# **ECONSTOR** Make Your Publications Visible.

A Service of

ZBW

Leibniz-Informationszentrum Wirtschaft Leibniz Information Centre for Economics

Costa-Font, Joan; Cowell, Frank A.

## Working Paper Specific Egalitarianism? Inequality Aversion across Domains

IZA Discussion Papers, No. 17188

**Provided in Cooperation with:** IZA – Institute of Labor Economics

*Suggested Citation:* Costa-Font, Joan; Cowell, Frank A. (2024) : Specific Egalitarianism? Inequality Aversion across Domains, IZA Discussion Papers, No. 17188, Institute of Labor Economics (IZA), Bonn

This Version is available at: https://hdl.handle.net/10419/302705

#### Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

#### Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



## WWW.ECONSTOR.EU



Initiated by Deutsche Post Foundation

## DISCUSSION PAPER SERIES

IZA DP No. 17188

Specific Egalitarianism? Inequality Aversion across Domains

Joan Costa-Font Frank Cowell

JULY 2024



Initiated by Deutsche Post Foundation

## DISCUSSION PAPER SERIES

IZA DP No. 17188

## Specific Egalitarianism? Inequality Aversion across Domains

#### Joan Costa-Font London School of Economics and IZA

Frank Cowell London School of Economics and IZA

JULY 2024

Any opinions expressed in this paper are those of the author(s) and not those of IZA. Research published in this series may include views on policy, but IZA takes no institutional policy positions. The IZA research network is committed to the IZA Guiding Principles of Research Integrity.

The IZA Institute of Labor Economics is an independent economic research institute that conducts research in labor economics and offers evidence-based policy advice on labor market issues. Supported by the Deutsche Post Foundation, IZA runs the world's largest network of economists, whose research aims to provide answers to the global labor market challenges of our time. Our key objective is to build bridges between academic research, policymakers and society.

IZA Discussion Papers often represent preliminary work and are circulated to encourage discussion. Citation of such a paper should account for its provisional character. A revised version may be available directly from the author.

ISSN: 2365-9793

IZA – Institute of Labor Economics

Schaumburg-Lippe-Straße 5–9	Phone: +49-228-3894-0	
53113 Bonn, Germany	Email: publications@iza.org	www.iza.org

## ABSTRACT

## Specific Egalitarianism? Inequality Aversion across Domains\*

An individual's inequality aversion (IA) is a central preference parameter that captures the welfare sacrifice from exposure to inequality. However, it is far from trivial how to best elicit IA estimates. Also, little is known about the behavioural determinants of IA and how they differ across domains such as income and health. Using representative surveys from England, this paper elicits comparable estimates of IA in the health and income domains using two alternative elicitation techniques: a direct trade-off and an indirect "imaginary-grandchild" approach that results from the choices between hypothetical lotteries. We make three distinct contributions to the literature. First, we show that IA systematically differs between income and health domains. Average estimates are around 0.8 for income IA and range from 0.8 to 1.5 for health IA. Second, we find that risk aversion and locus of control are central determinants of IA in both income and health domains. Finally, we present evidence suggesting that the distribution and comparison of IA vary depending on the elicitation method employed.

JEL Classification:	H1, I18
Keywords:	inequality aversion, income inequality aversion, health inequality aversion, imaginary grandchild, inequality and efficiency trade-offs, risk attitudes, locus of control

**Corresponding author:** Joan Costa-Font Department of Health Policy London School of Economics and Political Science Houghton Street, WC2A 2AE United Kingdom E-mail: j.costa-font@lse.ac.uk

<sup>\*</sup> We are grateful to James Zuo for his brilliant research assistance and the International Inequality Institute for their support in the collection of the data.

### 1 Introduction

Individual inequality preferences are informative about the way people perceive the existence of inequality in their communities. Accordingly, a complete analysis of the welfare effects of programs that influence inequality requires consideration of the sacrifice or welfare loss resulting from inequality. Atkinson (1970) defined inequality aversion (IA) as "the amount society is willing to give up to achieve a more egalitarian distribution." That is, an individual's degree of IA represents their judgement about how far society should forgo increases in total outcomes to achieve a more egalitarian distribution of outcomes. For instance, in the income domain, it measures the supposed willingness to sacrifice an individual's income to live in a more equal society (Fehr and Schmidt, 1999). However, we still know little about what individual IA looks like and how it compares across welfare domains. Empirical research on inequality preferences is fundamental to eliciting robust estimates of such trade-offs, which helps in measuring the welfare effects of policy interventions. There is only limited consensus on how best to elicit estimates of such IA parameters, whether in terms of the way the marginal utility of income varies with the position of income in the income distribution, as a social preference, or more simply, as an extension of individual risk aversion.

The elicitation of IA is far from trivial, given that it is typically inferred from choices under some hypothetical decision-making tasks. Ideally, for individuals to reveal their true and non-distorted IA, inequality preferences should be elicited under the assumption of a "veil of ignorance", behind which individuals seek to agree on appropriate social choice rules without knowing what position they will hold in society (Rawls, 1971). This ensures that their own circumstances do not influence their expressed preferences (Bosmans and Schokkaert, 2004; Harsanyi, 1955). However, as people do know their position in the social hierarchy, the "veil of ignorance" approach is in practice tricky to implement in lottery-type choice decisions. Alternatively, one can elicit self-reported, nonpersonalised preferences to inequality-efficiency trade-offs using surveys,<sup>2</sup> even though they are also affected by individuals' status quo and self-interested preferences.

The first contribution of this paper lies in using a preference elicitation technique that approximates the veil of ignorance, in both income and health domains. We elicit IA by asking respondents to choose between hypothetical societies on behalf of their (imaginary) grandchild to live in, without knowing the exact status of their grandchild in the hypothetical future society (Carroll et al., 2017; Carroll and Samwick, 1995; Carlsson et al., 2005).<sup>3</sup> Our contribution is to design it in a way that can be compared to simi-

<sup>&</sup>lt;sup>2</sup>This kind of trade-offs are employed in the literature of economic evaluation of health programs based on established methodological principles for valuing trade-offs between different dimensions of health (Williams and Cookson, 2006).

<sup>&</sup>lt;sup>3</sup>Here, survey respondents are expected to abstract from their circumstances and make a sequence of discrete choices between imagined societies characterized by varying levels of average welfare (in terms of

lar estimates in the income and health domains. We use an experimental questionnaire method using quasi-randomized information treatments, and IA is recovered from each respondent's set of choices under the assumption of a general utility function. Furthermore, we use two formats: a simple lottery format and a lottery with follow-up, where upon answering the simple lottery, individuals respond to a more bounded lottery based on the previous lottery responses. This second method provides greater precision on the inequality aversion estimates. The importance of comparing simple and more complex lotteries lies in the fact that "detailed or precise" inequality preferences might be constructed at the time of elicitation. We check the extent to which this is the case.

A second contribution of this paper is to compare IA parameters across two domains. One could argue that individuals' aversion to inequality depends on the origin of inequality, for example, whether the inequality is effort-induced or perceived to result from luck (Lippert-Rasmussen, 2001; Segall, 2009). This hypothesis is also known as "specific egalitarianism" (Tobin, 1970), e.g., attitudes toward inequality are domain-specific. The fact that one might hold egalitarian views in one domain does not guarantee to extend such views to other domains in life where individuals might have more choice and information or where the consequences of individuals' actions might be less critical for their welfare. We examine the extent to which health and income IA measures follow similar patterns. This is important given that income inequalities might be at the root of health inequalities.<sup>4</sup> While income can result from labour market effort, health production might well be the result of health investments, including efforts to follow healthy behaviours such as refraining from smoking, drinking and having a healthy diet (Grossman, 1972). Health might be perceived as the result of effort, much like income, which would lead one to theorize that IA should be similar in the two domains. Despite the theoretical controversy, so far, the empirical evidence of the prominence of income vs. health IA is limited. This paper contributes to this argument.

Finally, we contribute to the examination of the potential behavioural explanations for inequality preferences in both income and health domains.<sup>5</sup> Together with testing the influence of risk and time preferences, we examine the effect of "locus of control", that is, whether individuals attribute to themselves the control over events in their lives as

income and health) and inequality in such domains. Questions from this approach tend to be framed in a way to overcome status quo biases (and hence come closer to 'veil of ignorance approaches) and elicit the sacrifice individuals would be willing to undergo to reduce inequality. For example, Johanneson and Johansson (1997) estimates preferences for inequality in health care under the veil of ignorance.

<sup>&</sup>lt;sup>4</sup>Indeed, income inequality can explain access to healthy inputs (e.g., nutritious food), preventative actions and health care, though this is not always the case when health is the result of individual choices that are unrelated to income or due to genetic endowments.

<sup>&</sup>lt;sup>5</sup>In the social-science literature, it is usually assumed that social norms determine what a society regards as an "acceptable inequality" and that such norms are shaped by common history and past institutions (Lübker, 2007). Inequality aversion can result from the process of social learning by observing others' payoffs (which may diminish the value of one's payoffs).

opposed to outside factors.<sup>6</sup> In theory, locus of control should be an important determinant of people's degree of aversion to income and health inequality. If one feels that their financial conditions and health are strongly influenced by external factors (e.g., chance, luck, powerful others), then they may attribute less responsibility to themselves when it comes to managing their finances and health. They do not think their future income and health is predictable, and due to this uncertainty, they would be averse to income and health inequalities. In contrast, those who feel strong internal control tend to anticipate their future income and health and act upon them. Such examte effort results in smaller ex-post inequality aversion. However, whether the locus of control affects inequality preferences is an empirical question. Budria et al. (2012) show evidence supporting for the idea that "external" individuals are more inequality-averse than "internal" individuals. In contrast, Andor et al. (2022) show that individuals with an internal locus of control tend to be more prosocial. They are more likely to contribute to climate change mitigation, donate money and in-kind gifts to charitable causes, share money with others, cast a vote in parliamentary elections, and donate blood. In this paper, we measure risk preferences and locus of control both with and without distinguishing between the health and financial domains. In this paper, we use further survey evidence to test this idea.

Our estimates show that there are significant differences in the elicited values of inequality preferences depending on the method employed, whereby lotteries reveal higher, although consistent, inequality aversion. Hence, estimates are consistent with the presence of inequality-averse preferences. Second, we find evidence that IA differs by domain. Average estimates for health inequality are around 0.8, and range from 0.8 to 1.5 for income inequality. This result suggests that, on average, participants are willing to sacrifice 8-15% of their income and health to reduce corresponding inequality in society by 10%. Furthermore, both risk preferences and locus of control play a domain-specific role in explaining IA, and that domain-specific risk preferences and locus of control exert an influence on the estimates.

The rest of the paper is organised as follows. In Section 2, we provide the background to the present study, focusing on the diverse evidence from IA studies and attitude studies. Section 3 describes the data and the empirical strategy followed. Section 4 reports and analyses the results. Section 5 examines the robustness of our descriptive and inferential results. Section 6 concludes.

<sup>&</sup>lt;sup>6</sup>The concept of locus of control was first developed by Rotter (1966), who proposed a uni-dimensional scale to measure the degree to which one thinks certain relevant outcomes are contingent on their behaviour. Though born as a psychological concept, locus of control has later been widely used in economics, in particular health economics (Furnham, 1986; Wallston, 1978).

### 2 Background

#### 2.1 Inequality Aversion

A classic study by Loewenstein et al. (1989) estimates the shape of an individual utility function that takes both one's own and others' utility into account and shows that the shape of their utility function depends on the "nature of the dispute" (for example, a personal or business matter). In a similar fashion, Fehr and Schmidt (1999) and Bolton and Ockenfels (2000) employ dictator, ultimatum, and gift exchange games to measure IA parameters. The former proposes a share and envy model, where aversion to inequality arises from either leading or lagging behind others in terms of payoffs, while in the latter's model, inequality aversion depends on one's payoff as a share of players' summed payoffs. Amiel and Cowell (1999) provide evidence of income IA using questionnaire experiments. The evidence suggests that experiment participants are willing to sacrifice some of their income to reduce income inequality in society.

