

Legitimizing Myths and Inequality

Dan McGee

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Justifying Inequality

The fortunate man is seldom satisfied with the fact of being fortunate... he wants to be convinced he deserves it in comparison with others - Max Weber

When men oppress their fellow-men... [they find] in the character of the oppressed, a full justification for his oppression - Frederick Douglass

Motivation

- ▶ Long-running concern about the tension between unequal outcomes and egalitarian moral ideals (present in Smith, Myrdal, etc.)
- ▶ Intensified in post-Enlightenment era due to rise of meritocratic norms
- ▶ Yet pervasive disagreement on whether inequalities violate meritocracy at all
- ▶ Support for and opposition to group-based redistribution both grounded in language of equal opportunity (e.g., “reverse discrimination”)

A Model of Legitimizing Myths

- ▶ Conflict over redistribution when unearned advantages and disadvantages clash with a meritocratic norm
- ▶ Distorted beliefs about agents' merit used to justify unequal outcomes, which affects demand for redistribution
- ▶ When redistribution is unlikely, the incentive to legitimize market outcomes to reduce perceived unfairness is stronger, so more agents distort beliefs
- ▶ Feedback loop arises because belief distortions are complements within and between groups, even when actions are not

Related Literature

- ▶ **Fairness and Redistribution:** Gilens (1999), Fong (2001), Alesina and Angeletos (2005), Benabou and Tirole (2006), Kraus and Tan (2015)
 - ▶ **This paper:** Framework distinguishing belief in and preference for meritocracy
- ▶ **Identity Politics:** Shayo (2009), Besley and Persson (2019), Grossman and Helpman (2020), Guiso et al. (2020), Gennaro et al. (2020)
 - ▶ **This paper:** Theory of origins of 'White' identity politics
- ▶ **Stereotyping:** Bordalo et al. (2016, 2019), Gennaioli and Tabellini (2018), Chauvin (2019), Frick et al. (2019), Heidhues et al. (2020)
 - ▶ **This paper:** Ideological motive for individuals to hold stereotypes

Merit and Advantage

- ▶ Agents receive ‘income’ y_i from ‘ability’ a_i and ‘advantage / disadvantage’ θ_G :
- ▶ Group W (size λ) receives $\theta_W = \theta > 0$; group B loses $\theta_B = -\theta < 0$
- ▶ ‘Fair’ outcome is income agent would receive in absence of discrimination
- ▶ Agent suffers utility loss if they perceive their own income as unfair relative to believed ability \tilde{a}_i :

$$\gamma|y_i - \tilde{a}_i|$$

where $\gamma < 1$ represents the relative importance of fairness

Mobilization and Redistribution

- ▶ Agents can mobilize in support of redistribution, $e_i = 1$, or against redistribution, $e_i = -1$, both at cost c_i , or be neutral $e_i = 0$
- ▶ Likelihood of redistribution depends on average effort choice, \bar{e}
- ▶ Mobilization also yields private benefit; active agent better positioned to claim new benefits or protect existing privileges
- ▶ Given e_i, \bar{e} , agent receives transfer $T_i = -\theta_G$ w.p.:

$$p(e_i, \bar{e}) = \frac{\alpha}{2}e_i + \frac{(1-\alpha)}{2}\bar{e} + 1/2$$

Mobilization Decision

- ▶ Since $\gamma < 1$, B 's never choose $e = -1$ and W 's never choose $e = 1$
- ▶ Let c_L and c_U be defined as:

$$c_L = \frac{\alpha\theta(1-\gamma)}{2} \quad c_U = \frac{\alpha\theta(1+\gamma)}{2}$$

- ▶ If $c_i \leq c_L$, agent always active; if $c_i \geq c_U$, agent never active
- ▶ If $c_i \in (c_L, c_U)$, only active if material and ideological motives aligned; agent must believe outcome they support is fair

Activists and Disengaged Agents

- ▶ If $c_i \leq c_L$ or $c_i \geq c_U$, beliefs do not affect actions, so choose beliefs to minimize perceived fairness loss
- ▶ Given e_i , choose accurate beliefs iff $p(e_i, \bar{e}) \geq 1/2$
- ▶ Among agents with $c_i \leq c_L$, group B agents hold accurate beliefs for $\bar{e} \geq -\frac{\alpha}{1-\alpha}$; group W agents hold accurate beliefs for $\bar{e} \geq \frac{\alpha}{1-\alpha}$
- ▶ In both groups, if $c_i \geq c_U$, hold accurate beliefs iff $\bar{e} \geq 0$

Ideologically Susceptible Agents

- ▶ If $c_i \in (c_L, c_U)$, actions change depending on whether beliefs are accurate or distorted
- ▶ In group B , accurate beliefs lead to active support for redistribution; threshold c_B^* to hold accurate beliefs and mobilize increasing in \bar{e}
- ▶ In group W , distorted beliefs lead to active opposition; threshold c_W^* to hold distorted beliefs and mobilize decreasing in \bar{e}
- ▶ An increase in \bar{e} makes more agents from both groups hold accurate beliefs, but affects actions in opposite directions

