The Consumer Consequences of Economic Inequality

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ABSTRACT

Despite the growing body of research in related disciplines, including economics, management, politics, psychology, and sociology, marketing research has largely overlooked the downstream consequences of *economic inequality*, despite its undeniable impact on individuals' consumption decisions and experiences. This dissertation endeavors to bridge this knowledge gap by uncovering two novel *consumer consequences* of economic inequality. To accomplish this, it draws upon a diverse range of data sources, including individual-level experimental and survey data, as well as aggregate-level transaction and census data. Additionally, it examines economic inequality across multiple levels, encompassing communities, counties, states, and countries, and operationalizes it both as objective and perceived economic inequality.

In Essay 1, I investigate how economic inequality in a consumer's region affects their access to peer-to-peer (P2P) services. Across diverse types of P2P services, I find convergent evidence that increased economic inequality in a consumer's region reduces providers' willingness to serve them, ultimately resulting in their diminished access to P2P services. This adverse effect of economic inequality can be attributed to providers perceiving consumers from more unequal regions as less trustworthy. This perception leads them to perceive heightened financial risks associated with serving these consumers. Moreover, this negative impact of economic inequality attenuates when providers perceive greater interpersonal similarity with consumers from unequal regions.

In Essay 2, I explore how economic inequality within one's society affects their education decisions through the lens of perceived education premium. Firstly, it encourages people to attend college as it amplifies the perceived *education premium of college*—the income gap between college graduates and high school graduates. Secondly, it motivates people to choose majors with higher earning potential but lower personal interests, as opposed to those align more with their genuine interests but pay less. This shift towards prioritizing extrinsic motivations over intrinsic ones is driven by people's perception of a more significant *education premium between majors*—the income disparity between higher-paying and lower-paying majors.

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GENERAL AUDIENCE ABSTRACT

Economic inequality, defined as the unequal distribution of income among various groups in a society, has been on the rise globally in recent decades. Amid the growing economic inequality, researchers have been delving into its profound impacts on individuals across diverse domains, exploring its influences on their mindsets, perspectives on the world, social lives, and overall well-being. It's surprising that there has been relatively little research on how economic inequality affects people's consumption decisions and experiences, given its undeniable influence on them. In this dissertation, I explore the impacts of economic inequality on consumers' access to P2P services and education decision-making.

In Essay 1, I investigate how economic inequality in a consumer's region affects their access to peer-to-peer (P2P) services. I examine whether P2P providers are equally willing to serve consumers from regions with varying levels of economic inequality. I reveal a disconcerting reality: providers are less willing to offer P2P services to consumers from more unequal regions, driven by the perception of these consumers as less trustworthy and posing a higher financial risk. These differing attitudes ultimately lead to reduced access to P2P services and region-based discrimination for consumers from regions characterized by higher economic inequality. Fortunately, these adverse outcomes can be mitigated by an increase in perceived interpersonal similarity between providers and consumers.

In Essay 2, I investigate how economic inequality in one's society shapes their education decisions. I find that as economic inequality rises, people become more willing to pursue a college education because they perceive a wider income gap between well-educated individuals and those with lower levels of education. Besides college decisions, economic inequality also influences people's choice of major for a similar reason. In a society characterized by greater economic inequality, people gravitate towards majors that promise higher earning potential, even if these fields do not align closely with their personal interests. This preference is driven by their perception of a greater wage difference between higher- and lower-paying majors. These findings provide policy implications for several pressing challenges in higher education.

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CHAPTER 1. INTRODUCTION

"Income inequality is the defining challenge of our time."

Barack Obama

Economic inequality, the unequal distribution of income across different groups within a society, has been rising worldwide over the past few decades (Piketty and Saez 2014; United Nations 2020). In 2016, the upper-income families in the United States accounted for nearly four-fifth of the total wealth of the entire nation (i.e., 79%), significantly more than all other households combined. Their wealth was 75 times as much as that of the lower-income families, almost tripling from 28 times in 1983 (Horowitz, Igielnik, and Kochhar 2020). Over the same period, the Gini index, a metric of income inequality, increased by 20% from .389 to .464 in this world's largest economy (U.S. Census Bureau 2022). Globally, the Gini index maintained alarmingly high at around .600 between 1980 and 2020 and is projected to trend upward over the next two decades (Ortiz-Juarez, Sumner, and Kanbur 2022).

Amid the rise of economic inequality, there is burgeoning literature on examining its far-reaching consequences on individuals across a spectrum of aspects (reviewed by Goya-Tocchetto and Payne 2022; Peters and Jetten 2023). For example, people living in more unequal societies experience less self-control (To, Wiwad, and Kouchaki 2023). They are also more susceptible to social comparison (Cheung and Lucas 2016), more sensitive to social evaluative threats (Wilkinson and Pickett 2017) and more vulnerable to status anxiety (Blake and Brooks 2019; Delhey and Dragolov 2014; Layte 2012; Melita, Rodríguez-Bailón, and Willis 2021). Consequently, they tend to experience reduced levels of happiness (Oishi, Kesebir, and Diener 2017) and diminished overall well-being (Buttrick, Heintzelman, and Oishi 2017). These people

also demonstrate elevated aspirations for status and wealth (Walasek and Brown 2015; Wang, Jetten, and Steffens 2023), alongside an escalated inclination to engage in risky and unethical behaviors (Norton 2014; Payne, Brown-Iannuzzi, and Hannay 2017), as compared to those living in more equal societies. Meanwhile, economic inequality shapes people's perspectives of the world. It fuels the development of self-enhancement (vs. self-transcendence) values and individualistic and competitive (vs. interdependent and cooperative) norms within the society (Sánchez-Rodríguez et al. 2019; Sánchez-Rodríguez, Rodríguez-Bailón, and Willis 2020; Sommet et al. 2019). It also leads people to view the world through a lens of wealth (Peters and Jetten 2023) and amplifies the stereotypes associated with both the rich and the poor (Tanjitpiyanond, Jetten, and Peters 2022). Furthermore, economic inequality heightens perceived anomie, which reinforces conspiratorial thinking (Casara, Suitner, and Jetten 2022; Jetten, Peters, and Casara 2022), and contributes to the endorsement of both authoritarianism and tribalism (Sprong et al. 2019; Teymoori, Bastian, and Jetten 2016). To cap it off, it also exacerbates the polarization of political ideology (Winkler 2019), fosters anti-immigration sentiment (Jetten, Mols, and Steffens 2020), and influences public attitudes toward climate change solutions (Klebl and Jetten 2023).

Surprisingly, there is a dearth of research exploring the *consumer consequences* of economic inequality, despite its undeniable influence on individuals' consumption decisions and experiences (Ordabayeva and Lisjak 2022). For example, it increases consumers' preference for status goods (Velandia-Morales, Rodríguez-Bailón, and Martínez 2022; Walasek and Brown 2015, 2018), subsequently leading households with lower incomes to borrow more to sustain their status consumption (Christen and Morgan 2005). More nuanced, it discourages the bottom-tier consumers from conspicuous consumption when their emphasis is on positional

advancement, yet prompt status consumption when they shift their attention to narrowing the possession gap (Ordabayeva and Chandon 2011). Building upon these pioneering works, this dissertation investigates two additional consumer consequences of economic inequality.

As highlighted by Jachimowicz et al. (2022), the precise delineation of the *kind* and the *measure* of economic inequality under analysis is of paramount importance in the relevant research. The *kind* of economic inequality is determined by the scope of the geographic unit (i.e., society), ranging from local community to global stage. In this dissertation, I narrow my focus to four kinds: community-, county-, state-, and country-level economic inequality. As for the measure of economic inequality, it can be assessed through objective metrics (e.g., Gini or Herfindahl indices, 90/10 or 80/20 ratios) or subjective perception. While subjective perception of economic inequality may diverge from the objective metrics due to inaccurate estimation (e.g., Chambers, Swan, and Heesacker 2014; Hauser and Norton 2017; Kiatpongsan and Norton 2014) or lack of attention (e.g., Waldfogel et al. 2021), they exhibit a moderate correlation (Schmalor and Heine 2021; Sommet et al. 2019). Hence, in this dissertation, I adopt an integrated approach by incorporating both objective metrics and subjective perception of economic inequality, aiming to demonstrate the robustness of the findings.

In Essay 1 (presented in Chapter 2), I investigate how economic inequality in consumers' region affects their access to peer-to-peer (P2P) services. Through three studies utilizing archival, survey, and experimental data across diverse types of P2P services, including lending, accommodation, and tool-sharing, I find convergent evidence that increased economic inequality in a consumer's region—ranging from local communities to states and countries—reduces providers' willingness to offer P2P services to them. This, in turn, results in these consumers' diminished access to P2P services. A serial mediation analysis uncovers that this is due to that

providers perceive consumers from more unequal regions as less trustworthy and thus perceive heightened financial risks associated with serving them. Furthermore, I demonstrate a boundary condition: a higher level of perceived interpersonal similarity between providers and consumers can mitigate this adverse influence of economic inequality on consumers' access to P2P services.

In Essay 2 (presented in Chapter 3), I explore how economic inequality within a society influences people's education decisions in two aspects: college decision (i.e., whether to pursue a college degree) and choice of major (i.e., which field to major in). Utilizing individual-level experimental data, county-level census data, and state-level search data, I find consistent evidence that people are more willing to pursue college as economic inequality increases. In addition, the impact of economic inequality on college decision is driven by a heightened perceived *education premium of college*—the income disparity between the better-educated individuals (e.g., college graduates) and their less-educated counterparts (e.g., high school graduates). Furthermore, I reveal that economic inequality also influences people's choice of major through affecting their tradeoff between extrinsic and intrinsic motivations. Specifically, they are more willing to select majors with higher earning potential but lower personal interests, over those align more with their genuine interests but pay less in unequal societies where the perceived *education premium between majors*—the wage gap between the higher-paying and lower-paying majors—is magnified.

CHAPTER 2.
ECONOMIC INEQUALITY HINDERS CONSUMERS' ACCESS TO PEER-TO-PEER SERVICES

Introduction

Over the past decade, a confluence of factors, including technological innovation, environmental consciousness, and resurgence of community values has fueled the rapid growth and ubiquitous embrace of peer-to-peer (P2P) services. In P2P services, consumers request temporary access to underutilized assets, either tangible (e.g., apartment, car, tool) or intangible (e.g., money, skill) from peer providers (providers *hereafter*) who in turn, earn income by offering various services, such as lodging, car-rental, tool-sharing, and lending.

While P2P services are experiencing a substantial expansion, with a compound annual growth rate of 31.9% from 2019 to 2024 and an estimated market value of 335 billion in 2025 (McWilliams 2020; PwC 2015), it has become evident that not all consumers enjoy equitable access to these services, or in other words, an equal opportunity to be served by providers. For example, African American consumers face significantly lower acceptance rate as guests or riders, compared to their White counterparts on Airbnb and Uber, the two biggest P2P platforms (Cui, Li, and Zhang 2020; Edelman, Luca, and Svirsky 2017; Ge et al. 2020). They are also 25 to 35 percent less likely to secure fundings from lenders than White borrowers on Prosper, a leading P2P lending platform (Harkness 2016; Pope and Sydnor 2011). In addition to ethnicity, consumers are subject to screening by providers based on gender, sexual orientation, age, religion, occupation, and even marital status and travel status (solo or couple), resulting in various forms of digital discriminations and reduced access to P2P services for certain consumer groups (Cheng and Foley 2018; Farmaki and Kladou 2020; Komarova, Loureiro, and Gonzalez 2015; Ravenelle 2016).

Other than aforementioned demographic information, many P2P services also display consumers' region of residence on their profiles, spanning from a city (e.g., *New York, NY* on Turo) or state (e.g., *NY* on Prosper and LendingClub), to country (e.g., *Tokyo, Japan* on Airbnb). Not surprisingly, this location information serves as another screening factor, sometimes posing an additional barrier for consumers from certain regions to accessing P2P services (Farmaki and Kladou 2020; Jiang, Liu, and Lu 2020).

However, it remains unclear which characteristics of a region give rise to prejudice and stereotypes among providers regarding consumers from that region, which reduces these consumers' access to P2P services. Prior qualitative research suggests that factors such as culture and religion might play a role, with providers often favoring consumers from regions that share similar religious and cultural backgrounds (Farmaki and Kladou 2020; Ravenelle 2016). Building upon this line of inquiry, the present research investigates how economic inequality within consumers' region—a fundamental socioeconomic attribute of a region—impacts their access to P2P services. Like previous research, we approach this question from the provider's perspective: the less willing providers are to serve consumers from certain regions, the more limited access to P2P services these consumers will face.

Three studies leveraging archival, survey, and experimental data across diverse types of P2P services, including lending, accommodation, and tool-sharing provide convergent evidence that increased economic inequality in a consumer's region—encompassing state, country, and local community—reduces providers' willingness to offer P2P services to them. This, in turn, results in diminished access to P2P services for these consumers. A serial mediation analysis reveals that this is because providers perceive consumers from more unequal regions as less trustworthy, thus perceiving heightened financial risks associated with serving them. Moreover,

we delineate a boundary condition: these negative outcomes attenuate as providers perceive greater interpersonal similarity with consumers from more unequal regions.

The present research makes multi-facet contribution to the literature on P2P services, also known as the sharing economy, P2P economy/exchange, and collaborative consumption in academic literature (Marth, Hartl, and Penz 2022). Primarily, it adds to the emerging research on digital discrimination within P2P services (Cheng and Foley 2018; Cui et al. 2020; Edelman et al. 2017; Farmaki and Kladou 2020; Ge et al. 2020; Harkness 2016; Pope and Sydnor 2011; Komarova et al. 2015; Ravenelle 2016). Our findings show that, other than individual characteristics, such as race and gender, the socioeconomic environment of consumers' region, including factors like regional economic inequality, can result in less favorable treatment and pose barriers to their access to P2P services. From a broader perspective, it enriches the sparse research on providers' participation in P2P services (Chung et al. 2021; Wu et al. 2023), as indicated by their willingness to serve, while also expanding our limited understanding of their trust in consumers and their perception of risk (Huurne et al. 2015). Furthermore, the present research broadens the literature on economic inequality in two respects. Firstly, it sheds light on a consumer consequence of it, an area that has received scant attention except for the works of Christen and Morgan (2005), Ordabayeva and Chandon (2011) and Velandia-Morales et al. (2022). This is noteworthy, considering the extensive research on the economic, political, psychological, and managerial ramifications of economic inequality (reviewed by Goya-Tocchetto and Payne 2022; Jetten et al. 2021; Peters and Jetten 2023) and its undeniable influence on individuals' consumption decisions and experiences (Ordabayeva and Lisjak 2022). Secondly, in contrast to previous studies centered on the impact of economic inequality within one's own region, our findings indicate that economic inequality in regions beyond one's own

can also shape how they perceive and behave in their interactions with people from these regions.

