

Conference on "Relativity, Inequality and Public Policy" Edinburgh, 5-7 June 2009

In economics, "relativity" is the idea that it is position relative to others that motivates behavior and determines individual and therefore social wellbeing. This idea has distinguished pedigree, going back in modern times to Duesenberry's relative income hypothesis, and even further back to Adam Smith's claim that "a creditable day-laborer would be ashamed to appear in public without a linen shirt".

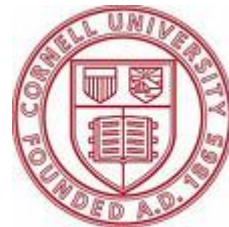
However, in the last two decades research has accelerated on relative concerns and their interactions with inequality, and their implications for public policy. Conventional welfare economics with interdependent preferences has progressed alongside new departures in theoretical and experimental behavioural economics, and in the economics of happiness. Progressivity in taxation can be seen in a new light if inequality interacts with relativity to produce socially inefficient outcomes. At the same time, the debate between paternalism and libertarianism is also sharpened if people have feelings of envy towards their fellow beings because of their relative positions in society.

With this background, Cornell University and the University of Edinburgh are hosting a major international conference – "Relativity, Inequality and Public Policy" – to take stock of where we stand and to highlight the open questions.

The conference will start at 9.00am on Friday 5th of June and finish at 13.00 on Sunday 7th of June. It will be held in the David Hume Tower, Faculty Room South (G.02), George Square, Edinburgh, EH8 9JX

The conference organizers are Ed Hopkins, University of Edinburgh, and Ravi Kanbur, Cornell University.

The event is co-funded by SIRE, Cornell University and supported by the British Academy.



Conference Venue

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On **Friday evening**, an informal buffet will be held at Abden House, within the grounds of Pollock Halls Campus.

Abden House address: 1, Marchhall Crescent, Edinburgh, EH16 5HP.

On **Saturday evening**, guests are invited to have a meal at La Garrigue:
La Garrigue, 31 Jeffrey Street Edinburgh EH1 1DH

Conference Programme

General Session Format: 25 minutes per speaker plus 5 minutes questions plus 15 minutes combined discussion at the end of each session

FRIDAY 5 JUNE

9.00-9.15	Registration
9.15-9.30	Introductory Remarks
9.30-10.45	Session 1: Happiness Studies Andrew Oswald (Warwick University): Happiness and productivity Claudia Senik (Paris School of Economics): Direct Evidence on Income Comparisons and their Welfare Effects
10.45-11.15	Coffee/Tea
11.15-13.00	Session 2: Theory Matthew Rabin (University of California, Berkeley): Wealth, News, and Utility Ed Hopkins (University of Edinburgh): Which Inequality? Christian Ghiglino (University of Essex) : Keeping up with the neighbors: social interaction in a market economy
13.00-14.00	Lunch
14.00-15.45	Session 3: Experiments I Lise Vesterlund (University of Pittsburgh): "Fundraising Rules of Thumb: The Influence of Inequity and Status." Hyejin Ku (Florida State University): Incentive Effects of Inequality and Economic Development Johannes Abeler (University of Nottingham): Gift Exchange and Workers' Fairness Concerns - When Equality Is Unfair
15.45-16.15	Coffee/Tea
16.15-18.00	Session 4: Social Comparisons Bernard Van Praag (Universiteit Van Amsterdam): Subjective Income Inequality with Inclusion of a Reference Effect: An Evaluation of the Power of Social Policy Luis Angeles (University of Glasgow): Adaptation or Social Comparison? The effects of income on happiness Georgios A. Panos (University of Aberdeen): Satisfaction, Information and Comparison a Twice Relative Approach
19.00	Informal Buffet Dinner, Abden House (speakers and invited persons only)

SATURDAY 6 JUNE

9.00-10.45

Session 5: Field Experiments

Imran Rasul (University College London): Team Incentives: Evidence from a Field Experiment

