

Report on “Ethnic Stereotypes and Preferences on Poverty Assistance”

This paper presents a simple model of how preferences for support to the poor depends on (exogenous) beliefs about the deservingness of the poor. I think this is a both important and interesting question that merits further study.

There are two main results in the paper. The first result comes from the assumption that non-deserving poor on average earn lower incomes and that the “compassionate agent” is assumed not to care at all about the non-deserving poor. Someone with very low income is therefore most likely to be non-deserving, and for low incomes under some parameter configurations, the agent might prefer less social support the lower the income of the recipient. There is probably some general truth in this paradoxical finding, but it is not very surprising given the assumptions made. This result has also been pointed out in a previous paper by one of the authors.

The second result states that there are parameter configurations where beliefs about deservingness become more important the higher is the income of the recipient. I think that this is a neat result, but it is hard to evaluate the generality of the finding as the paper currently stands. The authors refer to simulations for “realistic parameter values”, but it is very hard to assess the statements made without further details, especially since it is quite unclear how to determine what model parameter are “realistic”. There is also no discussion about how sensitive the second result is to the assumptions made.

Although I find the paper intriguing, there is a lot of issues that are not explored in the paper. For example, it would be interesting to study a voting equilibrium as well as how the poor responds to redistributive spending. Will the poor work harder when social spending is lower and how does the behavior of the poor map into beliefs about deservingness? (Perhaps the authors are correct in their implicit assumption that stereotypes live a life of their own completely independent of how hard-working the poor actually are.)

The presentation of the model could also be simplified quite a lot. The optimization problem is not clearly stated and the authors introduce some unnecessary notation (like the g and D functions). The model setup is quite simple and could be explained much more clearly. Finally, the paper lacks a discussion about how reasonable the model assumptions are and how the results depend on these assumptions. The intuition for the results could also be better explained.