Practically, the present research underscores the needs for further efforts to be undertaken to combat digital discrimination in P2P services. Despite platform policies (e.g., Airbnb 2023), providers often screen and decline consumers based on prohibited criteria (Cheng and Foley 2018; Cui et al. 2020; Edelman et al. 2017; Farmaki and Kladou 2020; Ge et al. 2020; Harkness 2016; Pope and Sydnor 2011; Komarova et al. 2015; Ravenelle 2016). While it is essential to confront prejudice and stereotypes held by some providers, this task might extend beyond the platforms' capabilities and require broader societal involvement. Instead, a viable solution for platforms is to incorporate a matching algorithm based on provider-consumer interpersonal similarities. This algorithm holds promise because our findings show that the negative impact of economic inequality in a consumer's region on providers' willingness to offer P2P services diminishes when providers perceive greater interpersonal similarities with the consumer.

Conceptual Framework

Perceived Financial Risk Motivates Consumer Screening in P2P Services

P2P services encompass a spectrum of risks to participants, including physical risk (e.g., threats to personal safety), performance risk (e.g., uncertainty of service quality), privacy risk (e.g., exposure of personal information), psychological risk (e.g., harm to self-perception), social risk (e.g., loss of social status), and financial risk (e.g., damage to assets) (Featherman and Pavlo 2003; Gu et al. 2021; Yi, Yuan, and Yoo 2020; Yuan et al. 2021). Among these risks, financial risk stands out as a major and shared concern for providers who offer temporary access to their assets to unknown consumers across all types of P2P services (Kim 2019; Mosaad, Benoit and Jayawardhena 2023). Other risks, on the other hand, can be pertinent only to consumers, such as

performance risk, or they are specific to certain types of P2P services. For instance, psychological, social, privacy, and physical risks are prevalent in accommodation sharing, which involves in-person interactions between providers and consumers. However, these risks are irrelevant to peer-to-peer lending, where such interactions are absent, and they hold limited relevance in tool-sharing or car-rental, where direct interactions are confined to the time of asset delivery and return.

Providers' concern about financial risk is further exacerbated by the difficulties they face in recovering realized financial losses, as the current legislation and regulations may not offer robust legal protection or concrete non-legal solutions in such situations (Huurne et al. 2015; Kim 2019). For example, P2P lenders are not subject to consumer protection law, and home insurances do not cover property damage caused by P2P accommodation. Consequently, providers seek to minimize financial risk in each service, motivating them to screen consumers with the aim of selecting those whom they perceive to pose the least financial risk (Cui et al. 2020; Farmaki and Kladou 2020; Ge et al. 2020; Ravenelle 2016). While each type of P2P service involves distinct specific financial risks, such as property damage or theft in accommodation sharing and delayed payment or default in peer-to-peer lending (Kim 2019), these specific financial risks collectively contribute to an overall financial risk that is defined as the possibility of financial loss or adverse financial outcomes resulting from any actions or events (Mosaad et al. 2023). We focus on providers' perception of this overall financial risk as it is overarching and comparable across different types of P2P services.

The Role of Perceived Trustworthiness of Consumers in Consumer Screening

To identify the least financially risky consumers, providers need to assess the financial risk associated with each potential consumer. A crucial factor that providers weigh in this

assessment is a consumer's trustworthiness. Extensive research has demonstrated that individuals' trustworthiness plays a pivotal role in mitigating perceived risk inherent in interactions with them, as trustworthiness implies a propensity to "do good to the trustor, aside from an egocentric profit motive," and a commitment to principles deemed acceptable by the trustor (Mayer, Davis, and Schoorman 1995, p. 718). Within the context of P2P services, a trustworthy consumer is one who exhibits benevolence and integrity toward the provider, thereby refraining from opportunistic behavior that could harm or exploit the provider (Colquitt, Scott, and Lepine 2007; Hosmer 1995). Hence, the more trustworthiness that providers perceive in a consumer, the lower financial risk they should associate with serving that consumer. Correspondingly, the screening process leads providers to select consumers perceived to be the most trustworthy.

The subsequent question revolves around how providers assess trustworthiness of consumers who they do not know. In the absence of prior social interactions with consumers that foster experienced trustworthiness, providers rely on diagnostic information available on consumer profiles to form their initial judgments of trustworthiness during the screening process (Chang et al. 2010). Such diagnostic information includes explicit signals, such as ratings and reviews, as well as verified personal information like identity, phone numbers, and email (Teubner, Hawlitschek, and Dann 2017). It also encompasses more implicit cues, including visual elements in profile images and various demographic attributes like ethnicity, gender, and occupation (Cheng and Foley 2018; Cui et al. 2020; Edelman et al. 2017; Farmaki and Kladou 2020; Ge et al. 2020; Pope and Sydnor 2011; Ravenelle 2016).

Information regarding consumers' current residence (self-reported) is often visible on their profiles. For example, car-rental platforms like Turo show city-state (e.g., "*New York City,*

NY"), lending platforms such as LendingClub and Prosper display the state (e.g., "*location: NY*"), and accommodation platforms like Airbnb present city-state-country (e.g., "*lives in New York City, NY, USA*") or city-country (e.g., "*Tokyo, Japan*"). Some providers have admitted to experiencing prejudice or harboring feelings of animosity towards consumers from particular regions or with specific nationalities, using these as criteria in the consumer screening process (Farmaki and Kladou 2020; Ravenelle 2016). Despite this, there is a lack of quantitative research examining the role of this implicit cue in providers' assessment of consumers' trustworthiness, their perception of financial risk, and ultimately, their decisions regarding P2P service provision.

Every region possesses a multitude of distinctive characteristics, and prior studies have hinted at the potential impact of culture and religion on providers' perception of consumers' trustworthiness, often leading them to view consumers with matching cultural and religious backgrounds as more trustworthy (Farmaki and Kladou 2020; Ravenelle 2016). In the present research, we posit that economic inequality, a fundamental socioeconomic attribute of a region, significantly influences how providers perceive the trustworthiness of consumers from that region. This, in turn, affects their perceived financial risk associated with these consumers, and eventually shapes their willingness to serve them.

Economic Inequality in Consumers' Region Shapes Perceived Trustworthiness of Consumers

Economic inequality refers to the unequal distribution of income across different groups in a region. The scope of geographic units (i.e., regions) vary from local communities to the global stage, determining the *kind* of economic inequality (Jachimowicz et al. 2022). In this present research, we study three regional levels and, correspondingly, three *kinds* of economic inequality: community-, state-, and country-level. However, we expect that the influence of

economic inequality in consumers' region on their perceived trustworthiness will remain consistent across all regional levels and *kinds* of economic inequality.

We propose that consumers from more unequal regions are perceived as less trustworthy by providers. There are several reasons for this perception.

A first reason involves the normative inference people form about a society with different levels of economic inequality. Even when people have never physically resided in a region, they can still develop inferences about social norms in that region, based on the mere knowledge of the region' economic inequality (Sánchez-Rodríguez et al. 2019; Sánchez-Rodríguez et al. 2020; Sánchez-Rodríguez, Rosa, and Willis 2023). Specifically, people tend to perceive a society with greater economic inequality as endorsing more individualistic (vs. interdependent), competitive (vs. cooperative), and self-enhancement (vs. self-transcendence) normative values (Sánchez-Rodríguez et al. 2019; Sánchez-Rodríguez et al. 2020; Sommet et al. 2019). These perceptions may be attributed to factors like increased segregation and weakened social cohesion (Buttrick and Oishi 2017), as well as heightened social comparison (Cheung and Lucas 2016; Payne et al. 2017) and amplified needs for status and wealth (Walasek and Brown 2015; Wang et al. 2023) in more unequal societies. Furthermore, people often assess the traits of residents within a region based on their overall impressions of that region (Qi, Li, and Du 2018). Therefore, when providers perceive a consumer's region as having a normative climate characterized by increased individualism, competitiveness, and self-enhancement, they tend to anticipate these consumers being highly competitive. This can lead these consumers to exhibit reduced altruism and an increased inclination toward manipulation in their interactions with others (Zhang, Anderson, and Wang 2021) and, in turn, erode their benevolence and integrity, ultimately undermining their perceived trustworthiness by providers (Colquitt et al. 2007).

A second reason pertains to the expected prevalence of unethical behaviors in societies with higher economic inequality (To et al. 2023). Specifically, providers tend to expect that unethical behaviors are more widespread in more unequal regions. This expectation may be rooted in the observation that people living in these regions often experience societal anomie, resulting in a breakdown of moral values, standards, and guidance (Casara et al. 2022; Durkheim 2004; Jetten et al. 2022; Sprong et al. 2019). In the absence of well-defined moral norms, consumers from these regions may anticipate limited rewards for acting ethically and foresee minimal consequences for acting unethically, thus granting them more latitude for unethical conduct (FeldmanHall, Son, and Heffner 2018; Forsyth and Nye 1990). An augmented sense of relative deprivation and susceptibility to upward social comparison may also incentivize these consumers to prioritize their self-interest (Greitemeyer and Sagioglou 2016; John, Loewenstein, and Rick 2014). With either rationale, providers are likely to perceive consumers from more unequal regions as more prone to engaging in unethical behaviors driven by personal interests.

Thirdly, the correlation between economic inequality and crime rates (reviewed by Rufrancos et al. 2013), coupled with the belief in pervasive exploitation, confrontation, and unfairness in unequal societies (Delhey and Gragolov 2014), is also likely to lead providers to link economic inequality with untrustworthiness on a societal scale. Specifically, providers commonly view consumers from regions characterized by high economic inequality as more inclined to be involved in criminal activities and to exhibit exploitative, confrontational, and unfair attitudes towards others in their daily interactions.

Importantly, these reasons are not mutually exclusive. Instead, they collectively lead providers to believe that consumers from more unequal religions are more prone to egocentric, selfish, opportunistic, aggressive, dishonest, and/or immoral behaviors during P2P service

interactions. These presumed negative behavioral traits can manifest as concerns about potential property damage, item theft, or contract breaches. In other words, providers tend to perceive consumers from more unequal regions as less trustworthy and more financially risky, resulting in a lowered willingness to serve them. As a consequence of this location-based screening, consumers from more unequal regions can face reduced access to P2P services, thereby experiencing implicit digital discrimination.

H_1: Providers are less willing to offer P2P services to consumers from regions with high (vs. low) economic inequality.

H_2: The negative impact of economic inequality on providers' willingness to offer P2P services is due to their perception of consumers from regions with high (vs. low) economic inequality as less trustworthy and thus perceiving an increased financial risk associated with serving these consumers.

The Moderating Role of Perceived Interpersonal Similarity

Interpersonal similarity denotes the extent to which an individual shares commonality with another person. It encompasses various facets, including but not limited to attitudes, personality traits, backgrounds, and even trivial coincidences (Heider 1958). The perceived interpersonal similarity hinges on people's belief about their actual similarity to others (Montoya, Horton, and Kirchner 2008). In P2P services, providers often gather consumers' personal information from their profiles, including gender, age, occupation, current residence, and more detailed self-introduction. Utilizing these pieces of information, providers make assumptions about the degree of similarity with a specific consumer, thereby forming the perceived similarity between themselves and the consumer.

It has been widely documented that perceived interpersonal similarity fosters trust, primarily because it increases attractiveness (Byrne 1961; Lamberton and Rose 2012; Song, McComas, and Schuler 2018; Turban and Jones 1988). In other words, people perceive others who are similar as more attractive, thereby, resulting in a favorable evaluation of these people's trustworthiness (Byrne 1972; Montoya et al. 2008). Other than the *similarity-to-me* effect, people often perceive a shorter psychological distance between themselves and those who share more similarities (Liviantan, Trope, and Liberman 2008), consequently enhancing trust in these people (Benedicktus 2008; Darke et al. 2016). Hence, we propose that perceived interpersonal similarity can reinstate the perceived trustworthiness of a consumer, which may have compromised by the economic inequality in their region. Put differently, when providers perceive a consumer as more similar, they are inclined to view the consumer as trustworthy, regardless of the economic inequality in their region. Ultimately, this encourages providers to offer P2P services to consumers from unequal regions but perceived to be similar to them.

H_3: As providers perceive a higher level of interpersonal similarity with consumers from unequal regions, the negative impact of economic inequality on their willingness to offer P2P services diminishes.

Overview of Studies

We test the three hypotheses in five studies across diverse types of P2P services. The first three studies investigate H_1 using archival, survey and experimental data, respectively. Study 1, utilizing listing data from a P2P lending platform (N = 54,154), reveals a negative association between economic inequality in a consumer's region and providers' willingness to serve them. Study 2 conceptually replicates the negative association using individual-level measures within the context of P2P accommodation. Importantly, we observed this negative association even

when the consumer is verified and when other information (e.g., self-introduction) about the consumers is available. Study 3 (pre-registered), employing an experimental design, establishes the causal evidence for the observed negative effect in the context of P2P tool-sharing. Study 4 (pre-registered) validates H_2 through a serial mediation analysis. Study 5 tests H_3, examining the moderating role of perceived interpersonal similarity between providers and consumers. Studies 4 and 5 also conceptually replicate the correlational findings of Studies 1 and 2, respectively, by employing the same empirical context but adopting experimental designs.

Throughout the five studies, we adopt a variety of approaches to operationalize economic inequality. In the archival data analysis (Study 1), we employ the Gini index, a common objective metric of economic inequality, as our focal predictor. In the survey (Study 2), we measure subjective perception of economic inequality in an actual country. In the experimental studies (Studies 3 to 5), we manipulate economic inequality in an unspecified local community or in a fictitious country, with detailed procedures provided in Appendix A. We intentionally set up these experimental studies in non-existent regions with different geographic scopes. This approach helps minimize potential noise in perceived economic inequality influenced by participants' existing knowledge of real countries, and it has been widely employed in the literature (e.g., Jetten et al. 2020; Peters et al. 2021; Sánchez-Rodríguez et al. 2019; Sprong et al. 2019; Wang et al. 2023; To et al. 2023). Moreover, we measure providers' willingness to offer P2P services at the aggregate level (Study 1) and the individual level across various contexts (Studies 2 to 5), as detailed in Appendix B. Importantly, all the studies collectively yield convergent evidence in support of our hypotheses, demonstrating the robustness of our findings.

