

Needs as reference points:

When marginal gains to the poor do not matter

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Imagine that only the state can meet the need for housing but decides not to do so. Unsurprisingly, participants in a vignette experiment deem this scenario unjust. Hence, justice ratings increase when the living situation improves. To a lesser extent, this also holds beyond the need threshold, understood as the minimum amount necessary for a decent life. Surprisingly, however, the justice evaluation function is highly convex below this point. The resulting S-shaped curve is akin to the value function in prospect theory, with the need threshold providing the point of reference and inflection. A control treatment without needs-information supports this interpretation. Needs-information furthermore compresses the perceived injustice of arbitrary inequality. As in prospect theory, such reference dependency suggests biases in judgment and decision making. A consequence may be that the lot of the poorest in society does not receive the attention it would otherwise get.

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