Socio-economic inequality and altruism

Социально-экономическое неравенство и альтруизм

Abstract

The article addresses the attitudes to inequality in the Russian society depending on the role of the individual in a reference group. It is shown that people are ready to accept significant income inequality if they believe that the income is well earned. No correlation was found between subjective well-being and inequality. The vast majority of people compare themselves with friends, neighbours and relatives. The next most important reference group is colleagues, followed by celebrities. The rejection of representatives of lower social classes is negatively correlated with life satisfaction. At the same time, the respondents expressed willingness to build a society where, having due means, people would organise help to those who cannot provide for themselves.

Keywords: inequality, altruism, charity, views of income inequality.

Introduction

One of the issues in contemporary economic theory is population inequality and well-being (Nusratullin et al, 2019; Vishnever et al., 2019), as well as the impact of some people’s income on others’ perception of personal well-being. There are two main types of individual attitudes to

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В статье исследуется отношение к неравенству в российском обществе в зависимости от роли индивида в референтной группе. Показано, что люди готовы принимать значительное неравенство доходов, если считают доход заслуженным. Корреляции между субъективным благополучием и неравенством не обнаружено. Подавляющее большинство людей сравнивают себя с друзьями, соседями и родственниками. Следующей по значимости референтная группа – коллеги, затем идут знаменитости. Негативное отношение к представителям более низких социальных классов отрицательно коррелирует с удовлетворенностью жизнью. При этом респонденты выразили готовность к построению такого общества, где, имея средства, люди будут организовывать помощь тем, кто не может себя обеспечить.

Ключевые ресурсы: неравенство, альтруизм, благотворительность, представление о неравенстве доходов.
income distribution in the society. The first approach can be viewed as the individual’s disinterested assessment of income inequality (normative assessment of inequality). Inequality in standard treatment is assessed by the individual regardless of where he/she is within the distribution level, or even whether he/she is present at all in this system or not. The second approach, in the context of relative positioning, will depend critically on the control group that the individual has in mind. This group may include two subgroups: relative (comparative) reference group which serves as a standard for comparison in terms of self-assessment, and standardised reference group which is a source of norms, attitudes and values of concerned individuals. The relative reference group is a point of comparison that allows for identifying the individual’s own status when he/she is part of a group. The standardised reference group includes those whose attitudes constitute a coordinate system for the individual (Merton & Rossi, 1968).

The individual’s response to income inequality will depend both on the role adopted by the reference group and on the status of his/her membership of the group. The individual’s well-being, in the relative reference group of which he/she is a member, usually keeps to the position that one is negatively influenced by those who earn more than him/her, while positively influenced by those who earn less. Relative reference groups can also influence one’s behaviour, even if the individual is not currently a member of the group. If the individual aspires to become part of the group in question, then the comparison with wealthier individuals in the group can trigger positive emotions since the individual expects to become as well-to-do as the other group members, when he joins the group. This idea of relative reference group towards which the individual aspires is akin to the Hirschman-Rothschild’s tunnel effect (1973).

The article explores the attitudes to inequality in the Russian society depending on the role of the individual in a reference group. The study revealed that:

- people are prepared to accept significant income inequality if they believe that the income is well earned;
- no correlation between subjective well-being and inequality was found;
- the vast majority of people compare themselves with friends, neighbours and relatives. The next most important reference group is colleagues, followed by celebrities;
- negative attitudes towards members of lower social classes correlate negatively with life satisfaction. At the same time, respondents expressed willingness to build a society where, having due means, people would organise to help those who cannot provide for themselves.