Table 1.1. Overview of Studies

Study	Method	Sample Size	Hypothesis Tested	Economic Inequality	P2P Service	Proxies of Willingness	Key Findings
1	Archival data analysis source: Prosper	54,154	H_1	Gini indices in US states	Lending provider: lender consumer: borrower	Average lending amount	Borrowers residing in states with higher economic inequality received lower average lending amount from P2P lenders.
2	Survey	139	H_1	Perceived economic inequality (PEI) in an actual country	Accommodation provider: host consumer: guest	Willingness to host	Hosts who perceived a guest's country of residence as more unequal were less willing to host the guest.
3	Experiment preregistered	202	H_1	Manipulated economic inequality in an unspecified local community	Tool-rental provider: owner consumer: renter	Willingness to rent the tool	Tool owners were less willing to rent a tool to a tool renter living in a local community characterized by high (vs. low) economic inequality.
4	Experiment preregistered	213	H_1 & H_2	Manipulated economic inequality in a fictional country	Lending provider: lender consumer: borrower	Lending amount Willingness to lend	Lenders intended to lend less and exhibited lower willingness to lend to a borrower from a country with high (vs. low) economic inequality. These effects were due to lenders perceiving borrowers from a country with high (vs. low) economic inequality as less trustworthy and anticipating heightened financial risk associated with lending to them.
5	Experiment	161	H_1 & H_3	Manipulated economic inequality in a fictional country	Lodge-sharing provider: host consumer: guest	Willingness to host	The negative effect of economic inequality in a guest's region on providers' willingness to host the guest diminished as providers perceived a greater level of interpersonal similarity with the guest.

Study 1

Study 1 sought to test H_1 by utilizing historical listing data of a leading peer-to-peer lending platform that connects individual lenders (i.e., providers) and borrowers (i.e., consumers). We predict that borrowers from states with higher economic inequality, as indicated by a higher *Gini index*, are likely to receive lower *average lending amount* from lenders, which serves as the proxy of providers' willingness to offer P2P services.

Data

Empirical setting. The primary data source in Study 1 is the listing data from Prosper (https://www.prosper.com). Prosper is a leading P2P lending platform in the United States, facilitating consumers in lending money to and borrowing money from their peers. Borrowers pay interest on their loans, while lenders, in turn, receive a portion of this interest as a return on their investments. Lenders browse available listings and make decisions regarding the amount they wish to lend for these listings. Each listing has a unique identification number and is titled with a brief description of the loan's purpose. All listings are structured into two key sections: the first section provides essential loan details, including the yield rate, loan term, loan amount, listing date, and expiration date; the second section pertains to the borrower's credit profile, wherein various metrics of the borrower's credibility are documented (Figure C.1 in Appendix C). In addition to loan details and the borrower's credit profile, each listing also displays the borrower's state of residence, making it an appropriate empirical context to examine the relationship between economic inequality in a consumer's region and their access to P2P services. We excluded listings featuring a single lender exclusively funding a loan, as these instances typically involve institutional investors. Excluding listings with clear indications of institutional participation helps mitigate potential bias in our analysis of P2P lenders' behaviors (Renton 2014).

Independent and dependent variables. We filled in Gini indices using data from the U.S. Bureau of Census (2023a), which were based on the borrower's state and listing year. This year-state-level *Gini index* reflected economic inequality in a consumer's region, thereby serving as the focal independent variable. It was measured on a scale from 0 to 1, where 0 represents perfect equality, and 1 represents perfect inequality. After this imputation, our final dataset for analysis comprised 54,154 fully funded listings involving more than one lender. These listings span from January 2010 to March 2014, encompassing 48 states in the United States, including Washington, D.C. (data of Iowa, Maine, and North Dakota are missing). Next, we computed the *average lending amount* for each listing as the original loan amount divided by the total number of lenders, serving as the proxy of lenders' willingness to serve/lend. We applied a logarithmic transformation to the *average lending amount* to address its skewness (Figures F.1a and F.1b in Appendix F). This *logarithmic average lending amount* served as our dependent variable.

Covariates. To account for the potential correlations between economic inequality and both income and poverty rate, we included two covariates at the year-state level. Specifically, we incorporated *median household income* (adjusted for inflation to 2019 US dollars; in thousand US dollars) and the *poverty rate* (i.e., the percentage of population living below the poverty level) obtained from the U.S. Bureau of Census (2023b, 2023g) as. In addition, we considered several listing-level covariates. The first of these was the borrower's *Prosper score*, which is rated on a 11-point scale, with 11 indicating the highest credibility. This score is an integrated metric of a borrower's credibility, highly correlated with other specific credibility metrics. It can influence the perceived trustworthiness of the borrower, thereby affecting lenders' lending amount. The second covariate was the *estimated return*, which represents the difference between the estimated effective yield and the estimated loss. It indicates the financial benefit of investing

in a listing, which is a crucial extrinsic incentive for providers to offer P2P services (Benoit et al. 2017). The third covariate was the *loan duration*, measured as the number of days a listing remains open until fully funded. To address its skewness (Figures F.2a and F.2b. in Appendix F), we applied the logarithm transformation to it. The loan duration can impact the number of lenders who view and consider investing in a listing, subsequently influencing its average lending amount. Detailed descriptions of the variables are provided in Appendix D.

Method

To address the potential issues related to heteroscedasticity and outliers stemming from the non-normal distribution of *logarithmic average lending amount*, we employed robust linear regression model (RLM). We utilized HC1 as the heteroskedasticity-consistent standard errors and Huber's **t** as the weight function (Huber 2011).

We regressed the *logarithmic average lending amount* on the *Gini index* and all aforementioned covariates. We also added two interaction terms. The first interaction term captured the interplay between the *Gini index* and the borrower's *Prosper score*, both of which could influence lenders' perception of the borrower's trustworthiness and, consequently, their lending amount. The second interaction term considered the relationship between the *Gini index* and the *estimated return*. As the *estimated return* of a loan increased, lenders would invest more in the loan for the promise of a higher financial return. However, the extent of this increased investment may be influenced by the economic inequality in the borrower's region, as it also shapes perceived financial risk. To control for unobservable regional and time-related factors, we included fixed state and month effects. These effects were estimated using dummy variables for states and months, with Arkansas as the reference state and January 2010 as the reference month. Formally, the RLM is written as follows:

$$\log(\text{average lending amount}_i)$$

$$= \beta_0 + \beta_1 \text{gini}_{st} + \beta_2 \text{ median household income}_{st}$$

$$+ \beta_3 \text{ poverty rate}_{st} + \beta_4 \text{prosper score}_i + \beta_5 \text{estimated return}_i$$

$$+ \beta_6 \log(\text{loan duration}_i) + \beta_7 \text{gini}_{st} * \text{prosper score}_i + \beta_8 \text{gini}_{st} * \text{estimated return}_i$$

$$+ C(\text{listing month}_m) + C(\text{borrower state}_s) + \varepsilon$$

In this equation, ***i*** denotes the listing (N = 54,154), ***s*** denotes the state (N = 48), ***t*** denotes the year (N = 5, 2010-2014), and ***m*** denotes the month (N = 51, 01/2010 – 03/2014).

Results

Based on our theorization, we predicted that borrowers from states with higher economic inequality would receive a lower average lending amount, given lenders' reduced willingness to lend. Consistent with this prediction, we observed a negative association between the *Gini index* and the *logarithmic average lending amount* (B = -2.93, SE = .79, 95% CI = [-4.49, -1.38], $p < .001$). This negative association remained significant after excluding the top and bottom 1% of outliers (B = -3.04, SE = .78, 95% CI = [-4.56, -1.52], $p = .001$). In addition, we employed non-parametric quantile regression, known for its robustness to non-normal distributions, to predict the conditional median, rather than the mean of *logarithmic average lending amount* (i.e., quantile = 50%) (Angrist and Pischke 2008). This analysis replicated the observed negative association (B = -2.95, SE = .72, 95% CI = [-4.36 , -1.54], $p < .001$), affirming the robustness of our findings. These results indicate that, with each 0.05 increase in the Gini index within a state, the average lending amount from P2P lenders for a loan requested by a borrower from that state would decrease by approximately 14%. The comprehensive regression results are presented in Table 1.2.

Table 1.2. Complete Results for Focal Predictors in Study 1

	Robust Linear Model *full sample*	**Robust Linear Model** *excluding outliers*	**Quantile Regression** *q = 50%*
Intercept	2.19 ($p < .001$)	2.38 ($p < .001$)	2.35 ($p < .001$)
Gini index	-2.93 ($p < .001$)	-3.04 ($p < .001$)	-2.95 ($p < .001$)
Median Household Income	.0098 ($p = .007$)	.0086 ($p = .015$)	.0078 ($p = .008$)
Poverty Rate	.69 ($p = .298$)	.52 ($p = .424$)	.57 ($p = .275$)
Prosper Score	-.044 ($p = .016$)	-.043 ($p = .016$)	-.044 ($p = .023$)
Estimated Return	-8.52 ($p < .001$)	-8.51 ($p < .001$)	-7.64 ($p < .001$)
Logarithmic Loan Duration	-.097 ($p < .001$)	-.095 ($p < .001$)	-.084 ($p < .001$)
Gini Index * Prosper Score	.047 ($p = .224$)	.045 ($p = .235$)	.053 ($p = .203$)
Gini Index * Estimated Return	22.92 ($p < .001$)	22.50 ($p < .001$)	19.83 ($p < .001$)

Notes: The coefficients for fixed effects are not reported in Table 1.2. They are reported in Appendix E.

Discussion

Study 1 provided field evidence for H_1 by demonstrating that providers (i.e., lenders) lent lower amount to consumers (i.e., borrowers) residing in more unequal states on a P2P lending platform. These findings suggest that consumers from regions characterized by higher economic inequality may encounter diminished access to P2P services. However, we acknowledge two important considerations when interpreting these results. First, the state-year level Gini index and the listing-level *logarithmic average lending amount* are aggregate measures, providing only an indirect indication of the relationship between economic inequality in a consumer's region and providers' willingness to offer P2P services (to them) at the individual level. Second, this observed relationship is correlational rather than causal. These limitations are addressed in subsequent studies.

Study 2

Study 2 aimed to address the first limitation of Study 1 through the utilization of individual-level measures. Specifically, we measured providers' perception of economic inequality in a foreign country where the consumer currently lives in, and their willingness to serve this consumer. To encompass a broader spectrum of contexts, we introduced another

prevalent P2P service—P2P accommodation (e.g., Airbnb, Vrbo, Couchsurfing), in which hosts rent out their properties or spare rooms to guests in exchange for money.

Participants and Procedure

We recruited 139 participants who had real-life experience as a provider in any P2P service recruited through Cloud Research (71 males, 65 females, two third gender or non-binary, and one prefers not to say; M_{age} = 37.12). They completed Study 2 for monetary compensation.

Participants were asked to envision themselves as a host on a P2P accommodation platform who had received a booking request from a guest named Michael, alongside several booking requests from other potential guests. Then, participants were directed to view Michael's profile (Figure C.2a in Appendix C). This profile displayed a badge indicating his status as a verified guest, with his identity, email address, and phone number verified by the platform. Additionally, the profile provided information about Michael's current residence in Johannesburg, South Africa, his ability to communicate in both Afrikaans and English, and a concise self-introduction. The full cover stories for all survey and experimental studies are detailed in Appendix C.

After receiving all the provided information, participants indicated their willingness to host Michael on a 7-point scale (1 = "not willing at all", 7 = "very willing to"). Subsequently, they were asked to write down Michael's home country, designed as an attention check. Next, participants completed a three-item scale that measured their perceived economic inequality in South Africa: "I think people's income/the income difference between people/income inequality in South Africa is ____ (1 = 'very equal'/'very small'/'very low', 7 = 'very unequal'/'very large'/'very high')". We randomized these items to eliminate any order effect. Subsequently, participants provided information regarding their history as providers, including the length of

experience and the platforms they had served on. They also reported demographic information such as gender, age, ethnicity, and household income.

Results

Participants who perceived South Africa as more unequal (Cronbach's α = .77) exhibited lower willingness to host Michael, a resident of that country (r = -.19, 95% CI = [-.34, -.020], p = .029). Notably, the negative association between perceived economic inequality and willingness to host remained significant even when controlling for potential covariates, including gender, race (White vs. non-White), income, and the length of experience as a provider (median-imputed to correct the two erroneous inputs) on P2P accommodation platforms (B = -.23, SE = .10, 95% CI = [-.43, -.036], p = .021). Income also had a significant correlation with participants' willingness to host (B = -.14, SE = .038, 95% CI = [-.22, -.065], p = .0003). Additionally, we excluded 31 participants who failed the attention check and conducted these analyses again, yielding results consistent with those obtained from the full sample: r = - .22, 95% CI = [-.39, -.029], p = .024; B = -.29, SE = .12, 95% CI = [-.52, -.059], p = .014.

Discussion

Study 2 provided individual-level evidence in support of H_1 by showing that providers were less willing to serve a consumer when they perceived higher economic inequality in the consumer's region within a real-world setting. Importantly, this negative association was observed even when the consumer was verified, which is a strong positive predictor of their trustworthiness and thus providers' willingness to serve them (Teubner et al. 2017). Our findings suggest that in typical situations where multiple consumers express interest in the same service simultaneously, providers tend to give priority to serving those from regions they perceive as less unequal. This preference can result in consumers from more unequal regions being left without

service. Additionally, the inclusion of an attention check enabled us to confirm a premise in our theorization. The fact that 78% of participants accurately recalled Michael's country of residence suggests that most providers indeed pay attention to consumers' location information from the multitude of information available on their profiles.

We recognize that providers' preexisting knowledge about a specific region, such as South Africa, might influence their willingness to offer P2P services to consumers from that region. To address this potential limitation, we manipulated economic inequality in an unspecified neighborhood (Study 3) and in a fictional country (Studies 4 and 5) in the subsequent experimental studies.

Study 3

The first two studies provided convergent correlational supporting H_1 at the aggregate and individual levels. Study 3 experimentally examined H_1 with the aim to establish the casual relationship between economic inequality in a consumer's region and provider's willingness to serve them. Furthermore, in comparison to the first two studies, we implemented two changes. Firstly, we introduced an emerging P2P service—tool-sharing (e.g., Toolsharer, Sparetoolz), wherein tool owners rent out their personal tools to tool renters in return for compensation. Secondly, we focused on economic inequality within a smaller scope of geographic unit, specifically, the local community or neighborhood. These changes were designed to improve the generalizability of our findings.

