

Preferences for Redistribution and Perception of Fairness: An Experimental Study

Ruben Durante*

Louis Putterman†

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ABSTRACT

This paper investigates the relative importance of fairness preferences, risk aversion, and self-interest in determining support for redistribution. We present evidence from a series of laboratory experiments in which a large number of subjects choose the level of redistributive taxation to be applied to an initial distribution of endowments among participants. Our design permits us to investigate how support for redistribution varies based on: a) whether or not the decision-maker is part of the group affected by the tax; b) whether or not she has perfect information on her relative position in the distribution; c) whether or not the initial distribution is determined according to task performance; d) on the direct cost of redistribution to the decision-maker; e) on the deadweight loss associated with taxation. We find that: a) most subjects favor a more equal distribution among others; b) support for redistribution is sensitive to the cost of taxation and to the deadweight loss associated with it; c) risk aversion is associated with higher demand for redistribution when income is uncertain; d) subjects support less redistribution when the initial distribution is determined according to task performance. The last effect is much larger for males than for females and accounts for most of the gender-based difference in redistributive choices.

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*Brown University, Department of Economics. Contact: Ruben.Durante@brown.edu

†Brown University, Department of Economics. Contact: Louis.Putterman@brown.edu.