Literature Review

A substantial body of papers appeared lately considering the relationship between income and well-being, where the authors construct their concepts realising the significance of the Easterlin et al., (2010) paradox. The individual’s perception of inequality may depend on his/her position in the income distribution. At any given time, richer people tend to be happier than poorer people. However, since GDP per capita increases over time, Easterlin et al., (2010) suggested that the average subjective level of welfare remains constant in many countries. The extent to which subjective well-being remains actually permanent over time is a subject of quite heated debate (Bloch et al., 2004). The comparison of individual’s income or consumption with that of others (or with own income in the past) is often proposed as an explanation for this paradox. There are many ways to show that the individual’s well-being depends negatively on the income of others, which has been shown empirically by numerous scholars (Brown et al., 2008; Brown et al., 2011; Heffetz, 2011).

Natural experiments may serve as the most convincing evidence in this respect, where the income or consumption of the control group varies randomly. Some of these experiments are adduced below.

Card et al., (2012) describe the following experiment. According to a California court ruling, the information about any state employee’s salary became publicly available. The local newspaper set up a website facilitating the search for this information. After launching this website, the researchers informed a random group of employees at three California campuses about this site. Several days after, all employees at the three campuses were questioned. The study revealed that being informed about others’ earnings reduced the subjective well-being of those found to be relatively less well paid than others in their reference group, and increased it if they were found to be paid more. The survey in fact revealed lower job satisfaction in people paid below the average in their reference group and their greater intention to seek new employment.
The effect of both of these variables on people relatively well paid was not significant.

Kuhn et al. (2011) described the following situation. A zipcode lottery is regularly held in the Netherlands. Every week, this lottery randomly selects a zipcode and distributes a prize of €12,500 for a lottery ticket acquired within the zipcode area. In addition, one of the participating households in the zipcode-winner area receives a new BMW car. These zipcode areas are small and constitute about 20 households on the average. The people who do not live in the winning zipcode area and those who did not buy a ticket receive nothing. The households in the winning zipcode areas were surveyed six months after receiving the prize. One of the key findings of the article is that people non-participating in the zipcode lottery (those living next door to the winners) were more likely to have bought a new car since the lottery date than the other non-participants. This suggests that people compare their well-being with their neighbours and buy a new car as a symbol of welfare.

The following example of natural experiment is the one in which the comparison with a baseline position or expectation influences the observed behaviour. In New Jersey, police unions negotiate their salaries with their municipal employer and, in the event of a dispute, an outside arbitrator takes the final decision. Mas (2006) concluded that the number of crimes cleared per capita is 12% higher when the trade unions win cases, compared with the situations when they lose.

Natural experiments of this kind are relatively rare. Instead, most studies aim at obtaining survey data and modelling subjective welfare as a function of individual’s own income and that of a likely reference group. The latter reference group is almost always imposed by the researcher as some measure of income obtained, for instance, by people of the same gender, age and education, or those living in the same region or working for the same firm. Direct information about the people in the individual’s reference group is very infrequent in survey data (Clark & Senik 2010) is an exception).

Clark & Oswald (1996), using the data from the British Household Panel Survey (BHPS), showed that the estimated valuation multiples for people’s own income and income of others in the job satisfaction equation are statistically equal and vice versa. Similar findings were obtained by Ferrer–i–Carbonell (2005) who analysed the national socio-economic surveys (SOEP) in Germany, as well as by Luttmer (2005), who based his findings on the US National Family and Household Survey.

The above studies refer to relative reference groups of which the individual is a member. However, a different situation is possible, when income increases in a comparative control group to which the individual aspires, but of which he/she is not yet a member. Some papers in fact show that individual well-being is positively correlated with the income of the reference group, and they attempt to interpret this correlation in terms of aspirations and future results. The positive correlation between one’s own well-being and the income of others is consistent with the Hirschmann’s tunnel effect where the others’ income provides information about one’s own future prospects.

