

# People can put a price tag on economic justice, economists say

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How much would you pay to live in an equitable society in which people get what they deserve and deserve what they get? Economists at Carnegie Mellon University and the Free University of Berlin have developed a mathematical model to measure the value that people place on distributive justice – whether goods are distributed fairly among all members of society.

Applying their model to pre-existing survey data, the authors found that, on average, people are willing to sacrifice about 20 percent of their disposable income to live in an equitable society – but they also found that the value a person places on equity is substantially affected by their race and educational background.

Whites place a higher value on equity than non-whites, and equity is valued more by those with high levels of education than those with less education. The paper was written by Giacomo Corneo at the Free University of Berlin and Christina Fong at Carnegie Mellon, and it is being published in the *Journal of Public Economics*.

“In many countries, a large share of the government's budget is devoted to redistributing income, supposedly for equity reasons. Since governmental redistribution is costly for society, some knowledge of society's willingness to pay for distributive justice is required in order to evaluate whether that public good is efficiently provided,” the authors write.

Distributive justice can be guided by one of three principles: need, in which income is distributed to individuals based on their needs; equality, in which income is shared equally by all members of a society; or equity, in which income is distributed based on a person's effort. Whether a person believes we live in an equitable society depends in large measure on whether they believe that labor markets are inherently fair. Do people succeed mostly because of their own hard work, or do people often fail because of bad luck or circumstances beyond their control?

Corneo and Fong analyzed data from the 1998 Gallup poll titled "Haves and Have-Nots," which gauged respondents' attitudes toward wealth and poverty as well as government welfare policies. The Gallup poll included questions about why the respondents believed that people became rich or poor, and whether government should redistribute wealth. The survey did not explicitly ask what monetary value the respondents placed on distributive justice, so Corneo and Fong developed their model to use the survey data to answer that question.

Simply asking people outright how much they would pay to achieve an economically just society poses many problems. For example, someone who believes that justice is important to them could exaggerate their response to a question about how much they'd be willing to sacrifice to achieve, because there is no actual cost involved, but an artificially strong response may affect policy makers. People also tend to state higher values of items that they are considering giving up, and lower values of things they are looking to acquire.

For the purposes of their model, Corneo and Fong assume that people hold one of two diametrically opposed beliefs: a laissez-faire view of the economy in which labor markets are inherently fair, rewarding hard work alone and that any form of income redistribution (e.g. via income taxes and welfare) is unjust; or a belief that labor markets are unjust and reward people based on luck.

People who have a laissez-faire attitude toward the economy would give up 20 percent of their income to live in a society in which government does not transfer income from the rich to the poor. On the contrary, those who hold the opposite belief would give up 20 percent of their income to live in a society in which the government does transfer income to the poor. In reality, of course, many people do not hold such black-and-white views, and the authors write that further research might examine how more nuanced perceptions affect the value a person places on distributive justice.

Source: Carnegie Mellon University

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