Inequalities in health are important independently of income inequalities because health is instrumental for individuals' economic performance and productivity, as well as being one of the basic freedoms and opportunities of individuals (Anand, 2002). Only under exceptional circumstances could one identify clear cases of "legitimate" inequalities in health (e.g., individuals refusing to exercise, or taking unhealthy diets out of the pursuit of other competing goals). This idea is consistent with specific egalitarianism (Tobin, 1970). Finally, individuals might exhibit a different form of rationality when they are making decisions in public and private realms, as in the latter realm they are observed citizens in a public (as opposed to private) realm<sup>7</sup> (Harsanyi, 1955).

More recently, some contributions elicit health IA parameters to guide welfare evaluation in the health domain. Robson et al. (2017) examines health IA parameters that can be used to represent alternative normative policy concerns for reducing health inequality versus improving total health. Using data from a small-scale survey of the general public in England (N = 244) to elicit health IA parameters, they found that 81% of the population interviewed does exhibit inequality concerns of some kind.<sup>8</sup>

Cookson et al. (2018) develop and test two e-learning interventions designed to help respondents understand this question more completely. The interventions contained a video animation, exposing respondents to rival points of view, and a spreadsheet-based questionnaire that provided feedback on implied trade-offs, from which IA parameters

<sup>&</sup>lt;sup>7</sup>Ubel and Loewenstein (1996) find that people prefer an egalitarian equilibrium of giving everyone the chance of having a transplant even though the possibility of failure might be higher for certain groups, hence reducing overall health.

<sup>&</sup>lt;sup>8</sup>And there is evidence suggesting a substantial concern for health inequality among the English general public, which, at current levels of quality-adjusted life expectancy, implies weighting health gains to the poorest fifth of people in society six to seven times as highly as health gains to the richest fifth.

were elicited.<sup>9</sup>

There are two principal problems with the bulk of the previous studies on inequality preference. First, most of the evidence on innate preference for equality comes from laboratory or classroom settings rather than representative sample surveys. Many previous studies are small scale, and have limited external validity. Second, the studies usually examine inequality preferences only on a single domain. This paper attempts to contribute to both issues.

#### 2.2 Domains of Inequality

People's inequality preferences differ across domains for economic reasons. For example, income might be perceived as resulting from work effort, while health might be perceived as influenced by genetic endowments. If people find effort-induced inequality more acceptable than endowment-induced inequality, then they would be more averse to health than to income inequality.<sup>10</sup> However, a component of people's health is behavioural, which means the result of preventable conditions might reflect in inequality judgements (Spring et al., 2013). Also, marginal changes in effort might not be reflected in changes in income.

An alternative argument underpinning differences in inequality preferences across domains is that income can be accumulated over time (Cruces et al., 2013). By contrast, health is harder to accumulate in a similar way. Health capital has more dimensions than income and is relatively harder to measure with precision than income. Individuals might reveal a higher IA in those domains where the outcome variable can be more easily stocked.

One of the more difficult issues to address is that health and income are related. A higher income is likely to result in better overall health (Grossman, 1972), and healthier individuals are more likely to be productive and earn more. However, it is unclear whether individuals perceive such an association when forming their inequality judgments.

Hurley et al. (2020) estimate IA in Ontario using a publicly representative online survey and find that mean income IA is greater than mean health IA. Furthermore, aversion to income-related health inequality is greater than aversion to income or health alone, which suggests that the public is more concerned about inequalities that are systematically related to a person's socio-economic status (Hosseinpoor et al., 2012; Hurley et al., 2020). Leibler et al. (2009) find support for a Pigou-Dalton transfer being stronger in the

<sup>&</sup>lt;sup>9</sup>After the e-learning intervention, a marginal health gain is still valued much more highly for the poorest fifth than the richest fifth, by multiples of 2.6 and 7.0, respectively (for details of these calculations, see Robson et al. (2017).

<sup>&</sup>lt;sup>10</sup>This is an example of luck egalitarianism, which argues that inequalities resulting from arbitrary factors (luck) should be first compensated. And even within a domain, nudges that stress the importance of luck in determining individual income raise inequality aversion as (Bergolo et al., 2022) find.

context of income rather than health. Abasolo and Tsuchiya (2020) compared losses in income and health from an ex-ante or social risk perspective, as opposed to an ex-post or outcome perspective: people might be more averse to the dimension of wellbeing that can be measured–which would make them more averse to income inequality.<sup>[11]</sup>

#### 2.3 Elicitation of IA

Previous studies on IA either do not use the same methodology for income and health (Cropper et al., 2016), or they do not engage with the veil of ignorance hypothesis, which makes estimates sensitive to strategic responses (Buckley et al., 2012). Typically, the elicitation task used requires an individual to choose between two hypothetical societies that are made different by a policy and, hence, are subject to heuristics and biases, as well as the participant's reference points, which are specific to the society they currently live in. Schildberg-Hörisch (2010) study the importance of the veil of ignorance in making choices and show that behind the veil of ignorance, subjects choose more equal distributions, not only for insurance purposes but also becasue of a genuine social preference for equality.

To mimic the "veil of ignorance" condition, we consider two different elicitation methodologies. To make sure respondents understand the question, we use a simple description of scenarios that have been piloted. One elicitation method is to directly elicit individuals' trade-off preferences between the level of an outcome and the inequality of the outcome. The other elicitation method is the "imaginary grandchild" approach, followed by a choice of lottery scenarios that request individuals make a choice of society for their (hypothetical) grandchild.<sup>12</sup> Respondents can be randomly assigned to a choice scenario with different income or life expectancy means and distributions. In follow-up responses, one can vary the questions offered to respondents to test for order effects and their sensitivity to various parameters.<sup>13</sup> (Bergolo et al., 2022) is the closest to our paper in methodology that focuses on university students in Uruguay studying income inequality aversion.

Furthermore, aversion to health inequality has been less intensively studied than individual aversion to income inequality. Typical studies include Abásolo and Tsuchiya (2013), Abasolo and Tsuchiya (2020), Hurley et al. (2020), Hosseinpoor et al. (2012), and Leibler et al. (2009) who treat health IA and income IA as distinct concepts. However, most evidence comes from small-scale experiments that have limited external validity.

<sup>&</sup>lt;sup>11</sup>They found that outcome and social risk perspectives deliver different estimates, and in an outcome framework, income IA is stronger than health IA. It is worth noting that Abasolo and Tsuchiya (2020) did not find the aversion estimates to vary with individual characteristics, which might suggest the presence of strong unobserved driving factors.

<sup>&</sup>lt;sup>12</sup>This is more realistic considering that most people have children and that our analysis by age groups and household size heterogeneity shows that the effect is not affected by relevant demographic characteristics.

<sup>&</sup>lt;sup>13</sup>The discrete choice experiment questions we propose allow eliciting a consistent measure of IA at the individual level for both income and health, which has already been piloted and tested in small samples.

Studies looking at inequality aversion in a specific domain or inequality aversion, in general, are subject to a similar problem. Examples of such research drawing upon small-scale experiments include Amiel and Cowell (1999), Bolton and Ockenfels (2000), Bosmans and Schokkaert (2004), Carlsson et al. (2005), Cowell and Schokkaert (2001), and Fehr and Schmidt (1999). The use of wide-scale survey evidence can advance the understanding of the sources of IA preferences.

#### 2.4 Determinants of Inequality Preferences

#### 2.4.1 Risk Attitudes

IA is related to the risk attitude behind a veil of ignorance. This is because a person's ranking of income distributions under uncertainty of their exact position in each distribution depends on their risk preferences. Amiel and Cowell (1999) use an experimental method to elicit IA; similarly, Cowell and Schokkaert (2001) and Amiel et al. (2001) discuss evidence of the potential link between attitudes towards risk and how individuals trade off inequality and outcomes in a society. Johansson-Stenman et al. (2002) develop experiments where they make participants make choices behind the veil of ignorance to elicit trade-offs between income and inequality. Using a well-being measure, Ferrer-i-Carbonell and Ramos (2010) show that the relationship between risk attitudes and IA survives the inclusion of individual characteristics (e.g., income, education, and gender). Other methods include Bellemare et al. (2008) estimate IA for a representative sample of the Dutch population using an ultimatum game with subjective probabilities and Koch et al. (2018) employs binary lotteries to show a clear sensitivity to risk preferences.

However, some research demonstrates the presence of IA independent of risk aversion. Carlsson et al. (2005) estimate risk aversion and IA separately, since people may value equality per se, that is, they value the fact itself of living in a relatively equal society, irrespective of the level of uncertainty regarding their position in the social ladder. In a laboratory experiment, Kroll and Davidovitz (2003) studied children's inequality preferences while holding the risk level constant. In our survey, we measure risk preferences drawing on Dohmen et al. (2011) rather than using lotteries. We then study if IA is still present when we indenepedently contorl for risk aversion.

#### 2.4.2 Other Behavioural Explanations

Previous research suggests that experience with healthcare choices can make a difference. Tsuchiya and Dolan (2007) find differences between members of the public and those working for the National Health Service: ordinary people are more averse to inequality than clinicians. Another important determinant of inequality attitudes is an individual's health severity and its distribution. Nord (1993) argues that the priority given to the worse-off should increase with the severity of their illness, and more attention should be paid to the worse-off the more inequality is in society. Also, there is evidence that younger and more educated people tend to be less averse to inequalities, while women and left-wing voters tend to be more inequality averse (Bellemare et al., 2008; Carlsson et al., 2005; Lindholm et al., 1997).<sup>14</sup>

Abásolo and Tsuchiya (2013) show that blood donors are more likely to be egalitarians, and Dolan and Robinson (2001) invoke loss aversion as an explanation for differences in levels of IA across different experiments. This evidence suggests that there is a need to investigate further the behavioural foundations of health-inequality preferences.

A key behavioural determinant that has received limited attention is locus of control (LOC), which measures the degree to which people feel they can control their lives, both in the health and financial domains. Intuitively, one might think that those who think they have more control tend to be less inequality-averse, as they attribute one's well-being to one's actions. However, Andor et al. (2022) find that individuals with more internal LOC are more likely to believe that social problems can be solved through action and that the subjective benefits of acting in a prosocial manner outweigh the costs of doing so.<sup>15</sup>

Finally, a role may be played by individual attitudes toward luck and effort. Health status may be only to a limited extent the result of individual choice: there is an important role for luck (Fleurbaey and Schokkaert, 2009). Luck can play a larger role in influencing health than in other areas of behaviour. If one thinks income and health outcomes are more determined by luck rather than individual effort, then intuitively one should be more supportive of government redistribution and favour lower inequality against higher average outcome levels. The rest of the paper will provide a detailed examination of the effect of these behavioural variables on inequality aversion.

### 3 Data and Methods

For this study we designed and conducted two survey experiments collecting information on behavioural parameters, socio-economic status, demographic characteristics, as well as different measures of inequality preferences in the income and health domains. Our survey was carried out to two consecutive years–2016 and 2017–so the evidence is comparable and composed of questions that were previously piloted. The sample size is about 2000

<sup>&</sup>lt;sup>14</sup>Nevertheless, Abásolo and Tsuchiya (2008) found that attitudes to egalitarianism in health care depend on the question framed, and gender and income have no effect on attitudes. Meanwhile, age has a non-monotonic effect on IA, where younger and older people are less inequality averse than middle-aged people

<sup>&</sup>lt;sup>15</sup>While the authors focus on the case of public goods provision, their finding can also be extended to inequality reduction: those with more internal LOC is more willing to reduce outcome inequalities, even if the cost is a decrease in the mean level of that outcome.

each year. Each survey included an experiment where individuals were asked to choose a hypothetical society for their grandchildren in the domain of income and health. We use the respondent's choice of (hypothetical) society to estimate their level of IA. These estimates were used to estimate the implied confidence intervals of IA parameters, and regression analysis was employed to study the behavioural determinants of IA.

