The belief in meritocracy perpetuates inequality

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Nature, nurture or neither: what accounts for the stubborn persistence of inequality even in modern economies? This question is of perennial interest both on moral grounds and on economic grounds. We *should* want others to fully realise their potential and their inability to do so may constrain economic growth as individuals' unrealised income potential may become lost profits or innovation opportunities for firms. In a new study, I provide evidence from a series of experiments suggesting that a key tenet of modern society, merit-based allocation of resources, may be a culprit.

In contrast to the most widely accepted explanations for inequality persistence, I lay out an explanation that relies neither on nature (actual differences in traits, such as intelligence) nor nurture (differences in parentally- or culturally-instilled values, such as work ethic). This novel explanation does not even require the existence of external barriers to success like discrimination.

In a nutshell, my explanation is one of *self*-discrimination caused by experienced inequality through a psychological phenomenon labeled "Just World Beliefs:" a deep-seated need to believe that the world is just and fair. Just World Beliefs have been well documented in social psychology and found to be both powerful and universal as evidenced by such unfortunately familiar behaviour as blaming victims for their own misfortunes.

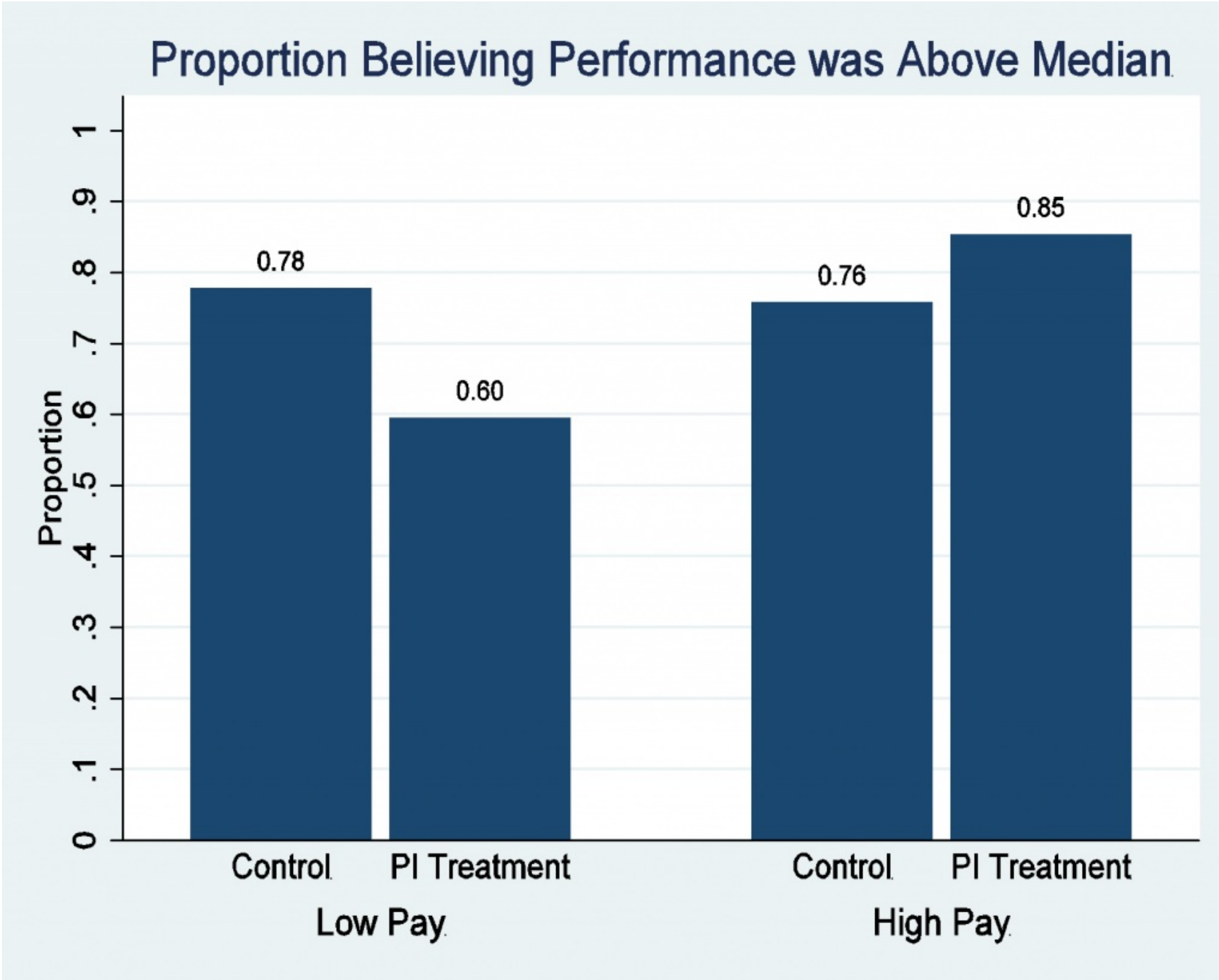
What is a just and fair world? In a society where resources *ought* to be allocated based on merit, because merit is a combination of effort and ability, a just world may be one in which one's relative position in society is substantially determined by one's relative ability. Reconciling this conception of a just and fair world with one's own initial disadvantage requires believing that this disadvantage is merited. To the extent that merit is about ability, experienced inequality requires the disadvantaged to believe they are relatively less able. If it sounds far-fetched, consider that this was essentially the plot of the novel in which the (then satirical) term "meritocracy" was coined (Young, 1958).