Participants and Procedure

The hypotheses, method, and sample size for Study 3 were preregistered at https://aspredicted.org/T2M_V81.

Two hundred and two participants recruited through Cloud Research (91 males, 109 females, one third gender or non-binary, and one prefers not to say; M_{age} = 41.02) completed Study 3 for monetary compensation. The study employed a one-factor (economic inequality: low vs. high) between-subject design, and participants were randomly assigned to one of the two conditions.

We asked all participants to imagine themselves as tool owners on a P2P tool-sharing platform, where they could earn money by renting out their personal tools. They were then prompted to imagine receiving a rental request from a consumer named Michelle for a large toolbox, originally valued at $300, for a 2-day period, with a total rental fee of $30. Following this scenario, we informed participants that Michelle lived 10 miles away, and they had previously traversed Michelle's neighborhood. Next, we presented participants with a description and an accompanying image portraying Michelle's neighborhood with either high or low economic inequality. This information aimed to manipulate participants' perception of economic inequality in Michelle's region (Figure A.1 in Appendix A).

After receiving all the provided information, participants indicated their willingness to rent the large toolbox to Michelle on a 7-point scale (1 = "not willing at all", 7 = "very willing to"). Subsequently, they answered two manipulation check questions (r = .88). Finally, participants reported their real-life experiences as providers on any P2P tool-rental platform and other P2P sharing platforms, in addition to providing demographic information such as gender, age, ethnicity, and household income.

Results

Manipulation check. As intended, participants in the *high-inequality* condition perceived Michelle's neighborhood (the consumer's region) to be more economically unequal (M = 5.08,

SD = 1.54) than those in the *low-inequality* condition (M = 2.95, SD = 1.34; t(200) = 10.50, p < .001, Cohen's d = 1.43).

Willingness to offer P2P service. Participants, acting as a tool owner on a P2P tool rental platform, were less willing to rent their tools to a renter living in a *high-inequality* neighborhood (M = 5.00, SD = 1.53) compared to when the renter came from a *low-inequality* neighborhood (M = 5.63, SD = 1.43; F(1, 200) = 9.13, p = .003, η^2 = .044; Figure 1.1).

Discussion

Study 3, employing an experimental design within the context of P2P tool sharing, offered causal evidence for H_1. In our first three studies, we employed both objectively measured and subjectively perceived economic inequality in a consumer's region, encompassing local communities, states, and countries. These studies also incorporated a diverse set of proxies at both aggregate and individual levels to assess providers' willingness to offer P2P services. All these studies consistently supported H_1, showing that providers exhibited reduced willingness to serve consumers from more unequal regions across various types of P2P services, including lending, accommodation, and tool-sharing. This shared reluctance among providers can eventually translate to reduced access to P2P services for these consumers. With this foundation, we turned to testing the proposed mechanism in the next study.

Study 4

The primary objective of Study 4 was to examine H_2, the proposed serial mediation model, in the context of P2P lending. Given the utilization of the identical empirical context as in Study 1, Study 4 also sought to conceptually replicate the results obtained in Study 1. Differently, this time, we employed an experimental design and directly measured lending amount and lenders' willingness to lend at the individual level.

Participants and Procedure

The hypotheses, method, and sample size for Study 4 were preregistered at https://aspredicted.org/4NT_QCT.

Two hundred and fifty-two participants recruited through Cloud Research (133 males, 112 females, and one third gender or non-binary, four prefer not to say, and two missing; M_{age} = 42.96) completed Study 4 for monetary compensation. As pre-registered, we excluded inattentive participants who failed to correctly answer all recap questions about the P2P lending platform on their second attempts, leaving us with a total of 213 participants for analysis (114 males, 94 females, four prefer not to say, and one missing; M_{age} = 42.96). Nevertheless, we conducted the same analyses with the full sample, detailed in Appendix H, and obtained consistent results.

The study employed a one-factor (economic inequality: low vs. high) between-subject design, and participants were randomly assigned to one of the two conditions. Participants in both conditions were asked to imagine themselves as lenders on an international P2P lending platform where they extended loans to borrowers and earned interest in return. Meanwhile, they read a concise introduction to the P2P lending platform, which outlined loan terms, interest rates, and the respective liabilities of lenders and the platform in cases of borrower default or delinquency. Subsequently, participants responded to four recap questions related to these aspects. Those who answered all questions correctly were presented with a mock loan listing, which was an adapted and simplified version of actual Prosper loan listings (Figure C.3 in Appendix C). In cases where participants did not answer all recap questions correctly, they were provided with the brief introduction once more and given another opportunity to answer the four recap questions. Regardless of their responses, they proceeded to view the mock loan listing. As

pre-registered, participants who did not provide all correct answers on their second attempt were excluded from the analysis.

The mock loan listing displayed that the borrower had requested $3,000 for debt consolidation, a common reason for loans on P2P lending platforms. Much like actual Prosper listings, this mock loan listing provided essential loan details, the borrower's credit profile, and importantly the borrower's country of residence. It showed that the borrower lived in a fictional country named Bimboola, setting the context for manipulating economic inequality. This paradigm has been extensively utilized in previous research on economic inequality (e.g., Jetten et al. 2020; Peters et al. 2021; Sánchez-Rodríguez et al. 2019; Sprong et al. 2019; Wang et al. 2023; To et al. 2023). In particular, participants were presented with the income distribution in Bimboola, featuring an either high or low variance of income, while the average income remained consistent across both income distributions (Figure A.2 in Appendix A). This design enabled the isolation of the impact of inequality from the effects of average income.

Following the manipulation, participants were reminded that they had $5,000 available for investment and the flexibility to allocate this amount among various borrowers. They then specified the amount they wished to lend to the borrower from Bimboola, using a slider that ranged from $0 to $3,000. Additionally, participants indicated their willingness to lend to this borrower in comparison to other potential borrowers on a 7-point scale (1 = "not willing at all", 7 = "very willing to").

Afterward, we measured participants' perceived trustworthiness of this borrower using two items adapted from Lin, Doong, and Eisingerich (2021) and Rizzo, Berger, and Ordenes (2023) on a 7-point scale (1 = "not at all", 7 = "very trustworthy/honest"; r = .91). Subsequently, participants indicated the extent of financial risk they anticipated if they lent to this borrower,

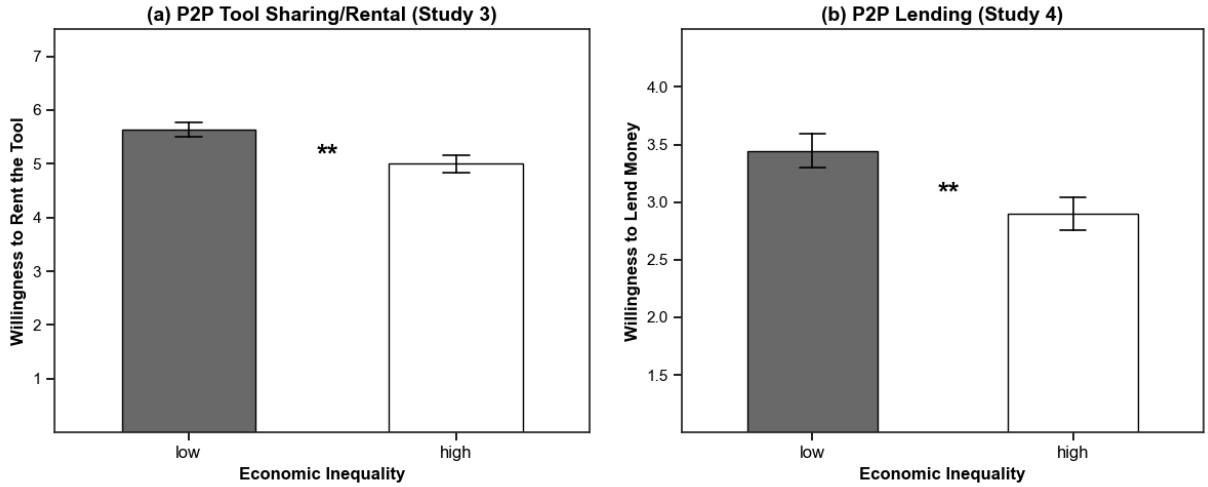
using two items on a 7-point scale (1 = "not risk at all"/"not risky at all", 7 = "a lot"/ "very risky"; $r = .93$). Next, they answered two manipulation check questions ($r = .91$). Finally, as in Study 3, participants reported their real-life experiences as providers on any P2P lending platform and other P2P sharing platforms, in addition to providing demographic information such as gender, age, ethnicity, and household income.

Results

Manipulation check. As intended, participants in the *high-inequality* condition perceived Bimboola as more economically unequal (M = 5.81, SD = 1.14) than those in the *low-inequality* condition (M = 3.33, SD = 1.10; t(211) = 16.06, $p < .001$, Cohen's $d = 1.13$).

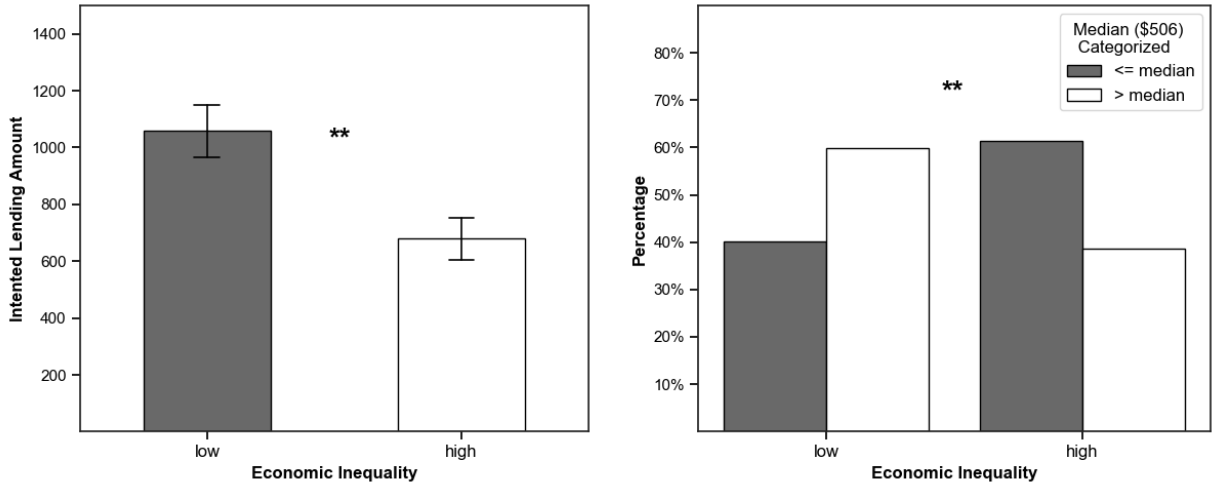
Willingness to offer P2P service. Participants, acting as a lender on a P2P lending platform, exhibited lower willingness to lend to the borrower living in Bimboola when Bimboola was portrayed as a more unequal country (M = 2.90, SD = 1.41) than when it was depicted as a less unequal country (M = 3.45, SD = 1.59; F(1, 211) = 6.94, $p = .009$, $\eta^2 = .032$; Figure 1.1). Participants in the *high economic inequality* condition would also lend less to this borrower (M = 679.22, SD = 749.36) compared to those in the *low economic inequality* condition (M = 1057.82, SD = 972.88; Figure 1.3). Since the lending amount was not normally distributed (Figure F.3 in Appendix F), and as pre-registered, we conducted Moody's median test. This non-parametric test revealed a significant difference in lending amount between the two conditions. Specifically, a smaller proportion of participants in the *high economic inequality* condition (38.61%) intended to lend an amount higher than the sample median of $506, in contrast to their counterparts in the *low inequality* condition (59.82%; $\chi^2(N = 213) = 8.73$, $p = .003$, $\omega = .203$; Figure 1.2). As an auxiliary analysis, we conducted ANOVA on the continuous lending amount, revealing a significant difference between conditions as well (F(1, 211) = 9.96, $p = .002$, $\eta^2 = .045$)

Figure 1.1. The Effect of Economic Inequality on Providers' Willingness to offer P2P Services



Notes: Error bars indicate one standard error. ** denotes $p < .01$, * denotes $p < .05$.

Figure 1.2. The Effect of Economic Inequality on Providers' Lending Amount

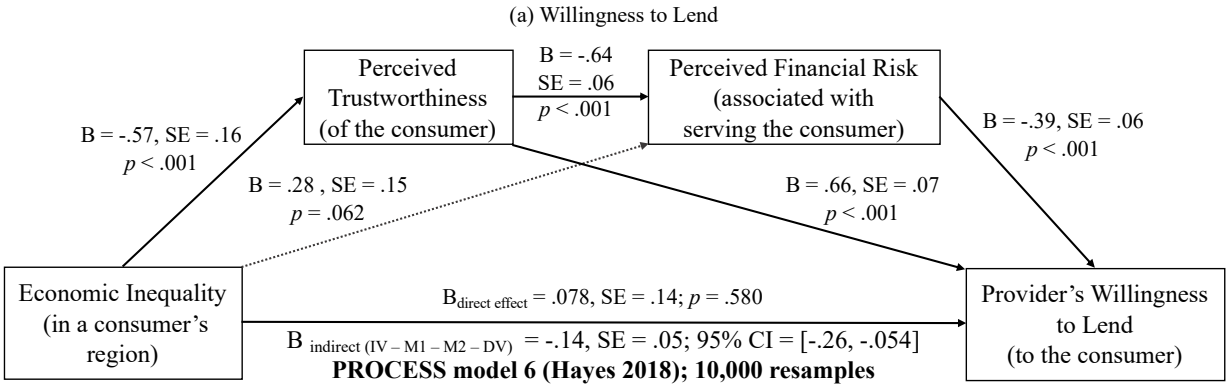


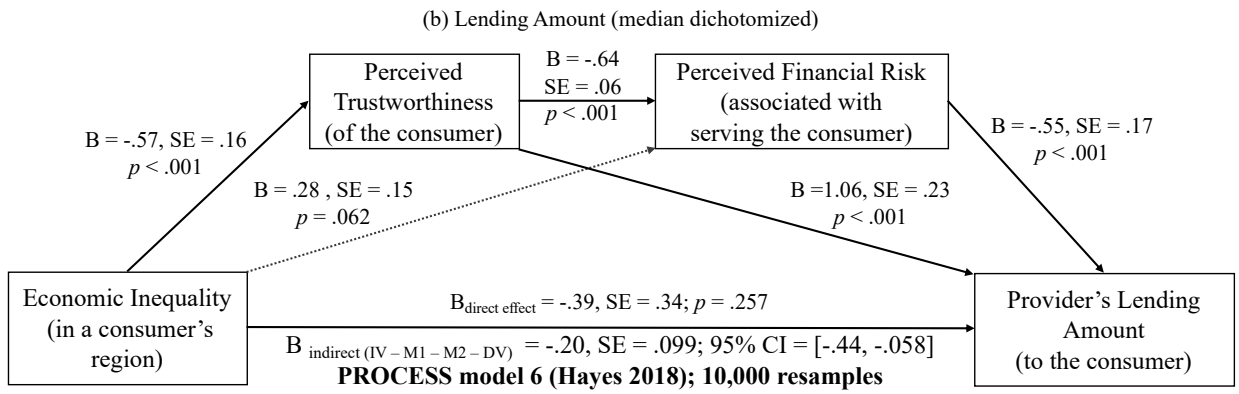
Notes: Error bars indicate one standard error. ** denotes $p < .01$, * denotes $p < .05$.