#### 3.1 Model: Standard Form

Using the model developed by Carlsson et al. (2005), individual utility is given by  $u(y, \Phi, \gamma)$ , where y is their income and  $\Phi$  is an inequality index. Here,  $\gamma$  is a parameter of individual IA which can be interpreted as the inequality elasticity, reflecting the percentage point change in income that would hold utility constant under a 1% increase in inequality.  $\gamma = 0$  corresponds to the conventional case where utility is independent of the income distribution,  $\gamma < 0$  reflects inequality-prone preferences, and  $\gamma > 0$  reflects inequality-averse preferences.  $\gamma = 1$  implies that a 1% increase in own income gives as much utility as a 1% decrease in the inequality measure, whereas  $\gamma > 1$  implies that a 1% decrease in the inequality function is assumed to take the form:

$$u = h(y\Phi^{-\gamma})$$

If we adopt the coefficient of variation  $\frac{\sigma}{\mu}$  as the inequality index  $\Phi$ , then the above equation can be written as the following, where  $\mu_y$  is mean income and  $\sigma_y$  is standard deviation of societal income distribution:

$$u = h\left(y\left(\frac{\mu_y}{\sigma_y}\right)^{\gamma}\right)$$

If societies A and B are regarded as equivalent then:

$$y_A \Phi_A^{-\gamma} = y_B \Phi_B^{-\gamma}$$

This gives the equation for determining the value of  $\gamma$ :

$$\gamma = \frac{\ln(y_A/y_B)}{\ln(\Phi_A/\Phi_B)} = \frac{\ln(y_A/y_B)}{\ln(\sigma_A/\sigma_B) - \ln(\mu_A/\mu_B)}$$

#### **3.2** Model: Assumptions

This model rests on the following assumptions (Bergolo et al., 2022). First, inequality affects individual utility only in the consequential sense, i.e., people care about the level of societal inequality but not the mechanisms generating inequality. However, our paper

tests whether perception on the importance of luck versus effort in personal success affects inequality aversion.

Second, the model captures non-self-centered inequality aversion, in which individuals like or dislike inequality depending on the parameters of the outcome distribution, but not how their own income compares to that of others (self-centered inequality aversion). This motivates an elicitation approach that abstracts from personal circumstances, as we explained already.

Third, preferences assume a form where inequality aversion remains invariant under equal proportionate changes in  $\Phi_A$  and  $\Phi_B$ , rather than equal absolute changes in  $\Phi_A$  and  $\Phi_B$ .

#### 3.3 Measuring IA

In the 2016 survey, we measure IA via two different techniques: direct elicitation through trade-off questions, and lottery-based elicitation. In the 2017 survey, only the lottery-based technique is used.

#### 3.3.1 Direct trade-offs

We measure IA directly from the following trade-off questions: "Reducing health inequality is more important than improving total health" and "Improving total health is more important than reducing health inequality". We ask participants, on a scale of 1 to 10, to what extent they agree with the above claims. These simple questions have been used in previous studies (Asaria et al., 2021). The presumption is that people are able to abstract from their personal circumstances, and we transform answers  $x_i^j$  of individual *i* in domain *j*, thus  $\gamma^j = \frac{10-x_i^j}{9}$ .

#### 3.3.2 Lottery-based elicitation on income

Respondents are asked what kind of world they would consider for their (imaginary) grandchild to live in, without knowing ex ante the status of their grandchild in the income and health hierarchy. This mimics the veil of ignorance condition that is crucial in measuring IA under the model specified earlier. We ask respondents to make a choice between two scenarios A and B which differ in terms of the range of incomes in society (incomes are in £ per year; in every other respect A and B are the same). There are four possible answers: "A is better", "B is better", "A and B are equally good", and "Cannot say". Scenario A's incomes ranges from £20,000 to £100,000 with an average of £60,000.

To obtain greater benefit from the survey we quasi-randomise the specific numbers presented in scenario B in each case (scenario A remains unchanged). Hence, scenario B would be randomly chosen from the following four versions:

- B1: Incomes range from £30,000 to £70,000 with an average of £50,000
- B2: Incomes range from  $\pounds40,000$  to  $\pounds80,000$  with an average of  $\pounds60,000$
- B3: Incomes range from £20,000 to £50,000 with an average of £35,000
- B4: Incomes range from  $\pounds 30,000$  to  $\pounds 100,000$  with an average of  $\pounds 65,000$ .<sup>16</sup>

#### 3.3.3 Lottery-based elicitation on health

The questions are framed similarly as above. We ask respondents to make a choice for their (imaginary) grandchild between two scenarios A and B which differ in terms of the range of life expectancy in society (life expectancy is measured at birth; in every other respect A and B are the same). Again there are four possible answers: A is better, B is better, A and B are equally good, and cannot say.

Scenario A: Life expectancy is between 40 and 80, with an average of 60. Scenario B would be randomly chosen from the following four versions:

- B1: (As above) Life expectancy is between 60 and 70, with an average of 65
- B2: Life expectancy is between 30 and 90 with an average of 60
- B3: Life expectancy is between 45 and 75 with an average of 60
- B4: Life expectancy is between 50 and 85 with an average of  $67\frac{1}{2}$ .<sup>17</sup>

 $^{16}\mathrm{In}$  addition to the above questions, the 2017 survey includes the following new questions

- If B1 is shown but participants responded A then replace B1 by: Incomes range from £10,000 to £120,000 with an average of £65,000
- If B1 shown and participants responded B1 then replace B1 by: Incomes range from £40,000 to £60,000 with an average of £50,000
- If B2 shown but responded A then replace B1 by: Incomes range from £10,000 to £120,000 with an average of £65,000
- If B2 shown and responded B2 then replace B1 by: Incomes range from £30,000 to £70,000 with an average of £50,000
- If B3 shown but responded A then replace B1 by: Incomes range from £10,000 to £120,000 with an average of £65,000
- If B3 shown and responded B3 then replace B1 by: Incomes range from £25,000 to £55,000 with an average of £40,000
- If B4 shown but responded A then replace B1 by: Incomes range from £10,000 to £120,000 with an average of £65,000
- If B4 shown and responded B4 then replace B1 by. Incomes range from £40,000 to £90,000 with an average of £65,000

<sup>17</sup>In addition to the above question, the 2017 survey includes the following new questions:

- If B1 shown but responded A then replace B1 by: Healthy Life expectancy is between 30 and 90, with an average of 60
- If B1 shown and responded B1 then replace B1 by: Healthy Life expectancy is between 65 and 71,

#### **3.3.4** Computation of IA parameters

Responses to the lottery-based questions are used to calculate IA parameters. Assuming uniform distributions, we can calculate the mean, standard deviation and coefficient of variation of each income and healthy life expectancy distribution. For example, if a society's income is uniformly distributed over [a, b], then  $\mu = \frac{a+b}{2}$ ,  $\sigma^2 = \frac{(b-a)^2}{12}$ , and  $\Phi$  is then  $\sigma/\mu$ . Although a Pareto distribution might be considered a more appropriate depiction of income distributions in reality, it is more reasonable to assume that participants intuitively assess their imaginary grandchild's (uncertain) position in the hypothetical societies using a uniform distribution. We also assume that behind the veil of ignorance, expected income or health is equal to the mean of their respective distributions.

When presented with two versions of an imaginary society to choose from, respondents could state that they are indifferent between the two choices, and then  $\gamma$  can directly be calculated using the model in 3.1. If respondents expressed a strict preference, then we can infer the range of their IA parameters. To illustrate with an example: suppose an individual is given the choice between two societies, where in society A the coefficient of variation  $\Phi_A = 0.3$ , and the individual's monthly income  $y_A = \pounds 24,000$ , while in the more equal society B  $\Phi_B = 0.2$  and  $y_B = \pounds 20,000$ . A respondent who is indifferent between A and B has an IA parameter of  $\gamma = 0.45$ . A respondent who prefers the more equal society B has  $\gamma > 0.45$ , and a strict preference for society A gives  $\gamma < 0.45$ . A rule of thumb here is that the greater is a person's  $\gamma$ , the more IA there is. In Appendix A, Tables and 9 summarise the lotteries as well as the indifference-level  $\gamma$  values that individuals face in each survey year. Tables 10 and 11 show the follow-up lotteries that were only elicited in the 2017 survey.

with an average of 68

If B2 shown but responded A then replace B1 by: Healthy Life expectancy is between 30 and 90, with an average of 60

If B2 shown and responded B2 then replace B1 by: Healthy Life expectancy is between 46 and 70, with an average of 58

If B3 shown but responded A then replace B1 by: Healthy Life expectancy is between 30 and 90, with an average of 60

If B3 shown and responded B3 then replace B1 by: Healthy Life expectancy is between 50 and 70, with an average of 60

If B4 shown but responded A then replace B1 by: Healthy Life expectancy is between 30 and 90, with an average of 60

If B4 shown and responded B4 then replace B1 by: Healthy Life expectancy is between 56 and 80, with an average of 68

#### 3.4 Empirical Strategy

Given that our estimates follow from individual choices about lotteries where individuals are presented with different levels of relevant average well-being outcomes (income or health), and inequalities in such outcomes are defined in an upward and downward outcome range, we estimate a series of interval regression models. The general equation is:

$$\gamma_i^j = L(x'_{b,i}\beta_1 + x'_{s,i}\beta_2 + x'_{d,i}\beta_3 + \varepsilon_i) \tag{1}$$

where  $\gamma_i^j$  is the IA parameter for individual *i* in domain  $j \in \{y, h\}$  with *y* for income and *h* for health;  $\gamma_i^j$  could be distributed as point data, left-censored, right-censored or interval data;  $x'_{b,i}$  represents an array behavioural variables;  $x'_{s,i}$  is a vector of socioeconomic control variables;  $x'_{d,i}$  is the demographic control variables;  $\varepsilon_i$  is idiosyncratic error.  $L(\cdot)$  is a function that transforms the linear combination of independent variables into  $\gamma$ . The regression coefficients are estimated by the maximum likelihood method.

The behavioural determinants are risk aversion and LOC for the 2017 survey, where we identify the domain of the behavioural determinants, namely financial and health locus of control, as well as financial and health risk attitude. In the 2016 survey, this distinction is not made, although, on top of risk aversion and locus of control, we have patience and attitude toward luck as behavioural variables. In our baseline estimates, we include age, gender and region as demographic controls, with income and education as socio-economic controls. In the robustness check section, we add employment status, marital status and number of children as additional controls.

To obtain point IA estimates from the trade-off and the imaginary-grandchild approach, we use a simple linear model. Our empirical specification is:

$$\gamma_i^j = x_{b,i}^\prime \beta_1 + x_{s,i}^\prime \beta_2 + x_{d,i}^\prime \beta_3 + \varepsilon_i \tag{2}$$

The coding of the covariates is summarised in Appendix C. Note that in some cases control variables take values such as "don't know" or "prefer not to say", which complicates the interpretation of the coefficients. In response, we include dummy variables that take value one for each of these categories for each control variables.

### 4 Descriptive Statistics

#### 4.1 Distribution of IA Estimates

Following the method explained above, for each pair of scenarios of the "imaginarygrandchild" questions, we estimate the boundary values of the IA parameters. For example, when asked to choose between Scenario A: incomes range from £20,000 to £100,000 with an average of £60,000, and Scenario B: incomes range from £30,000 to £70,000 with an average of £50,000, if respondent *i* answers that they are indifferent between the two, then they reveal their income IA parameter is  $\gamma_i^y = 0.36$ . If they prefer A, then we can infer that  $\gamma_i^y < 0.36$ ; and if they prefer B, then  $\gamma_i^y > 0.36$ .  $\gamma_i^y$  and  $\gamma_i^h$  are defined in section 3.3, taking values of [-10, 10] for the imaginary-grandchild approach, and [0, 1] for the re-scaled trade-off approach.