Aggregate Best Response - Actions

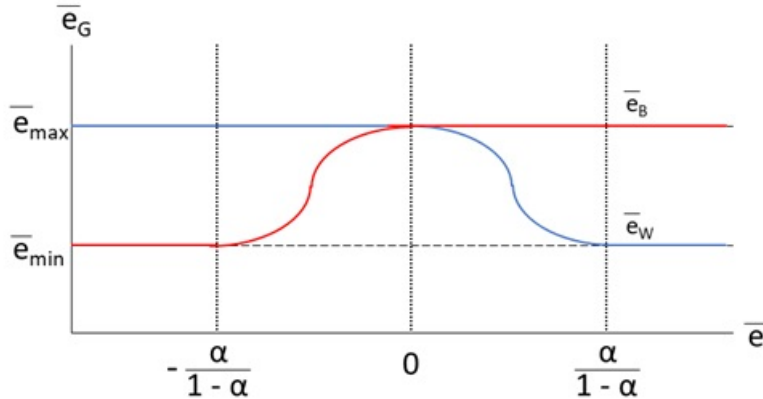


Figure: Aggregate Mobilization Decisions

Aggregate Best Response - Beliefs

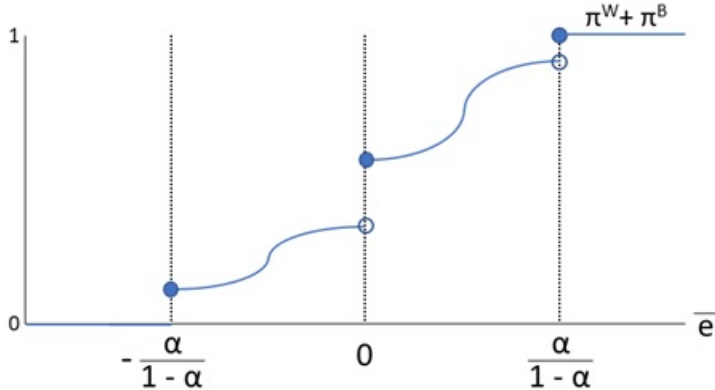


Figure: Share of Agents with Accurate Beliefs

Ideology in Equilibrium

- ▶ Aggregate mobilization depends on the individual decisions of all agents:

$$\bar{e} = (1 - \lambda)\bar{e}_B - \lambda\bar{e}_W$$

- ▶ Equilibrium requires consistency between individual choices and aggregate mobilization
- ▶ Note that \bar{e} only affects behaviour if $\gamma > 0$: fairness preferences critical

Belief-Action Feedback

- ▶ Groups must be close enough in size or else the majority's interests always dominate:

$$\frac{\alpha}{1 - \alpha} > \lambda F(c_L) - (1 - \lambda)F(c_U)$$

- ▶ When this holds, feedback loop between aggregate state and individual choices
- ▶ If redistribution less likely, ideologically susceptible agents adopt distorted beliefs, which reduces mobilization in group B and increases it in group W
- ▶ Thus, \bar{e} decreases, making redistribution even less likely

Ideological Equilibria (1)

- ▶ For today, no-dissent equilibria only: all agents hold the same beliefs in equilibrium; necessary condition is:

$$\frac{\alpha}{1 - \alpha} < \frac{F(c_L) + F(c_U)}{2}$$

- ▶ If individual actions too effective at changing individual's allocation, some agents will dissent from the broadly-shared ideology

Ideological Equilibria (2)

Theorem

Suppose $\frac{\alpha}{1-\alpha} < \frac{F(c_L)+F(c_U)}{2}$, then exists $\lambda' < \lambda''$ s.t. if $\lambda \in (\lambda', \lambda'')$, there exists two stable asymmetric no-dissent equilibria:

1. *Realistic Egalitarianism*: All agents hold accurate beliefs $\tilde{a}_i = a_i$, $\bar{e}_B = \bar{e}_{\max}$, and $\bar{e}_W = \bar{e}_{\min} \implies$ highest equilibrium value for \bar{e}
2. *Bootstrap Meritocracy*: All agents hold distorted beliefs $\tilde{a}_i = a_i + \theta_G$, $\bar{e}_W = \bar{e}_{\max}$, and $\bar{e}_B = \bar{e}_{\min} \implies$ lowest equilibrium value for \bar{e}

Extensions

- ▶ In the paper, I explore several extensions:
 1. Equilibria with dissenters
 2. Advantaged minority $\lambda < 1/2$
 3. Strong fairness preferences, $\gamma > 1$
 4. Preferences over others' allocations
 5. Endogenous group formation
 6. Endogenous 'merit' acquisition

- ▶ Qualitative results continue to hold in all extensions

Conclusion

- ▶ I present a theory of political conflict over discrimination and redistribution in the presence of fairness concerns
- ▶ Distorted beliefs arise to legitimize inequality arising from non-merit advantages and disadvantages
- ▶ Belief distortions are complements both within and between groups, even as actions are substitutes between groups
- ▶ In equilibrium, group harmed by discrimination believes stereotypes about themselves, even though it conflicts with their material interest