Serial mediation. Participants perceived the borrower from Bimboola to be less trustworthy when Bimboola was portrayed as a more unequal country (M = 3.61, SD = 1.13) than when it was depicted as a less unequal country (M = 4.17, SD = 1.23; F(1, 211) = 12.13, $p < .001$, $\eta^2 = .054$). Participants in the *high economic inequality* condition also perceived greater financial risk associated with lending to this borrower (M = 5.33, SD = 1.41) than those in the *low economic inequality* condition (M = 4.69, SD = 1.20; F(1, 211) = 12.86, $p < .001$, $\eta^2 = .057$).

Finally, we employed PROCESS model 6 (Hayes 2018) to test the proposed serial mediation model. In this model, we treated economic inequality the independent variable (IV), with perceived trustworthiness and perceived financial serving as the first (M_1) and the second (M_2) mediators. We included two separate dependent variables (DV): willingness to lend and lending amount (median-dichotomized as pre-registered: 0 = "equal or below to the median", 1 = "above the median"). Bootstrap analysis with 10,000 resamples demonstrated significant indirect effects of the full mediating path (i.e., IV → M_1 → M_2 → DV) for both willingness to lend (B = -.14, SE = .053, 95% CI = [-.26, -.054]) and median-dichotomized lending amount (B = -.20, SE = -.099, 95% CI = [-.44, -.058]; Figure 1.3). Controlling for both mediators, the direct effect of economic inequality on providers' willingness to lend (B = .078, SE = .14, p = .58) and median-dichotomized lending amount (B = -.39, SE = .34, p = .26) became insignificant. As an auxiliary analysis, we treated continuous lending amount as the dependent variable, again demonstrating a significant indirect effect for the full mediating path (B = -60.91, SE = 28.60, 95% CI = [-127.78, -16.91]), yet an insignificant direct effect of economic inequality (B = -92.08, SE = 99.30, 95% CI = [-287.84, -103.68]). The comprehensive serial mediation results can be found in Tables G.1 and G.2 in Appendix G.

Figure 1.3. Serial Mediation on Providers' Willingness to Provide P2P Services





Discussion

In line with H_2, Study 4 demonstrated that providers perceived consumers from a more (vs. less) unequal region as less trustworthy and accordingly perceived heightened financial risk associated with serving these consumers. The diminished perceived trustworthiness and increased perceived financial risk ultimately eroded providers' willingness to serve consumers from regions with high (vs. low) economic inequality.

Using the same empirical context, Study 4 also conceptually replicated the findings obtained from the P2P lending field data in Study 1. Collectively, the first four studies provided consistent support for H_1, indicating that consumers living in regions characterized by higher levels of inequality are likely to experience reduced access to P2P services, a consequence of providers being less willing to serve them. In the last study, our objective was to test H_3, delineating a boundary condition that could provide valuable insights for a managerial intervention aimed at mitigating potential region-based discrimination.

Study 5

Study 5 served a dual purpose. Primarily, it sought to examine the moderating role of providers' perception of interpersonal similarity between themselves and consumers in the context of P2P accommodation (H_3). Utilizing the same empirical context as in Study 2, the

second objective of Study 5 was to conceptually replicate the findings of Study 2 with an experimental design. Moreover, instead of measuring perceived economic inequality in an actual country, we manipulated it within a fictional country.

Participants and Procedure

One hundred and sixty-one participants recruited through Cloud Research (73 males, 76 females, and six third gender or non-binary, six prefer not to say; M_{age} = 41.48) completed Study 5 for monetary compensation.

The study employed a 2 (economic inequality: low vs. high) by measured interpersonal similarity between-subject design, and participants were randomly assigned to one of the two economic inequality conditions. All participants were asked to envision themselves as a host on a P2P accommodation platform and were provided with a detailed description of the platform. Subsequently, they were informed about receiving a booking request from a guest named Michael, along with several other booking inquiries from potential guests. Participants were then directed to view Michael's profile (refer to Figure C.2b in Appendix C), where his verified guest status was shown through a badge. The profile also displayed Michael's current residence in Bimboola City, Bimboola, his ability to speak Bimboonese and English, and a short self-introduction. Based on the information presented in his profile, participants indicated their perceived interpersonal similarity with Michael (adapted from Liviatan et al. 2008). Next, participants were presented with the income distribution in Bimboola as in Study 4, which served as the manipulation of economic inequality. Following this, they answered two manipulation check questions (r = .83). Subsequently, participants indicated their willingness to host Michael on a 7-point scale (1 = "not willing at all", 7 = "very willing to"). Finally, as in prior studies, participants reported their real-life experiences as providers on any P2P accommodation platform

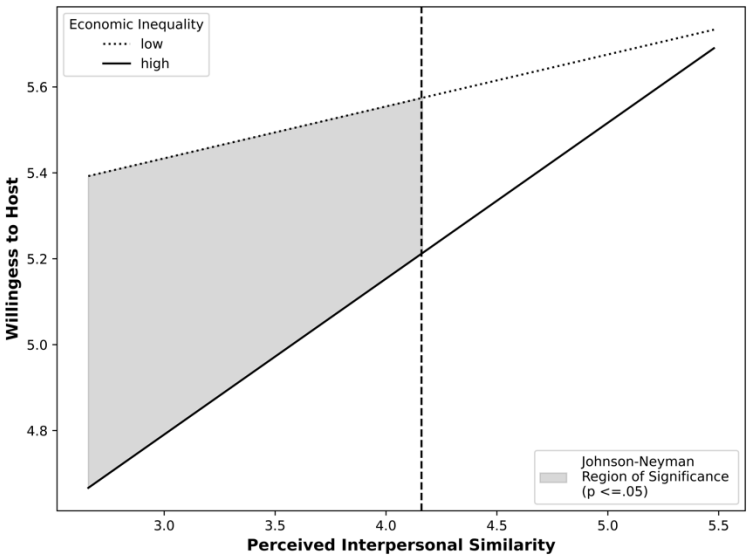
and other P2P sharing platforms. They also disclosed demographic details including gender, age, ethnicity, and household income.

Results

Manipulation check. As intended, participants in the *high-inequality* condition perceived Bimboola as more economically unequal (M = 5.82, SD = 1.17) than those in the *low-inequality* condition (M = 3.01, SD = 1.01; t(159) = 16.35, $p < .001$, Cohen's $d = 2.58$).

The Moderating Role of Perceived Interpersonal Similarity. We regressed willingness to host on mean-centered perceived interpersonal similarity (M = 4.07, SD = 1.41), economic inequality (recoded as -1 = low and 1 = high), and their interaction to examine the proposed attenuating effect. The regression results revealed a marginally significant interaction (B = .24, SE = .13, 95% CI = [-.015, .50], 90% CI = [.026, .45], $p = .065$). The supplementary Johnson-Neyman analyses (Figure 1.4) showed that participants, acting as a host on a P2P accommodation platform, were significantly less willing to host Michael, a resident of Bimboola when Bimboola was portrayed as a country with high (vs. low) economic inequality when they perceived a low interpersonal similarity between themselves and Michael (scoring 4.16 or lower; 57% of participants fell within the significance region). However, the negative effect of economic inequality diminished when the perceived interpersonal similarity was high (scoring higher than 4.16). Consistent with our theorization, we also observed a significant negative main effect of economic inequality (B = -.38, SE = .18, 95% CI = [-.75, -.024], $p = .037$) and a significant positive main effect of similarity (B = .24, SE = .065, 95% CI = [.11, .37], $p = .0003$).

Figure 1.4. The Interaction Between Economic Inequality and Perceive Interpersonal Similarity



Discussion

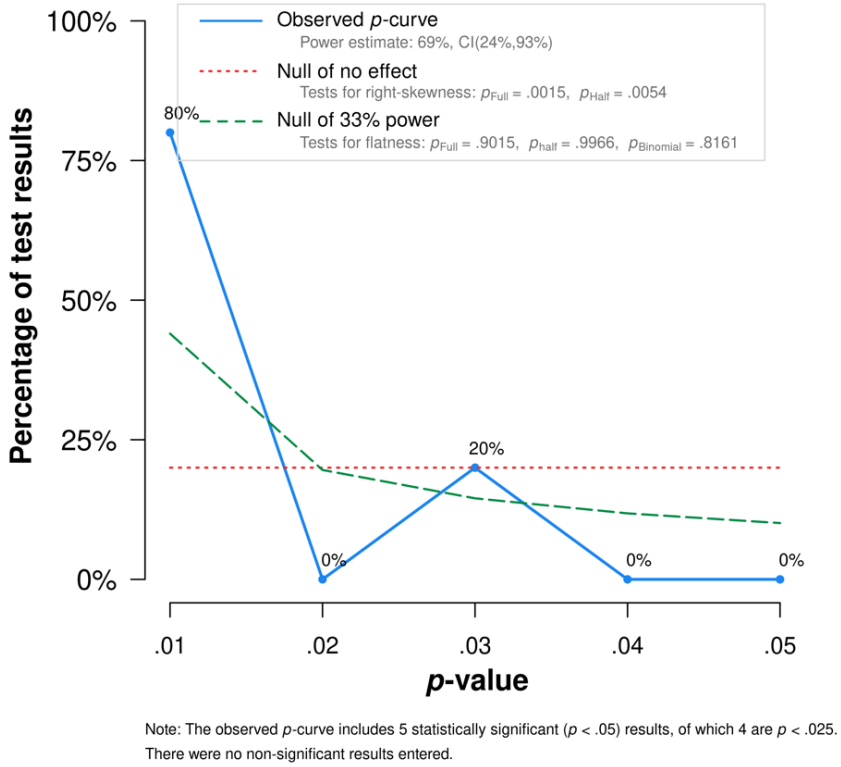
While the interaction between economic inequality in a consumer's region and providers' perception of interpersonal similarity with the consumer showed marginal significance, the observed interaction pattern aligns with H_3. This finding suggests that an increase in perceived provider-consumer interpersonal similarity can mitigate the negative impact of economic inequality on consumers' access to P2P services. Furthermore, the significant main effect of economic inequality conceptually replicated the survey results of Study 2.

General Discussion

The present research leverages a diverse range of data sources, encompassing individual-level experimental and survey data (N_{total} = 715) as well as aggregate-level transaction data (N = 54,154) across various types of P2P services, such as lending, accommodation, and tool-sharing. It sheds light on a new manifestation of digital discrimination in P2P services: consumers from regions characterized by higher economic inequality tend to encounter reduced access these services, a consequence of providers' decreased willingness to serve them. Importantly, we observed these effects with different operationalizations of economic inequality, including

objective measures and subjective perception, as well as across various *kinds* of economic inequality, ranging from community to state and country levels. To assess the robustness of our findings, we conducted a *p*-curve analysis (Simonsohn, Simmons and Nelson 2015). This involved incorporating the results from the first four studies, wherein economic inequality served as the independent variable, and various measures of providers' willingness to serve acted as the dependent variable. The analysis reveals the presence of evidential value and does not suggest any absence or inadequacy of evidential value (Figure 1.5). This underscores the robustness of our findings.

Figure 1.5. The *P*-curve Results



Note: The observed *p*-curve includes 5 statistically significant ($p < .05$) results, of which 4 are $p < .025$.
There were no non-significant results entered.

We further delved into the underlying reasons for providers' reluctance to serve consumers from more unequal regions. A serial mediation analysis reveals that it arises from providers' perception of these consumers as less trustworthy, thereby posing an increased financial risk associated with serving them. Finally, we delineated a boundary condition: the

adverse effect of economic inequality in a consumer's region on providers' willingness to serve them attenuates as providers perceive a greater level of interpersonal similarity between themselves and the consumer.

We acknowledge that individuals, including providers, may not have precise perceptions of economic inequality in others' regions, including those of consumers. Nevertheless, they are likely to have a general sense of the difference in economic inequality between regions, drawing from their observations and knowledge. They gauge these differences either through direct comparison (e.g., Sweden vs. Brazil or New York vs. Vermont) or by assessing each region relative to their own (e.g., Sweden vs. the US and Brazil vs. the US or New York vs. Virginia and Vermont vs. Virginia). Moreover, when the scope of the geographic unit narrows, such as in communities or neighborhoods, individuals, including providers, tend to develop a more concrete understanding of economic inequality. This facilitates a more accurate perception of the differences in economic inequality between these localized regions. Despite the accuracy in perceived differences, providers are inclined to perceive consumers from more or less unequal regions as less or more trustworthy and anticipate different degrees of financial risks associated with serving them. This ultimately results in providers exhibiting varying levels of willingness to offer P2P services to consumers, depending on the level of economic inequality in their respective regions.

Theoretical Contributions

The present research makes multifaceted contribution to the body of literature on P2P services, alternatively referred to as the sharing economy, P2P exchange, and collaborative consumption in academic literature (Marth et al. 2022). First and foremost, it extends the growing research on digital discrimination experienced by participants in P2P services.