In the 2016 survey, participants were only asked one question per domain. However, in the 2017 survey, we used follow-up questions to help us further narrow down the possible range of IA parameters for each individual. Additionally, in the 2017 survey experiment, it is possible to identify inconsistencies from the follow-up questions.<sup>18</sup> Figures 1 below and 2 in the Appendix summarise the income and health IA parameter estimates from the 2016 and 2017 surveys respectively. We present both grouped interval estimates and point estimates (which are the average of the two boundary values of the corresponding interval estimates).

The comparisons of distributions of IA depends on the relevant domains and elicitation techniques. In Panels A and B of Figure [], the trade-off responses for both income and health IA exhibit a focus point at the median value, namely 0.6 after re-scaling to support [0, 1]. More extreme responses tend to be evenly distributed across the median for income IA, but skewed for health IA which has a larger share of responses that put greater importance on improving total health than reducing health inequality. This suggests that there is greater aversion to income inequality than health inequality, which we will formally test in the next subsection. In Panels C-F we compute and summarise predicted lottery estimates.<sup>[19]</sup> We find that for income inequality aversion, the simple and follow-up lotteries reveal similarly shaped distributions, although the responses focus on a lower value in the follow-up lottery. As for health IA, the follow-up lottery shifts the distribution rightward and reduces the spread, suggesting that individuals have a less precise view of their inequality aversion in the health domain, and when they reconsider, they tend to reveal higher estimates on average. Furthermore, the peak for the income IA predictions are higher than for the health IA predictions for both years.

As for the raw estimates from the lottery approach, both income and health IA estimates reveal similar bimodal distributions. In Appendix Figure 2, the two most common categories for the income and health IA estimates are  $\gamma > 1.5$  and  $\gamma < -1.5$ . In the case of income IA in 2017, the point estimates  $\gamma = 5.18$  and  $\gamma = -4.83$  are the modal

<sup>&</sup>lt;sup>18</sup>For example, if a person strictly prefers income scenario A to B3, but then says that they prefer A to the replaced B3 in the second round, then we label their response as inconsistent, as the first response suggests a parameter range smaller than 1.22, whereas the second suggests a range larger than 0.70, i.e., the two responses are contradictory. Around 10% of respondents give inconsistent responses.

<sup>&</sup>lt;sup>19</sup>The predicted estimates are  $\widehat{\gamma_i^j} = L(x'_{b,i}\widehat{\beta}_1 + x'_{s,i}\widehat{\beta}_2 + x'_{d,i}\widehat{\beta}_3)$  from Equation (1). The choice of control variables used are: patience, attitude on luck, age, gender, income, education and region.

responses. As for health IA,  $\gamma = 4.73$  and  $\gamma = -5$  are the modal point estimates. This bimodality is consistent with Hurley et al. (2020)'s findings.<sup>20</sup> This means respondents are either highly averse to or highly prone to inequalities in both the income and health domain. Furthermore, while there is a large share of positive IA estimates in the health domain, there is a large number of even larger positive estimates in the income domain. The most popular point estimates in the positive range in 2016 is  $\gamma = 4.9$  for health IA and  $\gamma = 5.18$  for income IA. This further suggests that the strength of aversion to income inequality is higher than to health inequality.

Overall, the raw lottery estimates conform more closely to a bimodal than bell-shaped distribution compared with its predicted values. Raw estimates reveal that a larger share of extreme answers. This suggests that they might perceive the imaginary-grandchild and trade-off questions differently: the imaginary grandchild approach is less explicit about the sacrifice to aggregate outcomes by improving equality, as  $\gamma$  is not immediately clear after participants express their preferences between versions of societies, whereas in the trade-off questions, people directly give out their views by choosing a number on a scale of 1 to 10. Despite this difference in perception, a higher share of respondents agree more with the statement that reducing inequality is more important than improving the total outcome in the income domain than in the health domain. This corroborates the observation that aversion to income inequality is on average higher than health inequality.

#### 4.2 IA Heterogeneity Across Domains and Groups

Beyond the overall distributions of our IA estimates, we compare their sample moments across domains and groups. Tables [1] and [2] present summary statistics of the income and health IA estimates from the trade-off and lottery approaches. We observe that the sample mean of income IA is greater than that of health IA in all elicitation methods. In the lottery approach, the difference in sample means across domains is significant at the 5% level in the 2016 (but not 2017) survey. The greater aversion to income IA is attributable to the previously noted fact that the modal response in the positive ranges for income IA bear higher magnitudes than the positive modal response for health IA. Income IA is also significantly greater than health IA on average when elicited via tradeoff questions, despite taking a distribution form different than the distribution of the imaginary-grandchild responses. In other words, regardless of the elicitation approach, respondents express greater aversion to income inequality than to health inequality on average. This supports (Tobin, 1970)'s original hypothesis that IA is domain-specific, as well as subsequent findings from e.g., Leibler et al. (2009), Abasolo and Tsuchiya (2020) and Hurley et al. (2020) that health IA is lower than income IA. Comparing estimates

 $<sup>^{20}</sup>$ That respondents are either very averse or not at all averse to health inequality, with only a small proportion of people having moderate level of IA.

across methods, we observe that the second round of elicitation reduces the sample means of both income and health IA. The standard errors have also decreased, which means the follow-up lottery questions lead to greater precision of estimates as expected. Re-scaled estimates from the trade-off approach have the lowest sample means and the least spread, which is attributable to the fact previously noted that trade-off responses are concentrated at the neutral preference.

We also group the point estimates by age and gender, visualising the confidence intervals in Appendix Figures [3] to [5]. The 2017 survey gives a 'hump shape' of IA estimates by age. Young and old people in the sample are on average less averse to income and health inequality than middle-aged respondents, consistently with [Abásolo and Tsuchiya] (2008). People aged 18-24 have health and income IA of 0.3 to 0.4, while people aged 45-54 have inequality aversion of as high as 1.3, indicating that they are willing to reduce inequality by 10% at the cost of a 13% reduction in total outcomes. While our estimates are on average greater than (Bergolo et al.] [2022)'s baseline IA estimates of 0.2 for university students, we consistently identify that the younger population are much less averse to income and health inequalities than the middle-age group. It is worth noting that this hump-shape across age groups is less clear in the 2016 survey. Male participants reveal on average higher income IA but lower health IA than female counterparts, although the differences are not significant at the 5% level. Within age and gender groups, income IA is on average greater than health IA, except for the 25-34 age group and female respondents in 2017, as shown in Table [1].

	Simple Lottery			Fol	llow-up I	Lottery	Trade-off			
	Ν	Mean	Std.Err.	Ν	Mean	Std.Err.	Ν	Mean	Std.Err.	
Male										
Income $\gamma$	811	1.2808	0.1484	839	0.9336	0.1235	868	0.5301	0.0094	
Health $\gamma$	799	0.9110	0.1553	868	0.6759	0.1393	871	0.4654	0.0090	
Female										
Income $\gamma$	1000	1.6839	0.1239	879	0.7571	0.1154	1075	0.5267	0.0080	
Health $\gamma$	991	0.9190	0.1393	973	0.9347	0.1281	1080	0.4370	0.0081	
Total										
Income $\gamma$	1811	1.5034	0.0955	1718	0.8433	0.0844	1943	0.5282	0.0061	
Health $\gamma$	1790	0.9154	0.1037	1841	0.8127	0.0943	1951	0.4497	0.0060	

Table 1: IA Estimates by Gender

Note: this table groups by gender the IA estimates from the lottery and trade-off methods. The number of valid responses, sample mean, and standard error are presented for each gender group.



Figure 1: Distribution of IA Estimates

Note: This figure plots the distribution of IA estimates from our surveys. Panels A and B summarise re-scaled estimates via the trade-off approach in the income and health domain. Panels C and D plot the predicted values of IA estimates in the two domains via the simple lottery approach. Panels E and F plot the predicted values of estimates from the follow-up lottery. The predicted values are obtained using the interval regressions introduced this will be further explained in the robustness-check section.

	S	imple Lo	ttery	Fol	llow-up I	Lottery		Trade-o	off
	Ν	Mean	Std.Err.	Ν	Mean	Std.Err.	Ν	Mean	Std.Err.
18-24									
Income $\gamma$	160	0.9123	0.3344	183	0.4330	0.2601	175	0.5302	0.0200
Health $\gamma$	161	0.6607	0.3385	189	0.3542	0.3033	178	0.4363	0.0200
25-34									
Income $\gamma$	277	1.9478	0.2410	272	0.5238	0.2226	290	0.5111	0.0166
Health $\gamma$	268	1.6178	0.2568	284	0.7976	0.2487	289	0.4394	0.0149
35-44									
Income $\gamma$	364	1.2662	0.2215	356	0.9369	0.1917	387	0.5254	0.0137
Health $\gamma$	349	0.8199	0.2412	375	0.5224	0.2089	388	0.4556	0.0133
45-54									
Income $\gamma$	342	1.8283	0.2125	308	1.3293	0.1912	365	0.5412	0.0140
Health $\gamma$	341	0.7950	0.2359	331	1.2701	0.2173	369	0.4505	0.0141
55-64									
Income $\gamma$	295	1.5553	0.2334	267	1.0466	0.2130	324	0.5480	0.0148
Health $\gamma$	296	0.9910	0.2551	297	1.3154	0.2304	326	0.4669	0.0148
65-74									
Income $\gamma$	215	1.3143	0.2737	199	0.6035	0.2471	234	0.5223	0.0169
Health $\gamma$	217	1.0848	0.2985	210	0.5828	0.2775	234	0.4516	0.0179
75 +									
Income $\gamma$	158	1.3259	0.3162	133	0.6359	0.2638	168	0.5040	0.0199
Health $\gamma$	158	0.0803	0.3528	155	0.4733	0.3130	167	0.4298	0.0214
Total									
Income $\gamma$	1811	1.5034	0.0955	1718	0.8433	0.0844	1943	0.5282	0.0061
Health $\gamma$	1790	0.9154	0.1037	1841	0.8127	0.0944	1951	0.4497	0.0060

Table 2: IA Estimates by Age

Note: this table groups by age the IA estimates from the lottery and trade-off methods. The number of valid responses, sample mean, and standard error are presented for each age group.

### 5 Behavioural Determinants of IA

In this section, we examine the role of behavioural determinants of inequality aversion. To this end, we regress the IA estimates on risk attitude, locus of control, patience, and luck, controlling for socio-economic and demographic characteristics. As explained in section 3.4, we use interval regression technique with maximum likelihood estimation for interval IA estimates, linear regression with ordinary least squares estimation for point IA estimates, and trade-off responses. Note that in the 2017 survey, we used domain-specific risk attitude and locus of control. We have patience and perception of the role of luck as an additional behavioural variable in the 2016 survey. Tables 3 to 6 present the results. Summary statistics of these variables are provided in Tables 12 and 13 in Appendix A. The coding of the RHS variables is summarised in Appendix B.

#### 5.1 Trade-off Approach

Table 3 uses re-scaled trade-off responses as dependent variables, with support from 0 to 1. In all specifications, we identify risk aversion, locus of control, and patience as significant determinants of IA elicited via the trade-off approach. Respondents assign greater importance to reducing inequality in both income and health domains than improving the corresponding total outcome when they are more risk-averse, feel more internal control, and feel luck is more important in determining personal success. We interpret the coefficient estimates from columns (1) and (4) as follows. Initially, we compare a person who is very unwilling to take risks to a person who is very willing to take risks; the former is on average 0.15 more averse to income inequality and 0.09 more averse to health inequality on a scale of 0 to 1, holding the other covariates constant. Referring to Table 1, these are around half a standard deviation of the increase in inequality aversion. In comparison, attitudes toward luck have a greater effect than risk aversion on IA, while locus of control has a weaker effect, and all the coefficient estimates for all three behavioural determinants are strongly significant at 1% level. On average, those who feel that success is entirely based on effort are 0.28 and 0.27 less averse to income and health inequality, compared with those who feel that success is solely determined by luck 21 Comparing columns (1) with (3) and then (3) with (6), we notice that the inclusion of control variables amplifies the effect of risk aversion and locus of control while lowering the magnitude of the effect of luck. Comparing columns (1) with (2) and then (4) with (5), we notice that the inclusion of locus of control does not absorb the effect of other behavioural determinants nor the other control variables.

