

# Risky Decision-Making Under Economic Inequality: The Role of Anger and Satisfaction

Jacinth J. X. Tan, Wendy B. Mendes, &amp; Nancy E. Adler

University of California, San Francisco

## 1. Introduction

- Economic inequality was at its peak prior to two major recessions in history—The Great Depression in 1929, and the Financial Crisis in 2008 (Moss et al., 2013).
- Although this points to the link between economic inequality and risky decision-making, the causal relationship between them is unclear.
- Furthermore, evidence for the influence of inequality on outcomes like health and mortality are mixed (Chetty et al., 2016; Lynch et al., 2004; Wilkinson & Pickett, 2005).
- The present research examined the effect of inequality on affect and risk-taking experimentally, and suggest potential mechanisms that drive this effect.

## 2. Sample & Design

- 212 participants (41% female) were recruited from the Bay Area community through flyers and on Craigslist.
- Age:  $M = 34.23$  years ( $SD = 12.66$ , Range = 18-65).
- Design: 2 (Inequality: Low vs. High) x 2 (Rank: Low vs. High) between-subjects factorial.

## 3. Procedure

- Participants played an online “chance game” with 4 other (bogus) participants in a group.

## 4. Experimental Manipulation (IV)



## 5. Outcomes (DV)

- PANAS:** pre- & post- dice roll (Watson et al., 1988)
- Risky Spin: Yes or No**
  - High-risk: Double if > 28; Lose all if < 28
  - Medium-risk: Double if > 19; Lose all if < 19
  - Low-risk: Double if > 9; Lose all if < 9