Apart from racial and gender biases against providers (Edelman and Luca 2014; Hannák et al. 2017), recent research has unveiled a broad spectrum of discrimination directed at consumers. For instance, African American consumers experience significantly lower acceptance rates for lodging requests and a higher frequency of cancellations for accepted rides, compared to White consumers, on Airbnb and Uber, both of which are prominent players in P2P services (Cui et al. 2020; Edelman et al. 2017; Ge et al. 2020). Another branch of qualitative research reveals that providers consider a broader array of factors beyond just ethnicity and gender when screening consumers. These additional factors include age, religion, nationality, occupation, and marital status, all leading to discrimination against sub-consumer groups within the platform (Cheng and Foley 2018; Farmaki and Kladou 2020; Ravenelle 2016). Building upon this stream of research, the present study delves into the impact of another implicit factor on consumers' profiles—their location or region of residence—on providers' willingness to offer P2P services. Our findings demonstrate that, in addition to individual characteristics examined in previous research, the socioeconomic environment of a consumer's region—particularly factors such as regional economic inequality—can also serve as barriers, hindering their access to P2P services. This, in turn, gives rise to a new form of digital discrimination. Furthermore, rather than focusing on Airbnb (Cui et al. 2020; Edelman et al. 2017; Farmaki and Kladou 2020; Ravenelle 2016) or Uber (Ge et al. 2020), the present research examined various types of P2P services, including accommodation, lending, and tool-sharing.

Taking a broader perspective, the present research contributes to the relatively sparse literature on providers' participation in P2P services (Chung et al. 2021; Wu et al. 2023), compared to the more extensive body of research that explores the factors affecting consumers'

engagement in P2P services (reviewed by Benoit et al. 2017; Hamari et al. 2016; Lamberton and Rose 2012; more recent research by Cakanlar and Ordabayeva 2023; Costello and Reczek 2020). Moreover, instead of examining how providers' individual characteristics, such as childhood SES or their motivations—whether intrinsic or extrinsic—influence their entry into and persistence within P2P services (Chung et al. 2021; Wu et al. 2023), our research investigates how a regional characteristic of consumers—economic inequality—impacts providers' varying degrees of willingness to engage with different consumers.

Furthermore, the present research expands our limited understanding on providers' trust in consumers (Huurne et al. 2015). Previous research has identified several factors that influence providers' trust in consumers, including trust and risk propensities, expertise, knowledge, and familiarity with the platform. However, none of these factors adequately explain why providers perceive some consumers as more trustworthy than others, a perception that directly shapes their attitudes towards different consumers (Mittendorf 2016; Sutanonpaiboon and Abuhamdieh 2018). Our findings indicate that varying levels of economic inequality in consumers' regions can serve as an explanatory factor. Last but not the least, the present research documents an antecedent of providers' perception of financial risk—a topic that has received considerably less attention in the literature compared to consumers' risk perception, despite providers arguably bear more financial risk than consumers (Huurne et al. 2015).

The present research broadens the literature on economic inequality in two aspects. First, the literature has extensively explored its psychological, managerial, economic, political, and societal ramifications (reviewed by Goya-Tocchetto and Payne 2022; Peters and Jetten 2023). Surprisingly, the exploration of consumer consequences related to economic inequality has been limited, despite the undeniable influence of various *kinds* of economic inequality on individuals'

consumption decisions and experiences (Ordabayeva and Lisjak 2022). In addition, most pioneering research have focused on conspicuous consumption. For example, economic inequality at the city, state, and country levels boosts consumers' preference for status goods (Velandia-Morales et al. 2022; Walasek and Brown 2015, 2018), driving lower-income households to borrow more to maintain their status consumption (Christen and Morgan 2005). In contrast, economic inequality at the neighborhood level exhibits a more nuanced impact: it discourages lower-tier consumers from engaging in conspicuous consumption when their focus is on positional advancement but encourages it when they aim to close the possession gap (Ordabayeva and Chandon 2011). Expanding upon these works, our research explores another consumer consequence in a distinct domain: consumers' access to P2P services. Secondly, while previous studies have concentrated on the influence of economic inequality within one's own region on their minds, world views, and social lives (Peters and Jetten 2023), the present research unveils that economic inequality in regions beyond an one's own can also shape how they perceive and behave in their interactions with people from these regions.

Managerial Insights and Policy Implications

Despite the explicit policy of the platform, which prohibits the refusal of service to consumers, based on criteria such as "race, color, ethnicity, national origin, religion, sexual orientation, gender identity, or marital status" (Airbnb, 2023), it remains evident that providers still actively engage in screening practices that unjustly deny service to consumers while masking their prejudice behind more legally defensible pretexts (Cheng and Foley 2018; Cui et al. 2020; Edelman et al. 2017; Farmaki and Kladou 2020; Pope and Sydnor 2011; Ravenelle 2016). Regrettably, this research adds to the mounting evidence of digital discrimination within P2P services, underscoring the pressing need for more robust measures to combat this issue.

While it might partially tackle this issue by flagging providers who exhibit discriminatory screening patterns, this approach carries the risk of unintended consequences. It could inadvertently drive away providers who, while not intentionally discriminating against anyone, possess a strong aversion to risks and might opt to discontinue their participation in P2P services. A more viable alternative, suggested by our findings, is to implement a similarity-based matching algorithm. Rather than relying solely on preference features and booking history (Guo et al. 2018), the algorithm can also integrate self-disclosed information from both providers and users as an additional feature to calculate the similarity score and facilitate matching. It is possible to include a set of demographic characteristics in this process, but caution should be exercised to ensure that their inclusion does not introduce any additional biases. Additionally, it may be beneficial to explicitly display the similarity score to providers when they receive service inquires or requests. This display can increase the salience of interpersonal similarities between themselves and the potential consumer, diverting their attention from other bias-susceptible characteristics of the consumer. This, in turn, promotes their willingness to offer P2P services to this consumer.

The existing literature underscores the pivotal role that positive ratings and reviews play in bolstering the perceived trustworthiness of consumers (Ge et al., 2020; Huurne et al., 2015). However, reputation systems often grapple with the cold start problem. Consumers from more unequal regions tend to face challenges in building their initial reputation, primarily due to the difficulties in receiving their first service. Even if they manage to receive services, the lack of ratings or feedback from providers can leave them still stuck in the cold start (Stemler 2017). What is even more troubling is that these consumers may receive disproportionately lower ratings and fewer reviews simply because of the pronounced economic inequality in their region.

A similar situation has been observed in P2P services, where gender and race biases persistently disadvantage providers (Edelman and Luca 2014; Hannák et al. 2017). Notably, the suggested similarity-based matching algorithm has the potential to assist consumers in regions characterized by significant economic inequality in obtaining their initial service, thereby partially resolving the cold start problem. Additionally, it can also downplay the salience of location information, potentially mitigating region-based biases in ratings and comments.

Limitations and Future Research Avenues

We recognize several limitations and caveats in the present research, which in turn, pave the way for several promising avenues of future investigation. Firstly, the average income was either unspecified or kept constant when manipulating economic inequality to isolate its impact. Nevertheless, average income and economic inequality could potentially interact. Given that people from high-GDP countries are often perceived as more trustworthy than those from lower-GDP countries (Qi et al. 2018), we speculate that the average income in a consumer's region may mitigate the adverse effect of regional economic inequality on their access to P2P services. Similarly, we did not examine the possible influence of economic inequality in a provider's region, which could interact with the economic inequality in a consumer's region. Providers from unequal regions may feel a shorter psychological distance between themselves and consumers living in a similar socioeconomic environment, leading them to perceive greater trustworthiness of these consumers (Darke et al. 2016). On the other hand, they may perceive these consumers similar to other people in their own region who are perceived as less fair and less trustworthy (Oishi et al. 2017). Hence, we do not have any conclusive prediction regarding this interaction, which warrants further investigation.

Thirdly, in the present research, we did not differentiate between the region of residence and the region of origin, as they are the same in most cases. In P2P services, consumers' profiles only display their current residence. However, without additional information, such as the consumer's name (for instance, someone with an apparent Asian name living in a western country) or self-disclosure in their self-introduction, providers often assume that the two, residence and origin, are identical. Nevertheless, future research may delve into potential nuances between the two in shaping consumers' access to P2P services.

As previously mentioned, each region possesses a unique blend of characteristics. In addition to economic inequality, service providers may simultaneously consider other region-specific characteristics, such as cultural factors and income levels. Future research endeavors could disentangle the intricate interplay between these regional characteristics and how they shape providers' inferences about consumers from specific regions, encompassing a wide range of traits, not limited to trustworthiness. Such research can provide valuable insights for understanding providers' willingness to serve and the array of behaviors they exhibit. Moreover, aside from the location information, consumers' profiles often show other implicit cues, such as gender, race, and occupation, which have been used as screening criteria (Cheng and Foley 2018; Cui et al. 2020; Edelman et al. 2017; Farmaki and Kladou 2020; Ge et al. 2020; Pope and Sydnor 2011; Ravenelle 2016). It would be intriguing to explore how providers attribute different weights to these implicit cues within their consumer screening process. Do these cues hold equal importance and produce a synergistic effect, or does one cue dominate depending on the circumstances? A more extensive inquiry could examine the interactions between these implicit cues and explicit signals like ratings and reviews, and how they influence providers' decision-making. This, in turn, has a direct impact on consumers' access to P2P services.

Finally, future research can investigate additional strategies to alleviate the digital discrimination against consumers based on regional economic inequality. For example, one potential strategy is encouraging consumers to provide self-descriptions and share a wider range of information about themselves, potentially enhancing their perceived trustworthiness (Ma et al. 2017), subsequently increasing their chance of being served by providers.

CHAPTER 3. ECONOMIC INEQUALITY SHAPES EDUCATION DECISIONS

Introduction

The higher education market in the United States has experienced substantial growth, with revenues of colleges and universities reaching $818.6 billion in 2023 (Ibis World 2023). Meanwhile, American households now spend 140% more annually on education compared to 30 years ago, with a significant portion dedicated to higher education (USA Facts 2022). On the other side of the world, families in China and India also allocate a considerable share of their household income to education. On average, Chinese households spend approximately 30% of their total income on their child's education overall, while Indian families dedicate a similar percentage per capita to higher education alone (Chandrasekhar et al. 2016; Grewal, Meyer, and Mittal 2022; Zhang and Zhou 2017).

Behind these staggering statistics, a multitude of young people and their families are confronted with a series of challenging and intricate higher education decisions, including whether to pursue college, which university to attend and what field to major in (Perna 2006). Given the significant consequences of these decisions, researchers in the fields of education, economics, and public policy, over the past few decades, have devoted substantial effort to understanding the decision-making process. They have identified a wide range of demographic, and psychographic characteristics, and aptitude of the student, and examined how these interact with institutional attributes that influence higher education decisions (e.g., Chapman 1981; Hossler, Braxton, and Coopersmith 1989; Long 2004a, Nora 2004; Paulsen 1990). They also have demonstrated the significance of cultural differences and other local environmental factors (e.g., neighborhood, family), along with the critical role of public policies in shaping higher education decisions (e.g., Long 2004b; McDonough 1997; Perna 2006; Perna and Tinus 2004).

In recent years, marketing scholars have become increasingly engaged in this area of research. For example, Dearden, Grewal and Lilien (2019) examined the impact of university ranking information on students' college choices. Yoon, Yang and Morewedge (2022) revealed that students who are aware of college costs early on tend to prefer institutions with lower short-term cost and lower long-term return (LC-LR) over those with higher short-term cost and higher long-term return (HC-HR). This preference may result in lower lifetime earnings.

While higher education decisions are influenced by multiple contextual factors at various levels, including the individual's habitus, school and community environment, the higher education landscape, and the broader social, economic, and policy context, previous research has predominantly concentrated on micro and meso-level factors (Perna 2006). In contrast, the present research focuses on a macro-level factor. Particularly, we examine how economic inequality within a society—a fundamental socioeconomic factor—affects people's higher education decisions in two aspects: college decision (i.e., whether to pursue a college degree) and choice of major (i.e., which field to major in).

It is important to note that the present research extends beyond the narrow focus on high school students and seeks to explore the perspective of the general population across all age groups, thereby encompassing the influence of adults connected to students in their higher education decisions. For example, parental encouragement is the single most important predictor of students' planning to pursue college degrees (Hossler et al., 1999). Parental and even grandparental expectations and advice also substantially influence students' college major choice (Malgwi, Howe, and Burnaby 2015; Wright 2018). Additionally, teachers, counselors, and advisors play a vital role, as their inspiration, support, and guidance impact students' perceptions of higher education and specific majors. (Hossler et al. 1999; McDonough 1997; Malgwi et al.

2015; Wright 2018). Generally, the stronger these influential figures value college and specific majors, the more likely students would be to attend college and choose these majors. Another reason for including a broader range of population is the significant number of individuals who choose to pursue higher education years after graduating from high school. In 2020, over 15% of enrolled college students were over 25 years old (Statista 2022), suggesting the importance of not overlooking other segments beyond high school students when examining students' college decision and choice of major. In summary, we believe that studying a more diverse population will provide us with a comprehensive understanding of higher education decisions.

Six studies leveraging both search data from Google Trends (Study 1), census data from the American Community Survey (ACS) (Studies 3a and 3b) and experimental data (Studies 2a to 2c) provide convergent evidence that people are more willing to attend college as economic inequality increases. Importantly, we observed the impact of economic inequality on college decision at various levels—the state (Google Trends), county (ACS) and individual (experiments) levels, with different operationalizations of economic inequality—objective metric and subjective perception, and across various proxies of college decision—search interest in higher education, willingness, and choice to attend college, education attainment and school enrollment. Furthermore, the experimental studies reveal that the effect is caused by economic inequality heightening the perceived *education premium of college*—the income gap between college graduates and high school graduates. The last two studies (Studies 4 and 5) find that economic inequality also influences people's choice of major through perceived education premium. Specifically, rising economic inequality leads people to perceive a greater *education premium* between majors—the income disparity between the higher- and lower-paying majors. This, in turn, drives people to prioritize extrinsic rewards over internal drives, ultimately leading

them to choose majors with higher earning potential but lower personal interests over those aligned more closely with their genuine interests but offering lower financial return. This impact of economic inequality on choice of major was observed across different tradeoff scenarios, regardless of whether the conflict between the extrinsic and intrinsic motivations was moderate or more extreme.