<sup>&</sup>lt;sup>21</sup>This supports the luck egalitarianism hypothesis. See Lippert-Rasmussen (2001), Segall (2009), Bergolo et al. (2022) and note 11 above.

	(1)	(2)	(3)	(4)	(5)	(6)
	$\gamma^y$	$\gamma^y$	$\gamma^y$	$\gamma^h$	$\gamma^h$	$\gamma^h$
Risk Aversion	-0.0152***	-0.0152***	-0.0137***	-0.0093***	-0.0094***	-0.0082***
	(0.0029)	(0.0029)	(0.0026)	(0.0030)	(0.0030)	(0.0027)
100	0 0 0 0 0 ****			0 0 0 0 0 0 ****		0.00
LOC	-0.0090***		-0.0065**	-0.0096***		-0.0076***
	(0.0031)		(0.0029)	(0.0031)		(0.0029)
Patience	0.0023	0.0017	0.0028	-0.0032	-0.0039	-0.0024
	(0.0030)	(0.0030)	(0.0028)	(0.0031)	(0.0031)	(0.0029)
	(0.0000)	(0.0000)	(0.00-0)	(0.0001)	(0.0001)	(0.00-0)
Luck	$-0.0284^{***}$	$-0.0271^{***}$	-0.0301***	$-0.0214^{***}$	-0.0200***	-0.0202***
	(0.0039)	(0.0038)	(0.0036)	(0.0041)	(0.0041)	(0.0039)
A mo	0.0015	0.0001		0.0002	0.0010	
Age	-0.0015	-0.0001		(0.0003)	(0.0019)	
	(0.0038)	(0.0038)		(0.0059)	(0.0059)	
Gender	-0.0180	-0.0142		-0.0384***	-0.0344***	
	(0.0128)	(0.0127)		(0.0129)	(0.0128)	
Income	-0.0013***	$-0.0012^{***}$		-0.0008**	-0.0006*	
	(0.0003)	(0.0003)		(0.0003)	(0.0003)	
Education	0 0200***	0 0307***		0 0395***	0 033/***	
Education	(0.0233)	(0.0307)		(0.0525)	(0.0004)	
	(0.0051)	(0.0051)		(0.0050)	(0.0050)	
Region	Yes	Yes	No	Yes	Yes	No
Constant	0.902***	0.835***	0.823***	0.775***	0.704***	0.685***
	(0.0569)	(0.0515)	(0.0330)	(0.0591)	(0.0536)	(0.0339)
N	1770	1770	1943	1774	1774	1951

Table 3: Determinants of Trade-off IA (OLS Point Estimates)

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

Note: this table uses the (re-scaled) IA estimates from the trade-off approach.  $\gamma^y$  denotes income IA,  $\gamma^h$  denotes health IA. The behavioural variables of interest are risk aversion, locus of control, patience and luck. Control variables include: age, gender, household income, education, and region fixed-effect.

#### 5.2 Lottery Approach

Table 4 uses lottery IA estimates from the 2016 survey as dependent variables. Here, both risk aversion and attitudes toward luck have much smaller effects on IA compared with Table 3 when adjusted to the same scale, and the estimates are statistically insignificant. In contrast, locus of control remains a significant determinant of IA. Estimates from columns (1) and (4) suggest that an individual who strongly agrees that they have little control over what happens to them is on average expected to be 0.34 less averse to income inequality and 0.08 less averse to health inequality, compared with one who strongly disagrees with the statement. This effect is small in magnitude, given that the standard deviations for income and health IA are 4.1 and 4.4, respectively. Comparing columns (1) with (2) and then (4) with (5), we again notice that the inclusion of the variable locus of control does not absorb the effect of the other covariates.

As for the follow-up lottery estimates, Table 5 uses interval IA estimates in the income domain as the dependent variable. Consistent with the results from the trade-off and simple lottery methods, estimates suggest that higher risk aversion and weaker feelings of internal control are associated with a higher aversion to income inequality. Furthermore, financial risk aversion and health locus of control are among the most significant behavioural determinants of IA. In column (2), financial risk aversion bears a significant negative coefficient as expected, but the intercept is positive with strong statistical significance, suggesting that risk aversion alone cannot explain inequality aversion. In column (1) where financial and health locus of control are included, we see that risk aversion becomes insignificant. The health locus of control is significant across all specifications. An individual who feels that they have little control over their health is, on average, 0.21less averse to income inequality than one who strongly disagrees with the statement. It is worth noting that the small magnitude of the effect plus the significance of the intercept even in column (1) suggests the presence of further determinants of IA. Dropping the control variables in columns (4)-(6) does not change the coefficients on risk aversion and locus of control, suggesting that biases from omitted socio-economic and demographic variables largely cancel out with each other.

Table **6** looks into the determinants of interval estimates of health IA. Consistent with results in the income domain, we identify financial risk aversion and health locus of control as the main behavioural determinants of health IA. While financial risk aversion only explains part of the health inequality aversion, the inclusion of locus of control only reduces the magnitude of the coefficients on financial risk aversion but not their statistical significance. Meanwhile, the coefficients on risk aversion and locus of control are all smaller than the corresponding estimates in Table **6**.

These results have the following implications. First, different domains of risk aversion and locus of control have different effects on IA, which was masked in the 2016 survey. Second, financial risk aversion is a key determinant of IA that shows in which greater aversion to risk translates into greater aversion to inequality, but it can only explain a small portion of inequality aversion. There must be reasons beyond uncertainty about one's position in the social ladder that motivates them to choose a more equal society at the cost of average outcomes. Third, health locus of control is a significant determinant of IA. The feeling of internal control in the health domain is associated with higher aversion to both income and health inequalities. This confirms Andor et al. (2022)'s finding that greater internal control encourages pro-social behaviours. When one feels in control of their own finance and health, they have greater mental capacity to care for the distribution of outcomes. Third, inequality preferences in the income and health domain are connected: risk attitude in the income domain affects IA in the health domain; health locus of control can impact income inequality aversion.

	(1)	(0)	(2)	(4)	(٣)	(0)
	(1)	(2)	(3)	(4)	(5)	(6)
	$\gamma^{g}$	$\gamma^{g}$	$\gamma^{g}$	$\gamma^{n}$	$\gamma^{n}$	$\gamma^{\prime\prime}$
Risk Aversion	-0.0114	-0.0125	-0.0099	0.0026	0.0023	0.0027
	(0.0104)	(0.0104)	(0.0092)	(0.0031)	(0.0031)	(0.0029)
LOC	-0.0338***		-0.0318***	-0.0085**		-0.0085***
	(0.0109)		(0.0101)	(0.0033)		(0.0033)
Detioner	0.0000	0.0001	0.0022	0.0056*	0.0064**	0.0044
Patience	0.0028	0.0001	0.0032	$-0.0030^{\circ}$	-0.0004	-0.0044
	(0.0106)	(0.0106)	(0.0100)	(0.0032)	(0.0032)	(0.0032)
Luck	-0.0113	-0.0083	-0.0186	-0.0024	-0.0016	-0.0027
LUCK	(0.0126)	(0.0124)	(0.0125)	(0.0024)	(0.0010)	(0,0021)
	(0.0130)	(0.0134)	(0.0123)	(0.0040)	(0.0040)	(0.0039)
Age	-0.0177	-0.0116		-0.0039	-0.0024	
0.1	(0.0154)	(0.0153)		(0, 0043)	(0, 0043)	
	(0.0101)	(0.0100)		(0.0010)	(0.0010)	
Gender	0.0566	0.0709		-0.0012	0.0030	
	(0.0504)	(0.0503)		(0.0150)	(0.0151)	
	( )			( )	( )	
Income	-0.0019	-0.0015		-0.0005	-0.0004	
	(0.0013)	(0.0013)		(0.0004)	(0.0004)	
Education	0.0204	0.0254		-0.0058	-0.0045	
	(0.0385)	(0.0384)		(0.0114)	(0.0114)	
D .	37	3.7	27	3.7	3.7	27
Region	Yes	Yes	No	Yes	Yes	No
Constant	0 952***	0 716***	0 853***	0 0937	0.0359	0 0194
	(0.216)	(0.903)	(0.120)	(0.0649)	(0.0503)	(0.0385)
N	1656	1656	10.120)	1629	1629	(0.0303)
1N	1090	1090	1911	1038	1038	1790

Table 4: Determinants of IA: Simple Lottery (Interval Regression Estimates)

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

Note: this table uses IA estimates from the simple lottery.  $\gamma^y$  denotes income IA,  $\gamma^h$  denotes health IA. The behavioural variables of interest are risk aversion, locus of control, patience and luck. Control variables include: age, gender, household income, education, and region fixed-effect.

	(1)	(2)	(3)	(4)	(5)	(6)
	$\gamma^y$	$\gamma^y$	$\gamma^y$	$\gamma^y$	$\gamma^y$	$\gamma^y$
Financial Risk	-0.0110	-0.0170**	-0.0129*	-0.0077		-0.0081
	(0.0081)	(0.0072)	(0.0073)	(0.0078)		(0.0069)
Ugalth Diele	0 0020			0.0007		
neattii riisk	-0.0059			-0.0007		
	(0.0014)			(0.0014)		
Financial LOC	-0.0015			0.0004		
	(0.0069)			(0.0069)		
Hoalth I OC	0 0911***		0 0006***	0 0991***	0 0000***	0 0000***
Health LOC	-0.0211 (0.0075)		-0.0220	-0.0221	-0.0235	-0.0220
	(0.0010)		(0.0001)	(0.0010)	(0.0000)	(0.0007)
Age	-0.0018*	-0.0015	$-0.0017^{*}$			
	(0.0010)	(0.0010)	(0.0010)			
Condor	0 0839**	0 0850**	0 0823**			
Gender	(0.0334)	(0.0334)	(0.0323)			
	(0.0004)	(0.0004)	(0.001)			
Income	-0.0079	-0.0040	-0.0076			
	(0.0061)	(0.0060)	(0.0060)			
Education	0.0097	0.0007	0.0022			
Education	(0.0027)	(0.0007)	(0.0033)			
	(0.0239)	(0.0240)	(0.0239)			
Region	Yes	Yes	Yes	No	No	No
		0 505444		0 1 1 0 * * *	0 100***	0 1 1 0 ***
Constant	$0.675^{***}$	$0.565^{***}$	$0.658^{***}$	$0.449^{***}$	$0.420^{***}$	$0.448^{***}$
٦.T	(0.126)	(0.118)	(0.123)	(0.0423)	(0.0314)	(0.0390)
IN	1718	1718	1718	1718	1718	1718

Table 5: Determinants of Income IA: Follow-up Lottery and Domain-specific Attitudes (Interval Regression Estimates)

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

Note: this table uses the income IA estimates from the follow-up lottery. The behavioural variables of interest are risk aversion and locus of control, each measured in both the financial and health domain. Control variables include: age, gender, household income, education, and region fixed-effect.

