



Is the positional bias an artifact? Distinguishing positional concerns from egalitarian ones.

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Abstract

This paper shows that the positional bias underscored by Solnick and Hemenway (1998, 2005 and 2007) is an experimental artifact. Quoted authors highlighted the importance of positional concerns by finding that people prefer to earn a fewer absolute amount of income but to earn a higher income than others. Why do people prefer to earn more than others? The proposed explanation is that people have a preference for status. This conclusion might be wrong due to their particular design. We conjecture that subjects, by indicating to prefer a state of the world in which they earn more than others, in reality signal a preference for equality. We replicated the same design as in Solnick and Hemenway (1998, 2005 and 2007) and added a new option so as to disentangle positional concerns from egalitarian ones. We observe that most subjects express egalitarian preferences rather than positional ones..

I - Introduction

Standard economic theory relies on the basic model of the *Homo Economicus* which assumes that an agent's utility depends exclusively on his own level of consumption and leisure. In other words, an agent's satisfaction is entirely determined by one's own income and not by others' income or possessions. According to standard economic theory, subjects will always choose options and decisions that maximise their own utility.

This hypothesis was severely debated. Scholars argue that others' situation affect individual satisfaction and may orientate subjects' choices and actions. To underscore the importance and influence of others' situations on individual satisfaction, scholars mentioned the existence of positional concerns. A subject is said to manifest positional concerns when his utility conferred by many goods depends not only on the amount the subject consumes but also on the amount others' consume (Duesenberry, 1949; Frank, 1985; Solnick and Hemenway, 1998, 2005 and 2007; Veblen, 1909).

Solnick and Hemenway (1998) examined the existence of positional concerns by asking subjects to answer the following question:

Indicate which of the two states of the world you would prefer to live in. (Note that prices are what they are currently and prices (therefore the purchasing power of money) are the same in states A and B). Others refer to the typical other person living in society.

A: Your current yearly income is \$50,000; others earn \$25,000.

B: Your current yearly income is \$100,000; others earn \$200,000.

State A represents the positional state. In that state, the respondent has a higher amount of good than others in society. State B represents the absolute state. In state B, the status changed: the respondent has now a fewer relative amount (few goods than other members in society) but a higher absolute amount (more goods than in state A). Since standard economic theory predicts that subjects prefer states of the world that offers the highest amount of good regardless the situation of other members in society, subjects will choose the absolute state (i.e. state B). Conversely, Solnick and Hemenway (1998, 2005 and 2007) reported that more than half of the subjects chose the positional state (i.e. state A). By doing so subjects clearly indicated that they preferred to earn more than others even by incurring a personal cost (see also Carlsson et al., 2003).