In order for relative ability beliefs to matter, however, a second ingredient is necessary. Ability-based competition must play a large role in determining economic success at some point along the career path. The quintessential example of this condition being met is the annual ritual of students competing for coveted spots at prestigious colleges. To be clear, the logic is that if experienced inequality causes the disadvantaged to believe they are relatively less able, then because of their own *self-discriminatory* beliefs they are more reluctant than their actual ability would warrant to choose career paths depending on ability-based competition. Because these are exactly the career paths that confer economic success, initial disadvantage itself may make escaping disadvantage less likely.

To provide evidence for this source of self-perpetuating inequality, I conduct several experiments using a common methodology. I randomly assign unequal pay for an ability-intensive task (e.g., an IQ test). Participants know whether they are being relatively well paid or relatively poorly paid and that this assignment to pay level is random. After completing the task, I elicit participants' beliefs about their relative performance on the task, i.e., whether they performed above or below the median.

Since the task is constructed to be transparently about ability, participants' reported beliefs should be informative about their assessments of their relative ability: participants who report performing above the median on an IQ test are plausibly revealing they believe themselves to possess above-median intelligence. In order to rule out important and obvious confounds, I conduct additional treatments in which: i) everybody in a session is either well paid or poorly paid; as well as ii) other sessions in which pay is unequal but task performance depends more on effort than on ability (e.g., counting occurrences of a specific letter).

Results in all of my experiments support the view that experienced inequality undermines relative ability beliefs directly. Even though participants' actual performance never varies with pay level, those disadvantaged by my pay scheme believe they perform substantially worse. The pattern in beliefs that emerges is summarised in the figure below, reproduced from the paper. In this figure "PI Treatment" denotes that participants knew they were being paid unequally, whereas "Control" denotes that participants did not know about pay levels other than their own. The implication of the figure is that experiencing disadvantageous inequality ("Low Pay", "PI Treatment") significantly reduces the proportion of participants believing they were above-median performers relative to the same pay level without experienced inequality ("Low Pay", "Control"). At the same time, knowledge of advantage inflates performance beliefs.



In a series of follow-up experiments, I show that the effect of experienced inequality on beliefs is not plausibly explained by changes in effort provision – a result that was already suggested by the lack of an effect on actual task performance. Moreover, I document that effect on beliefs is strong enough to affect participants' subsequent willingness to compete on an ability-intensive task.

Considered together, the implications of my findings are that policies aimed at eliminating external barriers to success may not be sufficient to eradicate inequality. When individuals must choose paths leading to success, inequality itself may lead the disadvantaged to select sub-optimally, *discriminating against themselves* in way that perpetuates initial inequality.

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Notes:

- *This post is based on Inequality and Relative Ability Beliefs, The Economic Journal, Volume 126, Issue 593, pages 907–948, June 2016*
- *The post gives the views of its authors, not the position of LSE Business Review or the London School of Economics.*
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