	(1) $\gamma^h$	$\begin{array}{c} (2) \\ \gamma^h \end{array}$	(3) $\gamma^h$	(4) $\gamma^h$	(5) $\gamma^h$	$\frac{(6)}{\gamma^h}$
Financial Risk	-0.0077*** (0.0023)	-0.0092*** (0.0022)	-0.0078*** (0.0021)	$\begin{array}{c} -0.0071^{***} \\ (0.0022) \end{array}$	· ·	-0.0071*** (0.0020)
Health Risk	-0.0004 (0.0021)			-0.0002 (0.0021)		
Financial LOC	0.0024 (0.0021)			0.0011 (0.0021)		
Health LOC	$-0.0076^{***}$ (0.0024)		$-0.0065^{***}$ (0.0021)	$-0.0078^{***}$ (0.0024)	$-0.0085^{***}$ (0.0022)	$-0.0073^{***}$ (0.0021)
Age	-0.0001 (0.0003)	-0.0001 (0.0003)	-0.0002 (0.0003)			
Gender	-0.0084 (0.0092)	-0.0095 (0.0092)	-0.0084 (0.0091)			
Income	$0.0030^{*}$ (0.0017)	$0.0038^{**}$ (0.0017)	$0.0027^{*}$ (0.0016)			
Education	-0.0015 (0.0070)	-0.0018 (0.0071)	-0.0011 (0.0070)			
Region	Yes	Yes	Yes	No	No	No
Constant	0.0447 (0.0344)	$0.0267 \\ (0.0312)$	0.0512 (0.0324)	$0.0219^{*}$ (0.0125)	-0.0006 $(0.0086)$	$0.0234^{**}$ (0.0117)
N	1841	1841	1841	1841	1841	1841

Table 6: Domain-specific Determinants of Health IA: Follow-up Lottery and Domain-<br/>specific Attitudes (Interval Regression Estimates)

\* p < 0.1, \*\* p < 0.05, \*\*\* p < 0.01

Note: this table uses the health IA estimates from the follow-up lottery. The behavioural variables of interest are risk aversion and locus of control, each measured in both the financial and health domain. Control variables include: age, gender, household income, education, and region fixed-effect.

## 6 Robustness Checks

#### 6.1 From Bimodal to Unimodal Distribution

As previously pointed out, the income and health IA parameters estimated from the imaginary-grandchild approach tend to be bimodally distributed. However, when comparing the IA estimates by domains and groups, and when calculating the confidence intervals, it would be natural to assume that the mean  $\gamma$  is unimodally distributed. In order to test whether this assumption distorts the comparison, we smooth the distributions of estimates by using predicted values from the interval regression specifications in column (1) and (4) of Tables 3 to 6 respectively.

Our descriptive conclusion is robust, as mentioned in Figure 1: respondents are on average more averse to income inequality than to health inequality. In both years, income IA is greater than health IA on average, and the difference is significant at 1% level. It is worth noting that the predicted IA averages are smaller than their corresponding original data. For income IA, the predicted values are about 1/3 of the raw estimates, and for health IA, the predicted values are even negative on average.

	Ν	Mean	Std.Err.						
		Trade-c	off						
$\widehat{\gamma^i}$	1809	0.5267	0.0020						
$\widehat{\gamma^h}$	1809	0.4469	0.0016						
Simple Lottery									
$\widehat{\gamma^i}$	1809	0.5529	0.0033						
$\widehat{\gamma^h}$	1809	-0.0522	0.0011						
	Fo	llow-up L	ottery						
$\widehat{\gamma^i}$	2049	0.3252	0.0025						
$\widehat{\gamma^h}$	2049	-0.0354	0.0008						

Table 7: Predicted IA

#### 6.2 Exclusion of Focal Responses

To further test for the robustness of our results, we exclude focal responses (i.e. neutral answers that equal 5) to the risk attitude and locus of control questions. The remaining data are used in the same way as before. Appendix Tables 15 and 16 report the results. In Table 15 columns (1) and (2) where the dependent variables are the imaginary grand-child IA estimates, we observe that locus of control remains significant with a negative sign, meaning that those who feel more internal control are more averse to income and health inequalities. Also, the magnitude of the coefficients become larger compared with

estimates from columns (1) and (2) of Table 4. The results are similar when we include variables indicating whether the respondent has experienced any financial or health shocks recently. Table 14 uses estimates from the trade-off approach. Locus of control is a significant regressor with negative signs for both income and health IA, although luck is significant only for income IA.

In Table 16 columns (1) and (2), health locus of control is consistently a significant regressor to income and health IA, and financial risk aversion to health IA in addition. It is worth noting that the exclusion of focal responses does not change the magnitude of the coefficients from those in Tables 5 and 6. This suggests that neutral responses follow similar pattern to the other responses: those who are neither risk averse or loving with neither strong or weak internal control also tend to be neutral in terms of inequality aversion.

#### 6.3 Inclusion of Additional Controls

In columns (3) and (4) of Appendix Tables 14-16, we include additional demographic controls, namely whether the respondent has children, their marital status, employment status, tenure, and health status. This helps us test whether our elicitation technique successfully mimics the veil of ignorance condition, such that demographic characteristics do not influence the coefficients on the behavioural variables of interest. Here, we use a weighted least squares instead of ordinary least squares with robust standard errors, to address heteroskedasticity with greater efficiency. We observe similar results as before. The significant behavioural determinants are locus of control in the 2016 sample, and health locus of control (plus financial risk aversion) in the 2017 sample. The sign and magnitude of the coefficients on the behavioural variables are same as in the main results. The control variables are mostly statistically insignificant, suggesting that the imaginary-grandchild approach mimics well the veil of ignorance condition.<sup>22</sup>

## 7 Conclusion

The elicitation of IA is important in understanding the welfare loss of inequality across populations. However, IA might differ according to domain, and identification of the underlying behavioural parameters requires the use of elicitation procedures. Inequality preferences are likely to be different when they are presented as contemporary selfinterested trade-off with other outcomes, in contrast to selection among hypothetical

 $<sup>^{22}</sup>$ In the 2016 survey, we also ask respondents whether they or their family members have suffered a financial shock or medical emergency in the last 12 months. When including these two variables empirical specification, the sign, magnitude, and significance of the behavioural determinants from the main section remains robust, and the two shock variables are statistically insignificant, further verifying the 'veil of ignorance' condition.

lotteries that mimic the veil of ignorance. To better understand the role of the veil of ignorance, one needs to examine the behavioural drivers of IA parameters, such as risk aversion and locus of control.

The first contribution by this paper is that the "veil of ignorance" perspective does play a role in influencing inequality preferences. For the trade-off approach, the distribution of IA is close to unimodal, with more people choosing neutral or close-to-neutral responses than extreme responses. However, IA parameters elicited through the imaginary grandchild approach tend to be bimodally distributed. People are more likely to give less extreme responses when they are directly asked to choose on an explicit scale of 1-10, whereas if the elicitation technique is less straightforward they may be more willing to reveal their true opinions, which could be more extreme.

The second contribution is that income IA is greater than health IA on average. The difference is significant in the 2016 survey in both methods, suggesting that the elicitation technique does not affect the first moment of the IA distribution. We also find a hump-shaped relationship between age and income IA. The 2017 survey is the more reliable of the two surveys since it employed two rounds of elicitation questions to narrow down the range of gamma estimate as well as identifying irrational responses. Hence, we are more inclined to conclude that people have comparable degrees of aversion to income and health inequalities, although income IA could be slightly greater than health IA.

The third contribution concerns the forces underlying IA. We find that risk aversion, locus of control and attitude on luck are consistently strong predictors of IA. Those who are more risk averse, feel more internal control, and believe more in luck than effort tend to be more averse to health and income inequalities. When specifying risk aversion and locus of control by domains, we further find that financial risk aversion and health locus of control are the main drivers of IA. This supports the intuition that IA is partly an aversion to risk and uncertainty–when choosing society behind a veil of ignorance, people do not know where they may end up in the income hierarchy. Those who dislike risk would choose a more equal society where the chance of ending up in the bottom is minimised. We conjecture that, those who feel that they are in control of their own financial and health conditions have greater mental capacity to care for others' wellbeing. This conclusion is consistent across the trade-off and imaginary grandchild approaches, as well as alternative specification, namely when focal responses are excluded, or additional controls and sample weights are included.

## References

- Abásolo, I. and Tsuchiya, A. (2008). Understanding preference for egalitarian policies in health: Are age and sex determinants? *Applied Economics*, 40:2451–2461.
- Abásolo, I. and Tsuchiya, A. (2013). Is more health always better for society? exploring public preferences that violate monotonicity. *Theory and Decision*, 74:539–563.
- Abasolo, I. and Tsuchiya, A. (2020). Comparing aversions to outcome inequality and social risk in health and income: An empirical analysis using hypothetical scenarios with losses. *Health Economics*, 29(1), 85-97.
- Amiel, Y. and Cowell, F. A. (1999). Income transformations and income inequality. In Slottje, D., editor, Advances in Econometrics, Income Distribution and Scientific Methodology, pages 209–232. Physica Verlag, Heidelberg.
- Amiel, Y., Cowell, F. A., and Polovin, A. (2001). Risk perceptions, income transformations and inequality. *European Economic Review*, 45:964–976.
- Anand, S. (2002). The concern for equity in health. Journal of Epidemiology and Community Health 56(7), 485.
- Andor, M. A., Cox, J., Gerster, A., Price, M., Sommer, S., and Tomberg, L. (2022). Locus of control and prosocial behavior. *National Bureau of Economic Research*, (No. w30359).
- Asaria, M., Costa-Font, J., and Cowell, F. A. (2021). How does exposure to COVID-19 influence health and income inequality aversion? Discussion Paper 14103, IZA.
- Atkinson, A. B. (1970). On the measurement of inequality. *Journal of Economic Theory*, 2:244–263.
- Bellemare, C., Kröger, S., and van Soest, A. (2008). Measuring inequity aversion in a heterogeneous population using experimental decisions and subjective probabilities. *Econometrica*, 76:815–839.
- Bergolo, M., Burdin, G., Burone, S., De Rosa, M., Giaccobasso, M., and Leites, M. (2022). Dissecting inequality-averse preferences. *Journal of Economic Behavior & Organization*, 200:782–802.
- Bolton, G. E. and Ockenfels, A. (2000). ERC: A theory of equity, reciprocity, and competition. The American Economic Review, 90:166–193.

- Bosmans, K. and Schokkaert, E. (2004). Social welfare, the veil of ignorance and purely individual risk: An empirical examination. *Research on Economic Inequality*, 11:85– 114.
- Buckley, N. J., Cuff, K., Hurley, J., McLeod, L., Nuscheler, R., and Cameron, D. (2012). Willingness-to-pay for parallel private health insurance : evidence from a laboratory experiment. *CANADIAN JOURNAL OF ECONOMICS*, VOL 45:137–166.
- Budria, S., Ferrer-i Carbonell, A., and Ramos, X. (2012). Personality and dislike for inequality: Typifing inequality aversion with respect to locus of control. Technical report, Mimeo.
- Carlsson, F., Daruvala, D., and Johansson-Stenman, O. (2005). Are people inequality averse or just risk averse? *Economica*, 72:375–396.
- Carroll, C., Slacalek, J., Tokuoka, K., and White, M. N. (2017). The distribution of wealth and the marginal propensity to consume. *Quantitative Economics*, 8:977–1020.
- Carroll, C. D. and Samwick, A. A. (1995). How important is precautionary saving? NBER working paper series 5194, National Bureau of Economic Research.
- Cookson, R., Ali, S., Tsuchiya, A., and Asaria, M. (2018). E-learning and health inequality aversion: A questionnaire experiment. *Health Economics*, 0:1–18.
- Cowell, F. A. and Schokkaert, E. (2001). Risk perceptions and distributional judgments. *European Economic Review*, 42:941–952.
- Cropper, M., Krupnick, A., and Raich, W. (2016). Preferences for equality in environmental outcomes. *NBER Working Paper*, (w22644).
- Cruces, G., Perez-Trugliad, R., and Tetaz, M. (2013). Biased perceptions of income distribution and preferences for redistribution. *Journal of Public Economics*, 98:100– 112.
- Dohmen, T., Falk, A., Huffman, D., Sunde, U., Schupp, J., and Wagner, G. G. (2011). Individual risk attitudes: Measurement, determinants, and behavioral consequences. *Journal of the European Economic Association*, 9:522–550.
- Dolan, P. and Robinson, A. (2001). The measurement of preferences over the distribution of benefits: The importance of the reference point. *European Economic Review*, 45:1697–1709.
- Fehr, E. and Schmidt, K. M. (1999). A theory of fairness, competition, and cooperation. Quarterly Journal of Economics, 114:817–868.