Nagore Iriberry/Ghazala Azmat (Universitat Pompeu Fabra): The Importance of Relative Performance Feedback Information: Evidence from a Randomized Natural Experiment using High School Students

Peter Werner (University of Cologne): Reference Points and Bonus Payments - Field Evidence

10.45-11.15

Coffee/Tea

11.15-13.00

Session 6: The Public Economics of Relative Concerns

Matti Tuomala (University of Tampere): Inherent inequality, relativity and optimal nonlinear income taxation

Leonardo Boncinelli (University of Siena): Redistribution and the Notion of Social Status

Felix FitzRoy (University of St. Andrews) Public Economics of Subjective Well-Being and Relative Income

13.00-14.00

Lunch

14.00-15.15

Session 7: Inequality – General Issues

Shlomo Yitzhaki (Hebrew University): Inequality Comparisons: The Role of Government and Demographic Structure

Richard Wilkinson (University of Nottingham): What Difference Does Inequality Make?

15.15-15.45

Coffee/Tea

15.45-17.30

Session 8: Evidence from Emerging Economies

Carol Graham (Brookings Institution): Inequality, Happiness, and Individual Attitudes about Upward Mobility: Some Evidence from Latin America

Shang-Jin Wei (Columbia): Sex Ratio Imbalances Stimulate Savings Rates: Evidence from the "Missing Women" in China

Xiaobo Zhang (IFPRI): Positional Spending and Status Seeking in Rural China

19.00

Conference Dinner (speakers and invited persons only)

SUNDAY 7 JUNE

9.15-11.00

Session 9: Experiments II

Aldo Rustichini (University of Cambridge): The nature of counter-factual emotions: envy with skill and luck

Ro'I Zultan (The Hebrew University): Treating Equals Unequally - Incentives in Teams, Workers' Motivation and Production Technology

Arnab K. Basu (College of William and Mary): Aversion to Poverty and Relative Deprivation? An Experimental Analysis of Consumers' Willingness to Pay for Fair Trade Coffee

11.00-11.30

Coffee/Tea

11.30-12.45

Session 10: Incentives with Relative Concerns

Alexander Herzog-Stein (Institute of Economic and Social Research, WSI): Games of Status and Discriminatory Contracts

Abhijit Ramalingam (Indiana University): Endogenous" Relative Concerns: The Impact of Workers' Characteristics on Status and Profits in the Firm

12.45-13.00

Concluding Remarks

Reimbursement of expenses (for speakers and invited guests only)

Please keep all your travel receipts such as receipts for taxis, shuttle bus and electronic booking forms for flights or trains. For car journeys please keep fuel receipts or a record of mileage.

There are two procedures for claiming expenses, based on whether you are living in the UK or outside the UK. The main point to remember is that a special claim form and signature is required if you are based in the UK.

Details are as follows:

FOR NON-UK CLAIMANTS:

Please list your expenses with itemised totals per currency, i.e. in Pound Sterling and any other currencies you may have. Include on the sheet:

- Your name
- Which currency you wish all your expenses to be paid in (one currency only)
- The address the cheque should be sent to; this can be your home address or the office.

FOR UK CLAIMANTS ONLY:

Please ask Gina Reddie for a copy of the claim form entitled '*Claim for Expenses*'.

- Write your name and address at the top; the address can be your home address or the office
- Sign and date the form at the bottom of the page (under claimant).
- Please list your expenses on the back of the form, with itemised details and the total in Pound Sterling.

Please note a signature is required for those participants who wish their expenses paid into a UK bank account or wish to receive a cheque in Pound Sterling.

FOR ALL PARTICIPANTS:

All expenses claims are organised via the University Finance department . It may take between 2-4 weeks upon receipt of your expenses for a payment to be processed and sent to you.

Please send your receipts and accompanying information **before July 17** to :

Gina Reddie
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31 Buccleuch Place
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If you have any questions please check with Gina during the conference.