1-page Summary (Verena Rebecca Fetscher)
Why Does It Matter Who They Are? Fairness, Ingroup Favoritism, and Preferences for Redistribution

At least two major developments threaten the current social and political order: the global rise of economic inequality and migration waves from economically developing to economically advanced countries. Income inequality has now reached its highest level for the past half century, creating an ever-widening cleft between the rich and the poor. At the same time, migration across cultural and economic borders complicates the picture by creating new obvious ingroups and outgroups, threatening societal integrity, and instigating electoral support for extreme, nationalistic agendas. The important question, then, is how to gain support for the equalization of incomes in ethnically and racially fragmented societies. In this article, I examine whether and how the identity of the poor matters for the redistribution preferences of the rich.

I propose that fairness principles provide specific reasons for whether and how the identity of the poor influences redistribution preferences by the rich. I first differentiate between two channels through which social identity may operate: information-based and preference-based channels. In information-based approaches, social identity matters because social group belonging alters the structure of available information on how others behave (Bowles and Gintis 2004). In preference-based approaches, in contrast, the identity of the poor matters because people develop attachment and positive affect towards an ingroup, which, it is often believed, goes hand in hand with distance and negative affect towards outgroups (Tajfel and Turner 1979). These two channels, I argue further, are more or less compatible with fairness considerations, depending on which fairness ideal an individual endorses. I relate to theories of distributive justice and focus my study on the following fairness ideals: libertarianism (one owns what one produces), luck egalitarianism (rewards depend on individual choices), welfare maximization (in the utilitarian sense), and parochial egalitarianism (well-being of ingroup members matters more). To substantiate the main idea, for a welfare maximizer, who the poor are may not matter as long as their choices do not influence total welfare. Advocates of a luck egalitarian principle, in contrast, may employ social identity as a signal for effort provision (information-based channel), while, finally, an egalitarian may be concerned about others in general, but feel stronger attached to people of his or her own kind (preference-based channel).

The empirical challenge is to identify behavioral types and to manipulate the interaction between fairness ideals and identity channels. Experimental approaches are best suited to this task. In modified dictator games, participants in a laboratory experiment decide on the distribution of resources in various distributional problems. I use a data segmentation technique in order to empirically model heterogeneity in response patterns across behavioral types. Latent class models provide an approach to identify types based on differences in revealed behavior, and, subsequently, to estimate type-specific treatment effects. Results show that three distinct behavioral types capture the empirical variation in treatment responses best. One type follows the liberal fairness principle and never allocates his or her own resources to another participant (coinciding with selfish behavior). Another type maximizes aggregate welfare and increases allocations to the recipients if redistribution induces a total welfare gain. The third type combines the expectations I make for luck egalitarians and parochial egalitarians. Dictators in this subgroup always allocate more to ingroup recipients relative to outgroup recipients. However, if there is uncertainty in whether the recipient deserves a given outcome (based on an individual's effort provision), dictators allocate less of their endowment to both, members of their own social group and members of other social groups.

The implications of this article are that one-size-fits-all policy approaches which rely on the behavior of an "average" individual mask important behavioral heterogeneity and should be treated with skepticism. If subgroup effects cancel each other out, or override relevant distinctions in the aggregate, as I show it is the case in this study, average-effect conclusions provide little understanding of the actual mechanisms at work. If the goal is to reduce income

inequality in ethnically and racially fragmented societies, the question then is how to unite the interests of distinct subgroups to achieve a common goal.

References

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Tajfel, Henri, and John Turner. 1979. "An Integrative Theory of Intergroup Conflict." In *The Social Psychology of Intergroup Relations,* edited by William G. Austin and Stephen Worchel, 33–47. Monterey, Calif.: Brooks/Cole Pub. Co.