- Ferrer-i-Carbonell, A. and Ramos, X. (2010). Inequality aversion and risk attitudes. IZA Discussion PAper 4703, IZA.
- Fleurbaey, M. and Schokkaert, E. (2009). Unfair inequalities in health and health care. Journal of Health Economics, 28(1):73–90.
- Furnham, A. (1986). Economic locus of control. Human relations, 39(1), 29-43.
- Grossman, M. (1972). On the concept of health capital and demand for health. *Journal* of *Political Economy*, 80:223–255.
- Harsanyi, J. C. (1955). Cardinal welfare, individualistic ethics and interpersonal comparisons of utility. *Journal of Political Economy*, 63:309–321.
- Hosseinpoor, A. R., Stewart Williams, J. A., Itani, L., and Chatterji, S. (2012). Socioeconomic inequality in domains of health : results from the world health surveys. BMC Public Health, 12:198.
- Hurley, J., Mentzakis, E., and Walli-Attaei, M. (2020). Inequality aversion in income, health, and income-related health. *Journal of health economics*, 70, 102276.
- Johanneson, M. and Johansson, P.-O. (1997). Quality of life and the WTP for an increased life expectancy at an advanced age. *Journal of Public Economics*, 65(2):219–228.
- Johansson-Stenman, O., Carlsson, F., and Daruvala, D. (2002). Measuring future grandparents' preferences for equality and relative standing. *Economic Journal*, 112:362–383.
- Koch, M., Menkhoff, L., and Schmidt, U. (2018). Coupled lotteries a new method to analyze inequality aversion. Diw berlin, DIW Berlin.
- Kroll, Y. and Davidovitz, L. (2003). Inequality aversion versus risk aversion. *Economica*, 70(277), 19-29.
- Leibler, J., Zwack, L., and Levy, J. (2009). Agreement with inequality axioms and perceptions of inequality among environmental justice and risk assessment professionals. *Health, Risk & Society*, 11(1), 55-69.
- Lindholm, L. A., Emmelin, M. A., and Rosen, M. E. (1997). Health maximization rejected. *European Journal of Public Health*, 7:405–410.
- Lippert-Rasmussen, K. (2001). Egalitarianism, option luck, and responsibility. *Ethics*, 111:548–579.
- Loewenstein, G. F., Thompson, L., and Bazerman, M. H. (1989). Social utility and decision making in interpersonal contexts. *Journal of Personality and Social Psychology*, 57:426–441.

- Lübker, M. (2007). Inequality and the demand for redistribution: are the assumptions of the new growth theory valid? *Socio-Economic Review*, 5:117 148.
- Nord, E. (1993). The trade-off between severity of illness and treatment effect in costvalue analysis of health care. *Health Policy*, 24:227–238.
- Rawls, J. (1971). A Theory of Justice. Harvard University Press, Cambridge, Massachusetts.
- Robson, M., Asaria, M., Cookson, R., Tsuchiya, A., and Ali, S. (2017). Eliciting the level of health inequality aversion inengland. *Health Economics*, 26:1328–1334.
- Rotter, J. B. (1966). Generalised expactances for internal versus external control of reinforcement. *Psychological Monographs* 80(509).
- Schildberg-Hörisch, H. (2010). Is the veil of ignorance only a concept about risk? an experiment. *Journal of Public Economics*, 94:1062–1066.
- Segall, S. (2009). Health, Luck, and Justice. Princeton University Press.
- Spring, B., Ockene, J. K., Gidding, S. S., Mozaffarian, D., Moore, S., Rosal, M. C., and Lloyd-Jones, D. (2013). Better population health through behavior change in adults: a call to action. *Circulation*, 128(19), 2169-2176.
- Tobin, J. (1970). On limiting the domain of inequality. *Journal of Law and Economics*, 13:263–277. Reprinted in Phelps (1973).
- Tsuchiya, A. and Dolan, P. (2007). Do nhs clinicians and members of the public share the same views about reducing inequalities in health? Social science & medicine, 64(12), 2499-2503.
- Ubel, P. A. and Loewenstein, G. (1996). Distributing scarce livers: the moral reasoning of the general public. Social science and medicine 42(7), 1049-1055.
- Wallston, B. S. (1978). Locus of control and health: A review of the literature. *Health* education monographs, 6(1), 107-117.
- Williams, A. H. and Cookson, R. A. (2006). Equity-efficiency trade-offs in health technology assessment. International journal of technology assessment in health care, 22(1), 1-9.

## Appendix A Additional Tables and Figures

		Τ			Hoalth					
	Income				Health					
	Min	Mean	Max.	$\gamma$	Min	Mean	Max	$\gamma$	No.	Frequency
Lottery A	20,000	60,000	$100,\!000$		40	60	80			
Lottery B1	30,000	50,000	70,000	0.36	60	65	70	-0.05	494	0.25
Lottery B2	40,000	60,000	80,000	0.00	30	60	90	0.00	501	0.25
Lottery B3	20,000	$35,\!000$	50,000	1.22	45	60	75	0.00	506	0.25
Lottery B4	30,000	$65,\!000$	100,000	-0.37	50	67.5	85	-0.54	507	0.25
									2,008	1.00

 Table 8: Imaginary Grandchild Scenarios (2016)

		Health								
	Min	Mean	Max.	$\gamma$	Min	Mean	Max	$\gamma$	No.	Frequency
Lottery A	20,000	60,000	100,000		40	60	80			
Lottery B1	30,000	50,000	70,000	0.36	60	65	70	-0.05	501	0.24
Lottery B2	40,000	60,000	80,000	0.00	30	60	90	0.00	513	0.25
Lottery B3	20,000	$35,\!000$	50,000	1.22	45	60	75	0.00	519	0.25
Lottery B4	30,000	65,000	100,000	-0.37	50	67.5	85	-0.54	516	0.25

2,049 1.00

Table 9: Imaginary Grandchild Scenarios (2017)

	Min.	Mean	Max.	$\gamma$	No.	Frequency				
Lottery A	20,000	60,000	100,000							
*If chose A in original lottery										
Lottery B	10,000	$65,\!000$	120,000	0.34	588	0.45				
	*If c	hose $B(\#$	∉) in origi	nal lott	ery					
Lottery B1	40,000	50,000	60,000	0.15	140	0.11				
Lottery B2	30,000	50,000	70,000	0.36	233	0.18				
Lottery B3	25,000	40,000	$55,\!000$	0.70	80	0.06				
Lottery B4	40,000	$65,\!000$	90,000	-0.15	253	0.20				
					1,294	1.00				

Table 10: Imaginary Grandchild Follow-up Scenarios-Income (2017)

	Min	Mean	Max	$\gamma$	No.	Frequency
Lottery A	40	60	80			
	*If	chose A	in orig	ginal lo	ttery	
Lottery B	30	60	90	0.00	571	0.38
	*If ch	ose B(#	∉) in o	riginal	lottery	
Lottery B1	65	68	71	-0.06	304	0.20
Lottery B2	46	58	70	0.07	112	0.07
Lottery B3	50	60	70	0.00	98	0.07
Lottery B4	56	68	80	-0.20	415	0.28
					1,500	1.00

Table 11: Imaginary Grandchild Follow-up Scenarios–Health (2017)

Note: Tables 8 to11 list the boundary values for each round of elicitation question in the imaginary-grandchild approach, for survey years 2016 and 2017 in the income and health domains.





In this figure we group the IA estimates from the lotteries into intervals. The upper two panels plot the the simple lottery estimates, while the lower two panels plot the follow-up lottery estimates.



Figure 3: Trade-off IA by Groups



Figure 4: Simple Lottery IA by Groups



Figure 5: Follow-up Lottery IA by Groups

Figures 3 to 5 plot various IA estimates by age and gender. 95% confidence intervals are used.

	N	М		٦	М
	N	Mean	Std.Dev.	Min.	Max.
Risk Aversion	2008	5.1773	2.5069	1	11
Locus of Control	2008	4.8142	2.3281	1	11
Patience	2008	6.4148	2.3119	1	11
Luck	2008	7.0269	1.8949	1	11
Age	2008	4.8820	1.7452	2	8
Gender	2008	1.5578	0.4968	1	2
Household Income	1809	32.3814	20.2245	3.5	86
Education	2008	1.7724	0.9985	1	6
Child	2008	0.7196	0.4493	0	1
Health	2008	2.3217	1.0013	1	6
Marital Satus	2008	1.8710	0.6111	1	4
Tenure	2008	2.4447	1.5351	1	6
Work Status	2008	3.2490	2.4784	1	8

Table 12: Summary of Behavioural, Socio-economic and Demographic Variables (2016 Sample)

	Ν	Mean	Std.Dev.	Min.	Max.
Financial Risk Aversion	2049	4.0864	2.4920	1	10
Health Risk Aversion	2049	4.2660	2.5881	1	10
Financial Locus of Control	2049	4.0898	2.7165	1	10
Health Locus of Control	2049	4.0102	2.5313	1	10
Age	2049	47.7428	16.9941	18	91
Gender	2049	1.5217	0.4997	1	2
Household Income	2049	6.1942	3.9706	1	14
Education	2049	1.8062	1.0374	1	7
Child	2049	0.7233	0.4475	0	1
Health	2049	3.0132	1.0836	1	6
Marital Status	2049	2.5622	1.7264	1	8
Tenure	2049	2.4529	1.5090	1	6
Work Status	2049	3.1957	2.4563	1	8

Table 13: Summary of Behavioural, Socio-economic and Demographic Variables (2017 Sample)

	(1)	(2)	(3)	(4)
Bisk Aversion	$\frac{\gamma^{*}}{-0.0645}$	$\frac{\gamma^{12}}{0.002}$	 	$\frac{\gamma^{\prime\prime}}{-0.0247}$
Itisk Aversion	(0.0470)	(0.0525)	(0.0511)	(0.0538)
	(010110)	(0.0020)	(0.0011)	(0.0000)
Locus of Control	$-0.179^{***}$	$-0.0892^{*}$	$-0.156^{***}$	$-0.131^{**}$
	(0.0473)	(0.0501)	(0.0521)	(0.0534)
Patience	-0.0595	-0 0925*	-0.0045	-0.0736
1 autonee	(0.0494)	(0.0526)	(0.0516)	(0.0551)
	(010101)	(0.0010)	(0.0010)	(0.0001)
Luck	$-0.170^{***}$	0.0061	-0.0100	0.0362
	(0.0645)	(0.0719)	(0.0645)	(0.0702)
Age	-0.0790	-0.147*	-0.0726	-0.176*
Age	(0.0732)	(0.0785)	(0.0991)	(0.0992)
	(0.0102)	(0.0100)	(0.0001)	(0.0002)
Gender	0.0054	-0.274	0.212	-0.373
	(0.240)	(0.261)	(0.241)	(0.254)
Income	-0 0166***	-0.0049	0.0011	-0.0086
meome	(0.0100)	(0.0043)	(0.0011)	(0.0071)
	(0.0001)	(0.0001)	(0.0001)	(0.0011)
Education	-0.0099	-0.118	0.165	0.0195
	(0.185)	(0.198)	(0.185)	(0.191)
Child			0 366	0.245
Ollilu			(0.203)	(0.306)
			(0.200)	(0.000)
Health			$0.261^{**}$	0.201
			(0.126)	(0.133)
Married			0.0149	0.104
Marrieu			(0.219)	(0.194)
			(0.210)	(0.200)
Tenure			0.0553	-0.121
			(0.0896)	(0.0966)
Work Status			-0.0110	-0.0508
WOIK Status			(0.0586)	(0.0582)
			(0.0000)	(0.0002)
Constant	$5.518^{***}$	$3.157^{***}$	$2.329^{**}$	$2.944^{**}$
	(1.041)	(1.136)	(1.163)	(1.221)
Ν	1247	1231	1656	1638

Table 14: Determinants of IA: Robustness

Note: this table uses the IA estimates from the trade-off approach.  $\gamma^y$  denotes income IA,  $\gamma^h$  denotes health IA. Region fixed-effect is included in all specifications. Control variables include: age, gender, household income, education, whether the respondent has a child, health status, marital status, employment status, and housing tenure. Region fixed-effect is included in all specifications. Robust standard errors in parentheses. \*p < 0.1, \*\*p < 0.05, \*\*\*p < 0.01.