These findings provide policy implications for several pressing challenges in higher education. First, they suggest complex relationship between rising economic inequality and *credential inflation* (e.g., Araki and Kariya 2022; Brown 2001; Collins 2019). On the one hand, economic inequality fuels credential inflation by heightening people's interest in higher education, irrespective of their immediate needs or authentic interests. Simultaneously, the expanding pool of college graduates contributes to an exacerbation of the education premium associated with college degrees compared to high school degrees. This, in turn, further intensifies people's interest in pursuing higher education, creating a self-reinforcing cycle. In addition, the excessive and possibly impractical interest in college education, driven by economic inequality, may be linked to the escalation of students' debts in two ways (Federal Reserve Bank of New York 2021). Firstly, young people are increasingly motivated to pursue college without giving adequate consideration to their financial circumstances. Secondly, a greater perceived education premium may foster an overly optimistic outlook on their capacity to repay debts. Additionally, economic inequality may be related to *humanities major crisis* (e.g., Heller 2023; Schmidt 2018). Humanities majors are commonly associated with lower salaries compared to STEM majors, which are frequently regarded as high-paying fields. Consequently, with the recent surge in economic inequality, young people tend to be more hesitant to invest four years in humanities,

even if they harbor a greater interest in or aptitude for these disciplines. This, in turn, contributes to the crisis faced by humanities majors.

In addition to policy implications, the present research makes two major theoretical contributions. Firstly, it enriches the well-established literature on decision-making for higher education, which has predominantly concentrated on the influence of individual habitus, family, and community, as well as presecondary and higher education environments (Perna 2006). Among the limited research that explicitly incorporates the social, economic, and policy context within the higher education decision model, the majority has focused on the impact of policymaking while overlooking the role of macroeconomic conditions (e.g., Kirst and Bracco 2004, Long 2004b; Perna and Tinus 2004). An exception is Bettis (1996) who examined the influence of local unemployment resulting from shifts in the economic structure on people's interest in college education. The present research examines the multi-facet impacts of economic inequality—a crucial indictor of the macroeconomic condition—on college decision and choice of major from the lens of *perceived education premium*. Secondly, it broadens the burgeoning literature on economic inequality, which has intensively examined its economic, political, societal, psychological, and managerial ramifications (e.g., Banerjee and Duflo, 2003; Goya-Tocchetto and Payne 2022; Payne et al. 2017; Peters et al. 2022; Sánchez-Rodríguez et al. 2019; Sprong 2019; Wang et al. 2022). Surprisingly, there is a dearth of empirical investigations on its impact on education decisions, despite its undeniable influence. One notable exception is the work by Hill (2016), who demonstrated that rising income inequality contributes to the financial challenges faced by higher education institutions. The present research aligns with this line of inquiry but focuses on how it influences people's college decision and choice of major. Hence, it contributes to ongoing research discourse on understanding consumers' decision-making in

education (Grewal et al. 2022) and reactions to economic inequality (Ordabayeva and Lisjak 2022) within the field of marketing.

Conceptual Framework

Economic Inequality

Economic inequality refers to the unequal distribution of income across different groups in a region. The scope of geographic units (i.e., regions), ranging from local communities to the global stage, determines the *kind* of economic inequality (Jachimowicz et al. 2022). In this present research, we investigate three regional levels and, correspondingly, three *kinds* of economic inequality: county-, state-, and country-level. Nevertheless, we anticipate that the impact of economic inequality on individuals' education decisions will remain consistent across all regional levels and types of economic inequality.

Perceived Education Premium and College Decision

Education has long been regarded as a key determinant of an individual's earning potential. It is widely believed that obtaining "knowledge, skills, and a way of analyzing problems" through additional years of education could enhance productivity, improve employment prospects, and ultimately increase earnings (Becker 1993, p. 13; Paulsen 2001). This prevailing belief may lead to the perception that individuals with better education credentials belong to the higher-income group, while those with lower educational attainment fall into the lower-income category. Correspondingly, people in more unequal societies may perceive a greater income difference between better-educated and less-educated individuals as the income gap between higher-income and lower-income groups widens. In other words, the perceived *education premium*, which signifies the income disparity between individuals with different levels of education (Bhuller, Mogstad, and Salvanes 2017), becomes more prominent in

people's minds as economic inequality grows. The concept of the education premium is applicable to the income difference between any two levels of education, ranging from college versus high school, master's degree versus associate degree, to even doctorate degree versus bachelor's degree. In the present research, we focus on *education premium of college*, which refers to the income disparity between college graduates and high school graduates.

The expected monetary benefit is a crucial motivator (Becker 1993), and for some people, it may even be the primary motivator for pursuing college education (Gallup 2018). As the perceived education premium of college becomes more pronounced in more unequal societies, people tend to increasingly motivated to attend college, anticipating greater monetary advantages associated with holding a college degree compared to being a high school graduate. Furthermore, people experience heightened aspirations and needs for status and wealth in more unequal societies (Goya-Tocchetto and Payne 2022; Melita et al. 2021; Walasek and Brown 2015; Wang et al. 2023). This may lead them to overvalue the expected monetary benefit of pursuing college education, reinforcing their willingness to attend college.

We acknowledge the critical role of other considerations, including non-monetary benefits, such as improved health, longer life, and informed decision-making, as well as financial affordability and academic capability, in shaping people's college decision (Becker 1993; Perna 2006). However, we do not expect economic inequality to impact these aspects. Instead, our research focuses on the influence of economic inequality on people's monetary considerations (as discussed), which subsequently affect their college decision.

H_1: People are more willing to attend college as economic inequality increases.

H_2: People perceive a greater education premium of college in more unequal societies, mediating the impact of economic inequality on their decision to attend college.

Motivation Tradeoff and Choice of Major

As people make college decisions, various factors influence their intrinsic and extrinsic motivation for pursuing a particular field of study, ultimately shaping their choice of major (Altonji, Blom, and Meghir 2012). Among these factors, the career outcomes and earning potential of different majors are the primary external rewards, which influence extrinsic motivation (Berger 1988; Wiswall and Zafar 2015). On the other hand, individual preference, and personal interests in different majors are the key internal drives, which determine their intrinsic motivation (Beffy, Fougere and Maurel 2012; Zafar 2013). However, it is often challenging for people to find a major that strikes the perfect balance between external rewards and internal drives or excels in both aspects. When faced with this dilemma, individuals need to make a tradeoff between external rewards and personal interests. For instance, women tend to prioritize personal interests, focusing on their aptitude for the subject, while men often place greater emphasis on extrinsic motivations, primarily considering compensation levels in the field (Malgwi et al. 2005; Montmarquette, Cannings and Mahseredjian 2015). Race and ethnicity also play a role in such tradeoff: Non-white students are more likely to base their college major choices on expected earnings while white students perceive preference as more important, indicating that the latter assign more weight to intrinsic motivation (Montmarquette et al. 2015).

In addition to demographic characteristics, we propose that economic inequality within a society plays a significant role in shaping people's motivations. While there is a consensus regarding the education premium of college, it varies depending on the chosen major. For example, in the United States, obtaining a bachelor's degree in a STEM major yield a 64% education premium compared to a high school degree, whereas the education premium of a

humanity major graduates is significantly smaller, around 15%[1] (McGurran 2022). To capture this variation, we introduce an extended concept of education premium—*education premium between majors*. It refers to the income disparity between high-paying and lower-paying majors.

Similar to the perceived education premium of college, we propose that rising economic inequality also heightens people's perceived education premium between majors. This, in turn, shape their choice of major. Specifically, in more unequal societies, where external rewards take precedence over personal interests, people tend to choose majors with greater earning potential over those aligned more with their genuine interests but offering lower pay. Another contributing factor is that economic inequality heightens people's aspirations and needs for status and wealth (Goya-Tocchetto and Payne 2022; Walasek and Brown 2015, 2018; Wang et al. 2023). This, in turn, could further amplify the allure of external rewards linked to higher-paying majors.

H_3: People are more willing to choose the majors with higher earning potential but lower personal interests (HE-LI) over those with higher personal interests but with lower earning potential (LE-HI) as economic inequality increases.

H_4: People perceive a greater education premium between majors in more unequal societies, mediating the impact of economic inequality on their choice of major.

Overview of Studies

Six studies investigate the impact of economic inequality on college decision (H_1 and H_2). Study 1, utilizing a five-year Google search data, reveals a positive association between economic inequality and people's interest in college education at the state level. In Studies 2a to 2c, we employ an experimental design adapted from Payne et al. (2017), and measure college decision at the individual level. They provide consistent causal evidence for the positive effect of

[1] The calculation is based on the median annual earnings for people aged 25 to 34 years.

economic inequality on people's choice to attend college. In addition, the three studies validate the heightened perceived education premium of college as the underlying mechanism through mediation (Studies 2a and 2b) and moderation (Study 2c, pre-registered). Study 2b also rules out two alternative explanations. Furthermore, In Studies 3a and 3b, we analyze the ten-year census data and use different proxies of college decision—attainment and enrollment. These archival data analyses replicate the positive association between economic inequality and people's decision to attend college at the county level.

In the last two studies, we switch the focus to the impact of economic inequality on people's choice of major (H_3 and H_4). Study 4 shows that higher economic inequality motivates people to choose majors with higher earning potential despite its lower personal interests (HE-LI) over majors that align more closely with their personal interests but offer less pay (HI-LE). Importantly, this effect is consistent across tradeoff scenarios, regardless of whether the extrinsic rewards and intrinsic drives are moderately or dramatically conflicted. Study 5 (pre-registered) replicates the findings of Study 4 using the most conservative tradeoff scenario. It also confirms a heightened perceived economic premium between majors as the underlying mechanism.

Study 1

Past research has demonstrated that region-level Google search interest can be a reliable indicator of collective attitudes and behaviors (Stephens-Davidowitz and Varian 2015). For example, states with a higher Gini index exhibit increased search interest in terms related to positional goods and high-risk strategies for financial gain. This is because economic inequality heightens people's inclination toward status-seeking and risk-taking (Payne et al. 2017; Walasek and Brown 2015). In line with these studies, in Study 1, we utilized state-level Google search data to examine the relationship between economic inequality, measured by the *Gini index*, and

Table 2.1. Overview of Studies

Study	Method	Sample Size	Hypothesis Tested	Economic Inequality	DV	Proxies of DV
1	Archival data analysis source: Google Trends	51	H_1	Measured by Gini index at the state-level	College decision	Search interest
2a & 2b	Experiment	2a = 201 2b = 108	H_1 & H_2	Manipulated economic inequality between players in a decision task	College decision	Decision on whether to attend college
2c	Experiment preregistered	202	H_1	Manipulated economic inequality between players in a decision task	College decision	Willingness to attend college
3a	Archival data analysis source: ACS, Table S1501	8,186	H_1	Measured by Gini index at the county-level	College decision	Education attainment proportion of individuals with a bachelor's degree or higher
3b	Archival data analysis source: ACS, Table S1502	7,840	H_1	Measured by Gini index at the county-level	College decision	Education enrollment proportion of individuals who were enrolled in college and graduate schools
4	Experiment	306	H_3	Manipulated economic inequality in a fictional country	Choice of Major	Willingness to choose between majors (3 pairs)
5	Experiment preregistered	200	H_3 & H_4	Manipulated economic inequality in a fictional country	Choice of Major	Willingness to choose between majors (1 pair)
			Key Findings			
1	There is a positive association between state-level economic inequality and search interest in college education: States with a higher Gini index exhibited a higher search frequency of college-related terms.					
2a & 2b	A greater proportion of people decided to attend college when economic inequality was high (vs. low), mediated by a higher perceived *education premium of college*.					
2c	When *education premium of college* was not specified, people were more willing to attend college when economic inequality is high (vs. low). When a fixed *education premium of college* was informed, the effect of economic inequality on college decision diminished.					
3a	There is a positive association between county-level economic inequality and education attainment: Counties with a higher Gini index had a greater proportion of individuals aged between 18 and 24 years and those between 25 and 34 years, who held a bachelor's degree or higher.					
3b	There is a positive association between county-level economic inequality and education enrollment: Counties with a higher Gini index had a greater proportion of individuals aged between 18 and 24 years who were enrolled in college or graduate school.					
4	People were more willing to choose a major with higher earning potential but less personal interests over one with lower earning potential but higher personal interests.					
5	People were more willing to choose a major with higher earning potential but less personal interests over one with lower earning potential but higher personal interests, mediated by a higher perceived *education premium between majors*.					

people's college decision, operationalized as their search interest in college education.

Data and Method

College Decision. We treated search interest in college education as a proxy for people's college decision, assuming that a higher level of search interest indicates a greater likelihood of choosing college education. To collect state-level search interest in college education, we created 16 relevant search terms, including "college ranking", "higher education", "bachelor's", and "undergraduate", as well as "college", "university", "'public college", "public university", "private college", "'private university" and their plural forms. Utilizing, *pytrends*, a widely adopted Google Trend API, we collected aggregated web searches related to the aforementioned terms across all categories between January 1st, 2015, and December 31st, 2019. Then, we computed the average search interest for all search terms within each state, creating a composite score that represents people's search interest in college education at the state level (Cronbach's alpha = 0.90). According to Google's relative-popularity-based algorithm for normalizing search interest within specific geographic regions and time range (Google 2023), a higher composite score for a state indicates a greater level of search interest in education within that state. This, in turn, suggests a higher likelihood of people in that state choosing college education.

Economic Inequality. We collected one-year estimated Gini indices for 50 states in the United States and Washington, D.C. from U.S. Bureau of Census (2023a) for the years 2015 to 2019. Afterward, we computed the average Gini index for each state as the measure of state-level economic inequality. The average Gini index is expected to yield smaller a measurement error and provide a more comprehensive assessment of economic inequality over a five-year period, compared to the Gini index of any individual year.

Covariates. In line with prior research, we included a set of state-level covariates to account for their potential impact on people's college decision. These factors include income and population (Payne et al. 2017; Perna 2006), educational funding and expenditures (Perna 2006), political ideology (Pew Research Center 2019), as well as unemployment rate (Bettis 1996). To controlled for these factors, we obtained data on median household income and population from U.S. Bureau of Census (2023b, 2023c), expenditures of public elementary and secondary institutions per pupil from National Center for Education Statistics (2022), state funding for higher education per full-time student or equivalent (FTE) from National Science Foundation (2022), and unemployment rate from U.S. Bureau of Labor Statistics (2023). Similar to Gini index, we collected yearly data on these covariates and calculated their averages for each state. In addition, we operationalized political ideology as the percentage of liberals, with data sourced from the Gallup's poll (Jones 2019).

