



## EINLADUNG ZUR NÄCHSTEN VERANSTALTUNG DES POTSDAM RESEARCH SEMINAR IN ECONOMICS

Wir laden Sie herzlich zur nächsten Veranstaltung des Potsdam Research Seminar in Economics am **18.10.2016** ein.

Das Seminar findet von **14.00 bis 16.00 Uhr** (c.t.) in Raum **3.06.S 27** statt.

Referent:

**Prof. Dr. Björn Bartling**  
(Universität Zürich)

Thema des Vortrages:

**Fairness in a Winner-Take-All Economy**

Abstract:

The paper studies whether winner-take-all reward structures, which are a common feature in many markets, are viewed as fair. On the one hand, the winner was the best performer and produced the output that determined the income to be distributed. In particular, the output would not have been different had the loser not been there. This "factual merit" could justify that the winner receives the entire value created. On the other hand, the output would not have been zero had the winner not been there; it would then have been determined by the performance of the runner-up. The winner's marginal contribution is thus less than the entire output, which would not justify that the winner gets all. In an economic experiment, we study the behavior of spectators who are given the opportunity to redistribute earnings between two other participants in the role of workers. The workers conduct a real effort task and their earnings are determined by a winner-take-all reward structure: the least productive worker, the loser, earns nothing and the most productive worker, the winner, earns an amount proportional to his or her productivity. We find that people find it fair, to a large extent, that the winner gets everything. About 60 percent of the spectators chose not to redistribute income at all and, importantly, the willingness to redistribute does not increase when the differences in performance between winner and loser becomes smaller. This insensitivity to the winning margin also holds when the workers did not self-select into the winner-take-all reward structure and when the workers did not even know how their earnings would be determined. Our results are not driven by the spectators' general inequality acceptance: we observe almost universal equalization of earnings if luck, not merit, determines the winner.

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Wir freuen uns auf Ihre Teilnahme.