	(1)	(2)	(3)	(4)
	$\gamma^y$	$\gamma^h$	$\gamma^y$	$\gamma^h$
Risk Aversion	-0.0119	0.0031	-0.0116	0.0014
	(0.0117)	(0.0035)	(0.0119)	(0.0033)
Locus of Control	-0.0402***	-0.0087**	-0.0371***	-0.0116***
	(0.0118)	(0.0035)	(0.0123)	(0.0037)
Pationco	0.0016	0.0056	0.0078	0.0030
1 attence	(0.0106)	(0.0030)	(0.0078)	(0.0039)
	(0.0120)	(0.0038)	(0.0119)	(0.0030)
Luck	-0.0341**	-0.0014	-0.0059	0.0002
	(0.0164)	(0.0048)	(0.0157)	(0.0044)
	(0.0101)	(0.0010)	(0.0101)	(0.0011)
Age	-0.0191	-0.0042	-0.0266	-0.0057
-	(0.0184)	(0.0051)	(0.0236)	(0.0063)
	. ,	. ,		. ,
Gender	0.0420	-0.0054	0.0330	-0.0138
	(0.0602)	(0.0178)	(0.0583)	(0.0170)
Ŧ		0.000×		~ ~ ~ ~ <del>~</del>
Income	-0.0038**	-0.0005	-0.0009	-0.0005
	(0.0015)	(0.0004)	(0.0015)	(0.0004)
Education	0.0075	0.0160	0.0484	0.0114
Equivation	(0.0075)	(0.0109)	(0.0484)	-0.0114
	(0.0401)	(0.0157)	(0.0442)	(0.0129)
Child			0.0542	0.0065
omia			(0.0690)	(0.0201)
			(0.0000)	(0.0201)
Health			0.0329	0.0055
			(0.0309)	(0.0090)
Married			0.0125	0.0082
			(0.0546)	(0.0163)
T			0.0100	
Tenure			0.0189	0.0005
			(0.0207)	(0.0062)
Work Status			0.0105	-0.0003
WOIR DIALUS			(0.0103)	(0.0003)
			(0.0133)	(0.0037)
Constant	$1.222^{***}$	0.0942	$0.738^{***}$	0.0980
	(0.265)	(0.0765)	(0.273)	(0.0825)
N	1247	1231	1656	1638

#### Table 15: Determinants of IA: Robustness

Note: this table uses the IA estimates from the simple lottery.  $\gamma^y$  denotes income IA,  $\gamma^h$  denotes health IA. Region fixed-effect is included in all specifications. Control variables include: age, gender, household income, education, whether the respondent has a child, health status, marital status, employment status, and housing tenure. Region fixed-effect is included in all specifications. Robust standard errors in parentheses. \*p < 0.1, \*\*p < 0.05, \*\*\*p < 0.01.

	(1)	(2)	(3)	(4)
	(1)	$\binom{2}{2}$	(J)	(4)
D' '   D'	· / / 3	γ	0.0150	γ
Financial Risk	-0.0147	-0.00993	-0.0152	-0.00701***
	(0.0095)	(0.0026)	(0.0093)	(0.0026)
Health Risk	-0.0067	0.0010	-0.0072	-0.0012
Health Hisk	(0,0000)	(0.0015)	(0.0012)	(0.0012)
	(0.0090)	(0.0023)	(0.0085)	(0.0020)
Financial LOC	-0.0042	0.0005	-0.0030	$0.0038^{*}$
	(0.0085)	(0.0025)	(0.0076)	(0.0023)
		( )	( )	× /
Health LOC	$-0.0211^{**}$	-0.0079***	-0.0239***	$-0.0103^{***}$
	(0.0088)	(0.0028)	(0.0090)	(0.0028)
	0.0000	0.0000	0.0000	0.0001
Age	-0.0020	0.0003	-0.0022	0.0001
	(0.0013)	(0.0003)	(0.0015)	(0.0004)
Gender	-0 0690	-0.0016	-0 107***	-0.0086
Gender	(0.0425)	(0.0110)	(0.0301)	(0.0102)
	(0.0420)	(0.0112)	(0.0391)	(0.0102)
Income	-0.0145*	$0.0047^{**}$	-0.0019	$0.0038^{*}$
	(0.0075)	(0.0021)	(0.0069)	(0.0020)
	~ /	· · · ·	· · · ·	· · · · ·
Education	-0.0021	-0.0028	0.0038	-0.0045
	(0.0296)	(0.0086)	(0.0273)	(0.0074)
				0.0000
Child			0.0357	0.0033
			(0.0422)	(0.0113)
Health			0 0307**	0.0086
meanin			(0.0397)	(0.0050)
			(0.0192)	(0.0059)
Married			-0.0042	0.0016
			(0.0106)	(0.0032)
			(010200)	(010002)
Tenure			0.0175	0.0036
			(0.0136)	(0.0039)
Work status			-0.0004	-0.0031
			(0.0089)	(0.0023)
Constant	0 767***	0.0141	0 554***	0.0055
Constant	(0.154)	(0.0141)	(0.167)	(0, 0.490)
NT	(0.154)	(0.0412)	(0.167)	(0.0429)
IN	1105	1184	1718	1841

#### Table 16: Determinants of IA: Robustness

Note: this table uses the IA estimates from the follow-up lottery.  $\gamma^y$  denotes income IA,  $\gamma^h$  denotes health IA. Region fixed-effect is included in all specifications. Control variables include: age, gender, household income, education, whether the respondent has a child, health status, marital status, employment status, and housing tenure. Region fixed-effect is included in all specifications. Robust standard errors in parentheses. \*p < 0.1, \*\*p < 0.05, \*\*\*p < 0.01.

## Appendix B Variable Code

#### 2016 Survey

- **Risk aversion:** Are you generally a person who is willing to take risks or do you try to avoid taking risks?" Please rate your assessment on the following scale where 1 is very unwilling to take risks and 10 is very willing to take risks.
- Locus of control: Do you agree or disagree with this statement? "I have little control over what happens to me." Please rate your view on the following scale where 1 is strongly disagree and 10 is strongly agree.
- Luck: In your opinion, is success a matter of luck or a matter of effort? Please rate your view on the following scale where 1 is success is solely (100%) based on luck and 10 is success is solely (100%) based on effort.
- **Patience:** Are you generally an impatient person (you want things now), or someone who always shows great patience (you're happy to wait)? Please rate your assessment on the following scale where 1 is very impatient and 10 is very patient.
- Age:
  - 1. 18-24
  - 2. 25-34
  - 3. 35-44
  - 4. 45-54
  - 5.55-64
  - 6. 65-74
  - 7.75 +

#### • Gender:

- 1. Male
- 2. Female

#### • Household income:

- 3.5: Up to £7000
- -10.5: £7001-14000
- 17.5: £14001-21000
- -24.5: £21001-28000

- -31: £28001-34000
- -37.5: £34001-41000
- -44.5: £41001-48000
- -51.5: £48001-55000
- -58.5: £55001-62000
- -65.5: £62001-69000
- -72.5: £69001-76000
- -79.5: £76001-83000
- 86: At least £83001

#### • Education:

- 1. High school
- 2. University
- 3. Postgraduate
- 4. Still in school
- 5. None
- Health: In general, would you say that your health in general is good or poor?
  - 1. Very good
  - 2. Fairly good
  - 3. Neither good nor poor
  - 4. Fairly poor
  - 5. Very poor
  - 6. Prefer not to say
- Have you or a family member or a member of your immediate family suffered a medical emergency in the last 12 months?
  - 1. Yes, minor emergency
  - 2. Yes, major emergency
  - 3. No
  - 4. Prefer not to say
- Have you or your immediate family suffered a financial shock in the last 12 months? (for example, unforeseen loss of job, unanticipated expenses)

- 1. Yes, minor shock
- 2. Yes, major shock
- 3. No
- 4. Prefer not to say

#### • Child: Do you have children aged 18 or under?

- 1. No
- 2. Yes

#### • Marital status:

- 1. Single
- 2. Married, co-habiting, civil partnership
- 3. Widowed, separated or divorced
- 4. Prefer not to answer

#### • Tenure:

- 1. Owned outright without mortgage
- 2. Owned with a mortgage or loan
- 3. Rented from the council
- 4. Rented from a housing association
- 5. Rented from someone else
- 6. Rent free

#### 2017 Survey

- Health risk aversion: Are you generally a person who is willing to take health risks (e.g., smoking, binge drinking, etc) or do you try to avoid taking health risks? Please rate your assessment on the following scale where 1 is very unwilling to take risks and 10 is very willing to take risks.
- Financial risk aversion: Are you generally a person who is willing to take risks in making financial decisions or do you try to avoid taking financial risks? Please rate your assessment on the following scale where 1 is very unwilling to take risks and 10 is very willing to take risks.
- Financial locus of control: Do you agree or disagree with this statement? "I have little control over my financial condition." Please rate your view on the following scale where 1 is strongly disagree and 10 is strongly agree.

- Financial locus of control: Do you agree or disagree with this statement? "I have little control over my health." Please rate your view on the following scale where 1 is strongly disagree and 10 is strongly agree.
- Health: In general, would you say that your health in general is good or poor?
  - 1. Very good
  - 2. Fairly good
  - 3. Neither good nor poor
  - 4. Fairly poor
  - 5. Very poor
  - 6. Prefer not to say
- Brexit: How did you vote in the Brexit referendum of 23rd June 2016?
  - 1. Leave
  - 2. Stay
  - 3. Did not participate
  - 4. Prefer not to say

#### • Gender:

- 1. Male
- 2. Female

#### • Household income:

- 1. Up to £7000
- 2. £7001-14000
- 3. £14001-21000
- 4. £21001-28000
- 5. £28001-34000
- 6. £34001-41000
- 7. £41001-48000
- 8. £48001-55000
- 9. £55001-62000
- 10.  $\pounds 62001-69000$

- 11. £69001-76000
- 12. £76001-83000
- 13. At least £83001

#### • Education:

- 1. Secondary school, high school, NVQ level
- 2. University degree or equivalent
- 3. Higher university degree, doctorate, MBA
- 4. Still in full time education
- 5. No formal education
- 6. Don't know
- 7. Prefer not to answer

#### • Work status:

- 1. Working full time working 30 hours or more per week
- 2. Working part time working between 8 and 29 hours per week
- 3. Not working but seeking work or temporarily unemployed
- 4. Not working and not seeking work
- 5. Retired on a state pension only
- 6. Retired with a private pension
- 7. Student
- 8. House person, housewife, househusband

#### • Tenure: Is the house or flat in which you live...?

- 1. Owned outright without mortgage
- 2. Owned with a mortgage or loan
- 3. Rented from the council
- 4. Rented from a housing association
- 5. Rented from someone else
- 6. Rent free

#### • Marital status:

1. Single

- 2. Married
- 3. Civil partnership
- 4. Co-habiting
- 5. Widowed
- 6. Separated
- 7. Divorced
- 8. Prefer not to answer

#### • Child: Do you have children aged 18 or under?

- 1. Yes
- 2. No