Clark & Oswald (1996) noted a positive effect of other people’s welfare on subjective well-being. In these cases, the measure of other people’s income contains some element of the individual’s likely future prospects. And this influence is higher to the extent of probability of one’s joining a reference group. As an example, the work by (Clark & Senik 2010) shows, using the data from a representative sample, that people were initially content with the higher income of others (closer to the upper limit of income distribution) since it was supposed that this was to reflect their own future opportunities. Once it becomes clear that only some relatively few people will actually be able to access such income, the satisfaction correlation becomes more comparable to the net negative effect in subsequent years of the sample. Similarly, one’s income may be compared with the income of those who are poorer, i.e. those who are worse off.

One of the shortcomings of the studies described above, in our opinion, is that the researchers always make assumptions only for a proper reference group, with obvious consequences for precise measurement of relevant income differences.

Below, some works on subjective well-being are addressed. D’Ambrosio & Frick (2007, 2012) show in their papers that subjective welfare depends more on a measure of relative deprivation than on absolute income, since the correlation between income satisfaction and absolute income is 0.357, whereas the correlation between subjective well-being and relative deprivation is 0.439. Thus, individual welfare is estimated as a function of advantageous and
disadvantageous inequality in a control group. Bossert et al., (2007) introduce time as additional dimension in assessing the individual’s level of deprivation. They suggest that a person’s sense of relative deprivation presently depends on comparison with those who are better off. In addition, they adduce an additional consideration: the feeling of deprivation towards someone who has higher income today is more pronounced if the latter person was not better off than the person in question on the previous day. Stated differently, relative deprivation is sensed more keenly in comparison to those who outdistanced the person in income distribution within the period from yesterday to today.

Individual well-being is negatively influenced by comparison with those who are consistently richer, and positively – by comparison with those who are permanently poorer. At the same time, it can be asserted that the presence of new richer and poorer people plays the informational role described in the tunnel effect. The one who is richer than me today but was poorer than me yesterday gives me a positive signal about my own future prospects. Indeed, D’Ambrosio & Frick (2012) show that individual satisfaction is positively correlated with such people’s income today. Similarly, income gap with respect to those who are now behind the individual but used to be ahead of him/her reduces the person’s satisfaction, which is consistent with the negative signal that he/she may fall within this group tomorrow.

In evaluation of well-being, altruistic behaviour should be addressed as well, when giving one’s own money to others increases the welfare not only of the recipient, but also that of the donor. The experimental approach described in Konow & Earley (2008) shows that people showing high scores on the subjective well-being scale are subsequently more generous to others. A number of essays provide evidence of the fact that both tangible and intangible assistance to others has a positive impact on subjective welfare (Aknin et al., 2013; Kiffin-Petersen et al., 2012; Ricard, 2016). Dunn et al., (2008) in their study describe the observed positive correlation between social spending and subjective well-being, by making an experiment in which some people have to be generous. Aknin et al (2013) also concluded on direct correlation between pro-social spending and happiness: spending on social needs increases the extent of happiness. Boehm & Lyubomirsky (2009) show that people in the experimental group who were asked to perform three additional acts of kindness in a day experienced sustained increased satisfaction compared to the control group. Carpenter & Myers (2010) show that volunteering also generally leads to increased subjective well-being.

It is interesting to note that self-assessment of altruism is significantly correlated with all types of volunteering, with the exception of volunteers working with animals (Maki & Snyder, 2015).

An interesting area of research in this regard covers charity. People donate on charity either because they care about the recipients of their generosity or because they derive some benefit from the very process which is independent on the focus of application of their charity (Andreoni, 1989) calls this ‘impure altruism’). Alternatively, philanthropy can be viewed as a benefit that confers the status of benefactor on the giver.

Konow (2010) shows in his research that giving to others cannot be explained by altruism alone. Konow (2010) calls for overarching role of context-dependent norms in specifying the notions of giving/bestowing to others, denoted by him as fairness and need in his experiments. Kranton et al., (2013) also emphasise that people can be altruistic towards other people, but tend to compare themselves and compete with others.

Below, within the scope of this study, the reference groups in the Russian society and their propensity for altruism is examined.

