphasizes the importance of considering inequality in trade policy. As Dai (2022) argued, redistribution is never as optimistic as standard theories suggest. Individuals' redistribution preferences are complex and nuanced in nature (Mengel & Weidenholzer, 2022). Individuals' redistribution preferences depend on, among others, whether the resulting inequality is procedurally fair (Trautmann, 2022), how individuals' fairness view developed from childhood (Schunk & Zipperle, 2023), the identity of the beneficiaries of the redistributed resources (Achard & Suetens, 2023).

Mengel and Weidenholzer (2022) investigate preferences for redistribution and factors that influence these preferences. These factors range from institutions and demographic factors to fairness views and social preferences. The authors discuss various methods to measure redistribution preferences, including survey measures, experimental measures, and nonexperimental measures. The survey covers research from economics, political science, sociology, and psychology. The authors find that preferences for redistribution are influenced by factors such as income inequality, risk aversion, and beliefs about the fairness of the income distribution (meritocracy vs. luck). Surprisingly, the literature primarily focuses on income inequality. Much less attention has been focused on wealth inequality, which may be a fruitful avenue for future research.

Another important aspect of individuals' redistribution preferences concerning ethnic diversity is covered by Achard and Suetens (2023). The authors establish the effect of ethnic diversity on support for redistribution and the welfare state, focusing on the role of discrimination. They find that ethnic diversity or an increase in the salience of ethnic minorities tends to reduce support for redistribution, possibly due to ethnic discrimination. However, the authors noted that the results are context dependent and heterogeneous. The authors also discuss the role of stereotypes and perceptions in shaping attitudes toward redistribution. Interethnic contact seems to be a key factor that affects redistribution preferences in the presence of ethnic diversity.

Trautmann (2022) provides a comprehensive review of the literature on procedural fairness and equality of opportunity, discussing the relationship between these two concepts, whether individuals substitute procedural fairness with outcome fairness, and their implications for redistribution. The authors discuss various studies that have investigated these relationships, using different methodologies and data sources (e.g., surveys or experiments). The authors argue, based on the experimental literature, that individuals do not consider procedural fairness as a perfect substitute for outcome fairness. Without a fair procedure, people certainly demand more outcome equality. However, a fair procedure does not mean a fair outcome (e.g., when risk is involved). If the outcome turns out to be highly unequal, some redistribution may still be preferred. Fur-

thermore, when efficiency is at risk, people tend to support equality of opportunity policies that enhance efficiency.

To further uncover how fairness interacts with redistribution preferences, Schunk & Zipperle (2023) turn to the development of fairness and inequality acceptance in children and adolescents. While the literature primarily studies egalitarianism among young children, the authors consider circumstances deviating from the “fifty-fifty” split. The authors discuss various factors that influence children’s and adolescents’ perceptions of fairness and acceptance of inequality, including social norms, cognitive development, and socialization processes. The authors conclude from the literature that there is a relatively consistent developmental pattern of fairness view and inequality acceptance: Egalitarianism appears to be the predominant fairness reason when people are younger, but people start to accept inequity as they grow older. Furthermore, social norms become increasingly relevant. In particular, home and the classroom are crucial in the transmission of fairness standards. Children get social interaction skills and firsthand knowledge of how various groups see justice in such settings. Therefore, there is a lot of room for intervention policies that seek to promote pro-social conduct in general or fair behaviors among children.

Apart from redistribution, Bennedsen et al. (2023) demonstrate how a relatively simple and affordable policy intervention can mitigate income inequality. The authors review the literature on the effects of increased transparency of gender-segregated wages on the gender pay gap (GPG) in comparable jobs. The authors discuss the various mechanisms through which wage transparency can affect the gender pay gap, including reducing information asymmetries, changing wage-setting norms, and affecting women’s negotiation behavior. The authors find that pay transparency reforms reduce the GPG in all countries except one, and that the monetary implementation cost of transparency reforms is generally affordable. The paper concludes that gender wage transparency reforms are an effective policy tool to reduce the GPG. It should be noted, however, that for some countries, the reduced GPG is due to slower growth of male salaries, instead of higher growth of female salaries. The authors also discuss the potential drawbacks of wage transparency, such as reduced incentives for performance and increased wage compression. Thus, more research is warranted to understand the mechanisms through which wage transparency affects the GPG and develop effective policies while avoiding potential drawbacks.

Taken together, the nine papers included in this special issue provide a comprehensive overview of the recent literature on the perception and source of inequality, its consequences and potential remedy, fairness considerations, as well as redistribution preferences. The insights from these papers shed light on the multifaceted nature of inequality and underscore the challenges in tackling inequality. Avenues for future research in this area have also been discussed.

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