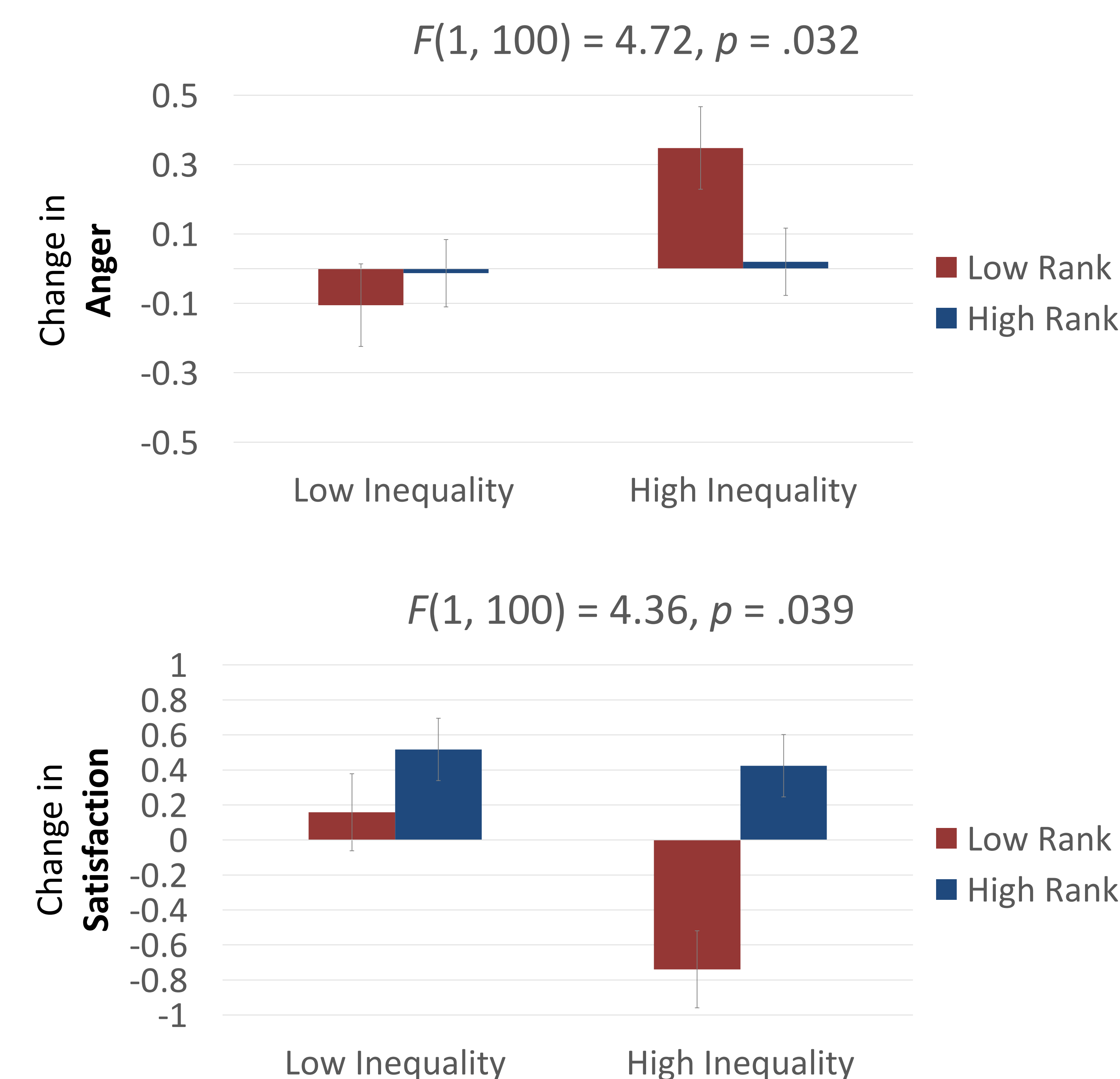


## 7. Discussion

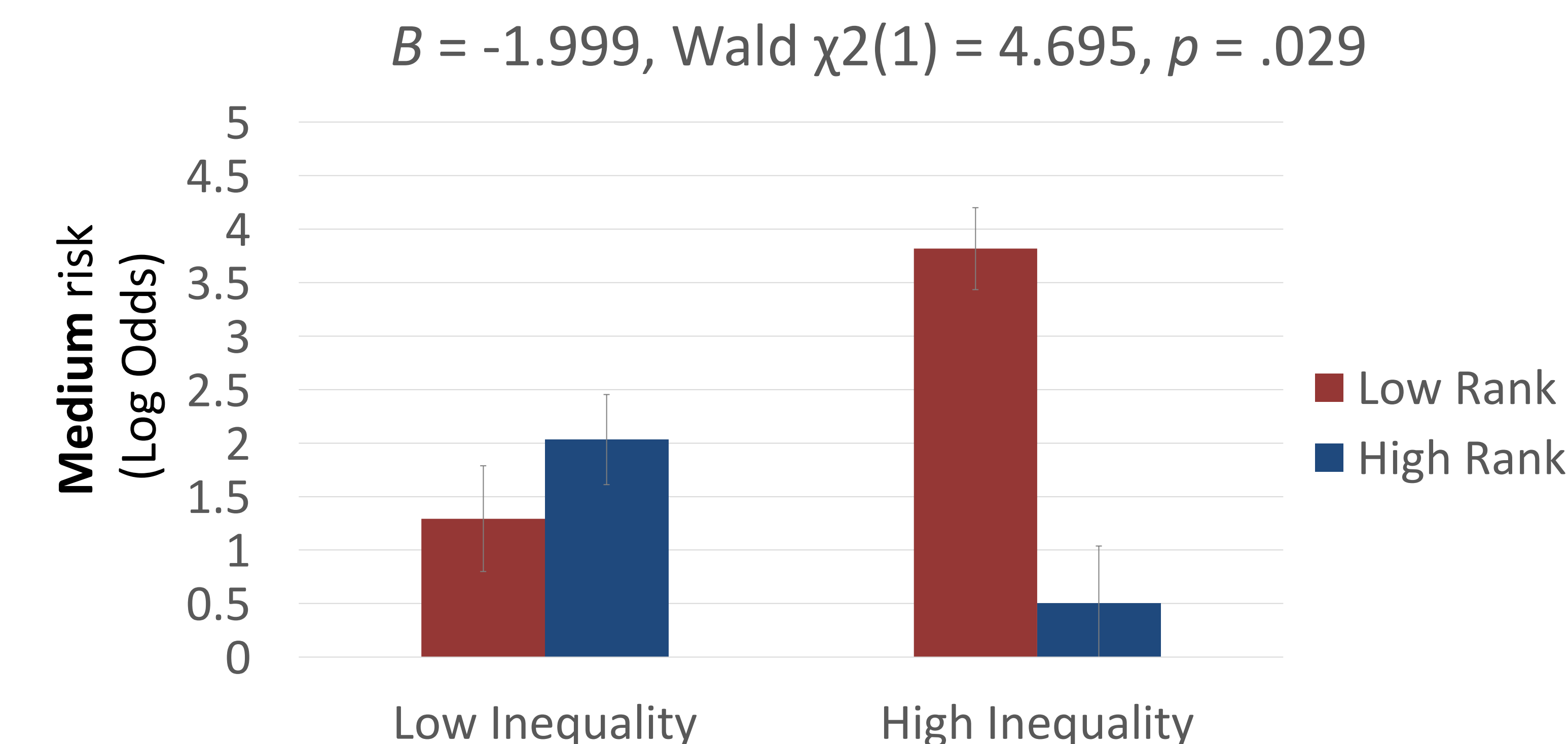
Inequality influences risk-taking, but only under medium risk

- Risks that are too high or too low prompt rational decisions
- Moderate risks produce uncertainty, which can motivate decision-making based on affect elicited by inequality.

## 6a. Results: Affective Responses



## 6b. Results: Risk-Taking



- References:**
- Chetty, R. et al. (2016). The Association between income and life expectancy in the United States, 2001–2014. *JAMA*, 315, 750–66.
- Lynch, J. W. et al. (2004). Is income inequality a determinant of population health? Part 1. A systematic review. *Milbank Quarterly*, 82, 5–99.
- Moss, D. A., Thaker, A. & Rudnick, H. (2013). Inequality and decision making: Imagining a new line of inquiry. *Harvard Business School BGIE Unit Working Paper No. 13-099*.
- Watson, D., Clark, L. A., & Tellegen, A. (1988). Development and validation of brief measures of positive and negative affect: The PANAS scales. *Journal of Personality and Social Psychology*, 54, 1063–1070.
- Wilkinson, R. & Pickett, K. (2006). Income inequality and population health: A review and explanation of the evidence. *Social Science & Medicine*, 62, 1768–84.

Potential affective pathways

- Lack of satisfaction (driven by social comparison)
- Feelings of anger (driven by perceived unfairness)