Methodology

A total of 1,745 people were interviewed, as part of the quantitative research, in 44 regions of the Russian Federation, aged 18 to 74, including Moscow, regional centres and small towns in Central Russia. The survey was conducted by telephone interviewing. In addition, nine focus-group sessions were conducted in Moscow, Vladimir and Gus Khrustalny, with a total of 90 respondents (30 persons aged 20-30, students and professionals with higher education, 30 persons aged 35-55 with secondary education, 30 persons aged 56+ having secondary education).

The study focused on identifying societal attitudes towards inequality and values underlying the attitudes towards inequality.

Results and Discussion

The economic indicators of inequality as measured through the means of economic statistics are not fully comparable with similar
ones measured by sociological surveys. However, even a rough comparison shows that subjective perception of inequality has increased significantly, much more than the one measured objectively (Figure 1). This figure and below, where the data are given in percentage terms, shows the quantitative survey.

![Figure 1](image)

- not at all outraged
- rather not outraged
- rather outraged
- highly outraged

**Figure 1.** Assess how much each of the 5 forms of social inequality below is resented by you (economic inequality results)
Source: received by the authors

The survey results show that economic inequality is resented by the overwhelming majority of respondents across all demographic groups. This form of inequality is somewhat less resented in the younger age group (79% of the respondents are outraged, while it is most of all resented in the 41-60 age group (85% of the respondents). It is generally assumed in the reference group of which the individual is a member that individual well-being is negatively influenced by those who earn more, but positively influenced by those who earn less. It is therefore necessary to identify the individual’s reference group.

We asked in the focus groups about whom people compare their welfare with (colleagues, neighbours, celebrities, officials, someone else). The following answers were received: friends and relatives, colleagues, neighbours, oligarchs, famous bloggers. Next, this question was included in the mass survey. The results are presented in Figure 2.

![Figure 2](image)

- I do not compare
- I compare with my colleagues
- I have difficulty answering
- I compare with friends, neighbours
- I compare with celebrities

**Figure 2.** Do you compare your financial well-being with others (reference groups)?
Source: received by the authors
This way we identified the reference groups and the frequency of comparing oneself with a reference group. The older the respondents, the less frequently they compare themselves to reference groups: 65% and up among the young people to 45% among the elderly. The vast majority of people compare themselves with friends, neighbours and relatives. The next important reference group is colleagues, followed by celebrities (about 7% of the respondents in all demographic groups compare themselves with them). People with medium level of education and low income compare themselves with celebrities a bit more frequently, which cannot but worsen their psychological state which is reflected both in their subjective assessment of own chance to success and in evaluation of inequality level.

Figure 3 shows the rating assigned by Russians to themselves in their reference groups.

Figure 3. If you compare your financial well-being with that of your environment, where do you rank yourself on a scale from 1 to 5.
Source: received by the authors

Half of the surveyed people (50%) with low income and having no higher education often rate their position in own environment as low and very low. As much as 4 per cent of low-income people, 14 per cent of middle-income people and 24 per cent of upper-middle-income people rate their position as high or very high.

Thus, the main reference group is friends, neighbours and relatives; the respondents who assess their position in a reference group as low and very low are 3.5 times more numerous than those who assess their position as high and very high (39% versus 11%).

Let us further reveal the attitudes towards the members of other social groups, since the views on income redistribution may be determined not by financial interest, but by its impact on one’s social position. For instance, if the decremented inequality leads to influx of people from lower social classes to a particular setting (neighbourhood), then this influx will be opposed by those who do not want to “mix” with people from these classes. The people’s answers are presented in Figure 4.
Figure 4. If the decremented inequality leads to influx of people from lower social classes (including migrants from undeveloped countries) into your neighbourhood, would you approve this / oppose this / feel neutral about it?
Source: received by the authors

The negative attitudes towards representatives of lower social classes increase with people’s age; these attitudes are worst in small towns and cities, being best in Moscow; people with higher education are more tolerant to lower social classes than people with secondary education. The respondents’ assessment of subjective well-being is presented in Figure 5.

Figure 5. How satisfied are you with your life on a scale from 1 to 5 where 1 is — dissatisfied, 2 — rather dissatisfied, 3 — moderately satisfied, 4 — rather satisfied and 5 — satisfied.
Source: received by the authors

Predictably, life satisfaction is lower among people with low income. However, while economic inequality is strongly resented by 82% of the population, we were unable to find a correlation between subjective well-being and inequality. As much as 34% of those surveyed were satisfied or rather satisfied with their lives, while only 21% were dissatisfied or rather dissatisfied. We attribute this to the fact that it is not the economic inequality per se that is resented by people, since, when asked “Do you agree that inequality is unfair NOT in all cases”, 86% of the respondents gave an affirmative answer. It is the corruption-based inequality, generating close association with all sorts of officials, that causes outrage. However, as far as the vast majority of citizens are unable/unwilling to engage in corruption (whereas officials are not included in any normative comparison group involving the respondents), no clear correlation between inequality and subjective well-being is observed.

Having identified the reference groups among the Russians, their perception of own rank within these groups and their attitudes towards members of lower social classes, we shall further show whether Russians behave altruistically towards the others. In order to assess the extent to which Russians are altruistic, we asked whether they donate anything to charity, and about their satisfaction with own income. The results are presented in figures 6–7.
It can be seen that almost half of Russians experience regular financial difficulties. In this regard, the answers to the question about donations look quite logical; it can be seen from them that a similar proportion of respondents experience financial difficulties and are unable to donate anything.

Among those who donate regularly to charity, those with above-average income, pensioners and residents of regional centres stand out. Among those who donate to charity occasionally, the minimum is observed among people with low income (32%), and the maximum – among those with above-average income (41%). Men, significantly more often than women (7% vs. 4%), believe that everyone should solve own problems himself/herself. The highest share of those who share this view is the people with above-average incomes (11%). This can probably be explained by the fact that these people believe that they have achieved everything on their own.

We got the following distribution of answers in the focus groups:

1. Regularly – 3 persons.
2. Occasionally – 52 persons.
3. I am not in the position to – 23 persons.
4. I don't think it's proper, everyone has to solve own financial problems himself – 12 persons.
After that, the motivation of those who donate to charity (regularly or occasionally) was identified. All of the respondents reported feeling compassion for those in need (value motivation); moreover, this way they sort of get rid of the feeling of guilt for being in a better position (protective motivation), or this makes them feel a worthy person (self-improvement motivation). The protective motivation was reported by 12 persons, the self-improvement motivation – by 43 persons.

Can one talk in this context that donation behaviour represents an unconscious desire on the part of Russians to reduce inequality in the country? Probably, this is partly true. Why? The indignation at the fact that people, and especially children, have to collect money for medical operations was repeatedly voiced in every focus group. In this sense, our respondents rather expressed indignation about social inequality in the form of unequal access to social benefits (education, medicine etc.). Strong resentment of social inequality was expressed by 88% of the survey respondents.

In this context, it is interesting to see what Russians expect from the government. We asked the respondents to rate each below statement on a scale from 1 to 5 where: 1 – the government should not address it, 5 – the responsibility for this lies entirely with the government (see Table 1).

Table 2.
Role of government in addressing inequality in the country

<table>
<thead>
<tr>
<th>The government’s role to:</th>
<th>1 – The Government should not address this, %</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5 – The responsibility for this lies entirely with the government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduce the income gap</td>
<td>3%</td>
<td>4%</td>
<td>17%</td>
<td>23%</td>
<td>53%</td>
</tr>
<tr>
<td>Give a chance to poor children to get to the university</td>
<td>3%</td>
<td>2%</td>
<td>11%</td>
<td>24%</td>
<td>60%</td>
</tr>
<tr>
<td>Provide jobs for everyone who wants it</td>
<td>1%</td>
<td>2%</td>
<td>10%</td>
<td>22%</td>
<td>65%</td>
</tr>
<tr>
<td>Ensure a decent living standard for the unemployed</td>
<td>5%</td>
<td>10%</td>
<td>38%</td>
<td>21%</td>
<td>26%</td>
</tr>
<tr>
<td>Ensure a decent income level, one for all</td>
<td>8%</td>
<td>9%</td>
<td>24%</td>
<td>20%</td>
<td>39%</td>
</tr>
<tr>
<td>Play a key role in protecting and promoting economic well-being of its citizens</td>
<td>1%</td>
<td>1%</td>
<td>9%</td>
<td>22%</td>
<td>67%</td>
</tr>
<tr>
<td>Ensure equal opportunities</td>
<td>1%</td>
<td>2%</td>
<td>11%</td>
<td>23%</td>
<td>63%</td>
</tr>
<tr>
<td>Ensure equitable distribution by transferring money from the richer to the poorer</td>
<td>8%</td>
<td>10%</td>
<td>22%</td>
<td>21%</td>
<td>39%</td>
</tr>
<tr>
<td>Ensure public responsibility for those who are not able to provide for themselves independently</td>
<td>3%</td>
<td>6%</td>
<td>23%</td>
<td>26%</td>
<td>42%</td>
</tr>
</tbody>
</table>

The following ideas towards tackling the inequality problem find maximum support of the population: providing jobs for all who need them; activating the deeds to protect and promote economic well-being of citizens; giving poor children a chance to enter the university, ensuring equal opportunities.

In the above context, we are interested in the last line of the table. Ass much as 68% of the respondents agreed that the government should “ensure public responsibility for those who are not able to provide for themselves independently”. In other words, the people expressed willingness to build a society where, given due means, people would organise help to those who cannot provide for themselves. Moreover, 48% of Russians already do this, insofar as possible, donating to charity regularly or occasionally.

Conclusions

The authors found that income inequality in the country is resented by 82% of the respondents. At the same time, people are ready to accept
significant income inequality if they believe that the income is well earned rather than acquired through corruption. The vast majority of people compare themselves with friends, neighbours and relatives. The next most important reference group is colleagues, followed by celebrities – about 7% of the respondents in all demographic groups compare themselves with them.

The most common reference group is represented by friends, neighbours and relatives; the respondents who assess their position in the reference group as low and very low are 3.5 times more numerous than those who assess their position as high and very high (39% versus 11%).

Predictably, life satisfaction is lower among people with low income. However, although economic inequality is strongly resented by 82% of the population, no correlation between subjective well-being and inequality was found. As much as 34% of those surveyed were satisfied or rather satisfied with their lives, while only 21% were dissatisfied or rather dissatisfied. We attribute this to the fact that it is not the economic inequality per se that is resented by people, but rather the corruption-based inequality, causing close association with all sorts of officials. However, as far as officials are not included in any normative comparison group involving the respondents, no clear correlation between inequality and subjective well-being is observed.

At the same time, the number of people who do not want to mix with people from lower social classes (which could happen if the social inequality is mitigated) accounts for 28%. The negative attitudes towards members of lower social classes are negatively correlated with life satisfaction. That is, people who are dissatisfied with life do not want to mix with those who live even worse, reserving the right to believe that they are superior to some other social group.

Almost half of Russians experience regular financial difficulties. And almost as many, regularly or occasionally, contribute to charity, mainly out of compassion for those in need who cannot afford to pay for a medical operation or other expensive medical treatment. In this sense, the donating behaviour can be viewed as an attempt to reduce not economic, but social inequality in the country.

Finally, 68% of the respondents agreed that the government should “ensure public responsibility for those who are not able to provide for themselves independently”. In other words, the people expressed willingness to build a society where, given due means, people would organise help to those who cannot provide for themselves.

Bibliographic references