Results

First, we performed a Pearson's correlation analysis, which revealed a significant positive association between the *Gini index* and *the average search interest* in college education at the state level (r = .55, 95% CI = [.29, .75], $p < .001$; Figure 2.1). Next, we conducted an Ordinary Least Squares (OLS) regression, with the Gini index as the focal predictor alongside the state-level covariates (R^2 = .61, $F(7, 43) = 9.80$, $p < .0001$). After controlling for all these factors, the Gini index remained significant and emerged as the strongest predictor (B = 356.24, SE = 89.50, 95% CI = [175.74, 536.74], β = .59, $p < .001$). In addition, logarithmic median household income[2] (B = 74.47, SE = 28.78, 95% CI = [16.44, 132.50], β = .44, p = .013) and state funding for higher education per FTE (B = -.0011, SE = .00041, 95% CI = [-.0019, -.00030], β = -.33, p

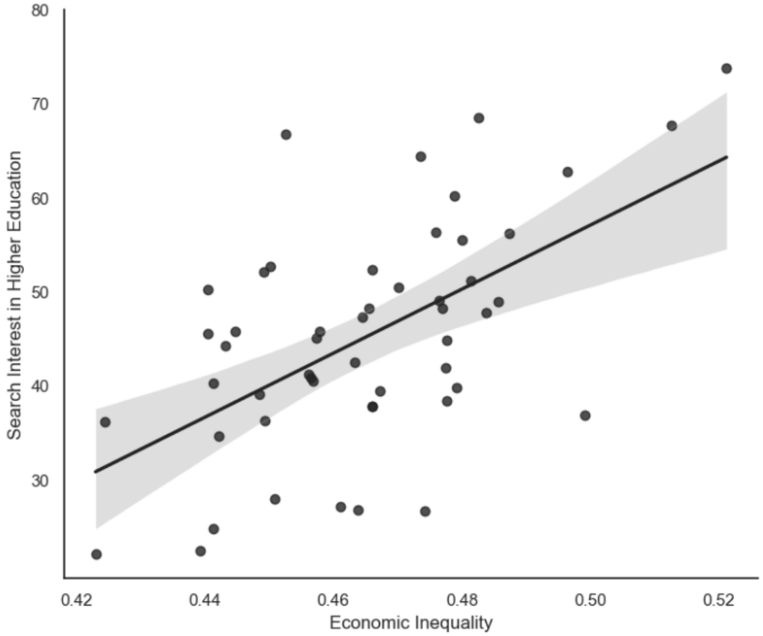
[2] We applied logarithmic transformation to median household income as Walasek and Brown (2015) did to correct for skewness.

= .010) were also significant. The complete regression results are reported in Table I.2 in Appendix I.

Discussion

These results suggest a positive association between economic inequality and people's interest in college education, providing preliminary support for the positive effect of economic inequality on people's choice to attend college (H_1). However, it is important to acknowledge two limitations of Study 1. First, the observed relationship between the Gini index and the average search interest in college education is essentially correlational, rather than causal. Second, the observed relationship is at the state level, indirectly reflecting individual-level college decision. Subsequent experiments are designed to address these limitations.

Figure 2.1. The Correlation between Gini Index and Search Interest in Higher Education



Notes: The shaded region represents 95% confidence interval.

Studies 2a to 2c

The following three experiments (Studies 2a to 2c) employ an education decision task—a paradigm adapted from Payne et al. (2017—and serve two objectives. First, they aim to establish

causal evidence for the positive effect of economic inequality on people's college decision at the individual level (H_1). Second, they seek to test the mechanism based on perceived education premium (H_2) through both mediation (Studies 2a and 2b) and moderation (Study 2c) while also ruling out two alternative explanations (Studies 2b).

The Education Decision Task

Participants were invited to take part in an education decision task, which was described to them as a widely adopted method to understand people's decision-making. At beginning of the survey, we provided a brief overview of the task to participants. Particularly, we told participants that the educational decision task involved two types of players: high-school graduates and college graduates, and initially, all players, including themselves, were high-school graduates. Their ultimate task was to decide whether to attend college at a cost and become a college graduate based on the information they would read. We also informed them that their college decision would affect their cumulative income over a period of ten years, which would be determined by an embedded algorithm[3], and the participants who achieved a cumulative income within the top 5% would receive a bonus payment. This incentive was included to make their decision more consequential, thereby encouraging participants to take the task seriously.

After the brief overview, we introduced the setup of education decision task to participants in detail. First, we conveyed the information about income and income distribution. Particularly, we told participants that each player had a different annual income determined by their level of education attainment. Although they were unable to know the precise annual income of each player, including themselves, they could infer their own and others' annual incomes from the income distribution across all players. We also informed participants that

[3] It was a random number within an income range based on the participant's college decision and their assigned condition of economic inequality.

attending college had the potential to increase their annual income, however, the exact magnitude of this income increase was uncertain. Therefore, they would need to rely on their own judgment to estimate the potential magnitude based on the provided income distribution. Meanwhile, we explained how to calculate the ten-year cumulative income for players with different levels of education attainment. This calculation took into account both the expected monetary benefits and the expected costs— forgone earnings and college cost, which are proximal determinants of people's college decision (Perna 2006). Particularly, the ten-year cumulative income for high school graduates was determined by multiplying their annual income by ten while that for college graduates was calculated by multiplying their annual income by six and subtracting the total cost of college. To simplify the calculations, we assumed that the annual income would remain fixed over the ten-year period. While this simplification is less than realistic, it leads to a more conservative incentive as the cumulative income difference would be even wider when considering the faster income growth rate for college graduates compared to high school graduates (Connolly and Gottschalk 2006; Deming 2023). In addition, we set the total cost of college at $56,000, which approximates the average net cost for public colleges attended by in-state students during the 2018-2019 school year (College Board 2019). Moreover, we reiterated the possibility of earning the bonus payment for the top 5% participants.

Following the detailed introduction, participants were asked to complete a series of recap questions to assess their understanding of the education decision task. Subsequently, they were presented with the income distribution across all players, which had multiple purposes. It not only provided participants with the means to infer their own and other's incomes and estimate the potential income increase associated with obtaining a higher degree but also served as the

manipulation of economic inequality. At the end of the task, participants indicated their college decision as a binary choice (Studies 2a and 2b) or on a 11-point scale (Study 2c).

Manipulation of Economic Inequality

The manipulation of economic inequality was adapted from Payne et al. (2017). The income distribution was visually presented in the form of a bar chart (Figure J.1 in Appendix J). Particularly, all players were divided into three income groups based on their annual income: the top 1/3, the middle 1/3, and the bottom 1/3, and the bar chart illustrated the average income for each group. In the *high (vs. low) economic inequality* condition, the income distribution had a large (vs. small) variance, reflecting substantial (vs. small) differences between each income group. In addition, the average income remained constant in both income distributions, isolating the impact of inequality independent from the average income. The average income was set at $43,500, approximating the median individual income of U.S. residents in 2019 (Flood et al. 2020).

We also adapted the three-item manipulation check from Payne et al. (2017): "Do the top 1/3 of players have higher annual incomes than the other players" (1 = "no higher", 7 = "much higher"), "Do the bottom 1/3 of players have lower annual incomes than the other players" (1 = "no lower", 7 = "much lower"), and "How unequal are players' annual incomes" (1 = "not unequal at all", 7 = "very unequal").

Study 2a

Participants and Procedure. Two hundred and one participants recruited through Cloud Research (60.2% male; M_{age} = 39.68) completed Study 2a for monetary compensation. The study employed a one-factor (economic inequality: low vs. high) between-subject design, and participants were randomly assigned to one of the two conditions.

Participants were provided with a brief overview and a detailed introduction to the education decision task. After being presented with income distribution across all players, participants indicated their college decision in a binary format (0 = choose not to attend college, 1 = choose to attend college). Then, they were asked to estimate the difference in average annual income between college graduates and high school graduates, using a slider raging from 0 to 100 (in thousand US dollars). This question measured the perceived education premium of college. Subsequently, participants completed the three-item manipulation check on a 7-point Likert scale (Cronbach's $\alpha = .77$). Following that, they saw their cumulative income over a ten-year period. Finally, participants concluded the survey by answering a set of the demographic questions, including gender, age, household income, subjective social class, and political ideology.

Results. As intended, participants in the *high economic inequality* condition perceived the income among players to be more unequal (M = 6.02, SD = .88) than those in the *low economic inequality* condition (M = 4.66, SD = .88; t(199) = 10.96, $p < .001$, Cohen's $d = 1.55$).

Consistent with H_1, a greater proportion of participants in the *high economic inequality* condition (P = 67.00%) chose to attend college than their counterparts in the *low economic inequality* condition (P = 49.50%, χ^2 (N = 201) = 6.32, $p = .012$, $\omega = .18$; Figure 2.2). They also perceived a greater education premium of college (M = 38.31, SD = 20.26) than participants in the *low-inequality* condition (M = 24.72, SD = 18.05; F(1, 199) = 25.22, $p < .001$, $\eta^2 = .112$).

Next, we employed PROCESS model 4 (Hayes 2018) with 10,000 resamples to test the proposed mediation model, treating economic inequality as the independent variable, perceived education premium of college as the mediator, and college decision as the dependent variables. In line with H_2, a greater perceived difference in average annual income between college graduates and high school graduates mediated the positive effect of economic inequality on

participants' choice to attend college (B = .84, SE = .26, 95% CI = [.45, 1.46]; Figure 2.3). The complete mediation results are reported in Table K.1 in Appendix K.

Discussion. Study 2a provided causal evidence for the positive effect of economic inequality on people's college decision using an individual choice measure. It supplemented the correlational evidence obtained from Google search data in Study 1. In addition, Study 2a validated the underlying mechanism based on perceived education premium of college. Study 2b aimed to replicate these findings while ruling out two possible alternative explanations: monetary needs and status aspirations.

Study 2b

Participants and Procedure. One hundred and sixteen participants recruited through Amazon Mechanical Turk (48.3% male; M_{age} = 40.76) completed Study 2b for monetary compensation. The study employed a one-factor (economic inequality: low vs. high) between-subject design, and participants were randomly assigned to one of the two conditions.

The procedure of Study 2b was similar to Study 2a with one difference: participants completed the three-item manipulation check questions immediately after the manipulation (Cronbach's α = .76). Following that, participants indicated their college decision (0 = choose not to attend college, 1 = choose to attend college) and perceived education premium of college (0 to 100 in thousand US dollars).

Potential Alterative Explanations. Previous literature has shown that, in unequal societies, people demonstrate elevated status aspirations and experience heightened monetary needs as they seek to alleviate status anxiety, assuage the sense of relative deprivation, and gain advantages in intensified interpersonal competition (Goya-Tocchetto and Payne 2022; Payne et al. 2017; Melita et al. 2021; Walasek and Brown 2015, 2018, Wang et al. 2023). Moreover, as

education is regarded as a viable avenue for income growth and upward social mobility, people's elevated aspirations for status and heightened needs for money may directly motivate them to choose college. This motivation may persist even when participants do not perceive an increase in education premium of college in unequal societies.

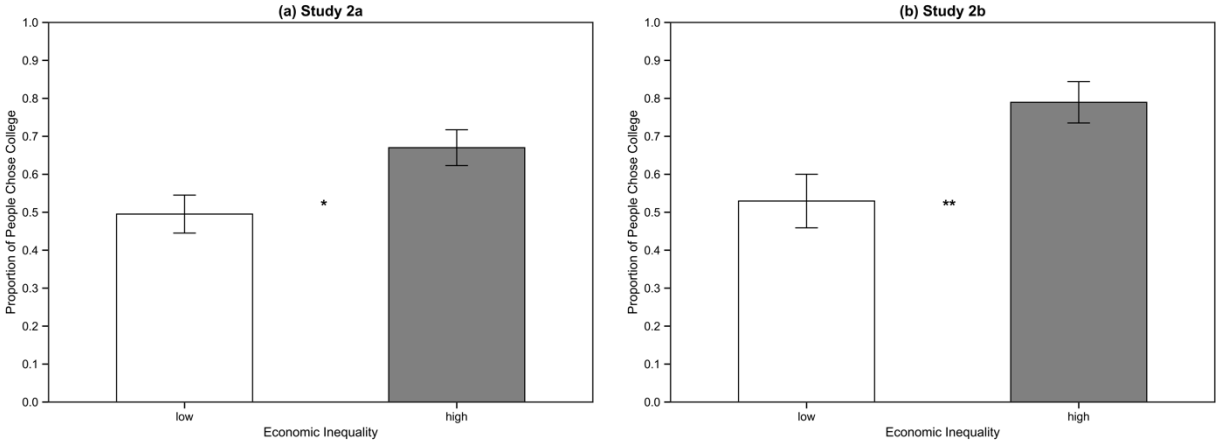
Therefore, we directly tested the two alternative explanations, namely, status aspirations and monetary needs. Particularly, following the question on the perceived education premium of college, participants reported their desired group placement based on their cumulative income on an ordinal scale (1 = the bottom 1/3, 2 = the middle 1/3, and 3 = the top 1/3). This question measured status aspirations. Then, participants indicated the annual income level they would be satisfied with in this task, using a slider ranging from 10 to 200 (in thousand US dollars). This question measured monetary needs, adapted from Payne et al. (2017). In addition, we explicitly conveyed to participants that their responses to the two questions would not impact their chance of receiving the bonus payment because their cumulative income had been determined based on their earlier college decision. Subsequently, participants saw their cumulative income and concluded the survey by answering the demographic questions as in Study 2a.

Results. Eight participants did not pass the recap question check, which assessed their understanding of the education decision task. We excluded these participants, leaving 108 participants in the analysis (49.10% male; M_{age} = 40.70; Chmielewski and Kucker 2020). Nevertheless, we included these participants in the additional analyses, as detailed in Appendix L, and the results were consistent.

We successfully manipulated economic inequality (M_{high} = 6.36, SD = .82 vs. M_{low} = 4.85, SD = .93*;* t(106) = 9.00, $p < .001$; Cohen's d = 1.74). Importantly, we replicated the positive effects of economic inequality on participants' choice to attend college (P_{high} = 78.94%

vs. P_{low} = 52.94%, χ^2 (N = 108) = 8.19, p = .004, ω = .28; Figure 2.2), as well as on their perceived education premium of college (M_{high} = 36.25 vs. M_{low} = 27.43, SD = 22.83, SD = 16.84*;* F(1,106) = 5.29, p = .023, η^2 = .048). We also replicated the significant indirect effect of the perceived education premium on college decision (B = .34, SE = .29, 95% CI = [.020, 1.12]; Figure 2.3). The complete mediation results are reported in Table K.2 in Appendix K.

Figure 2.2. The Impact of Economic Inequality on College Decision



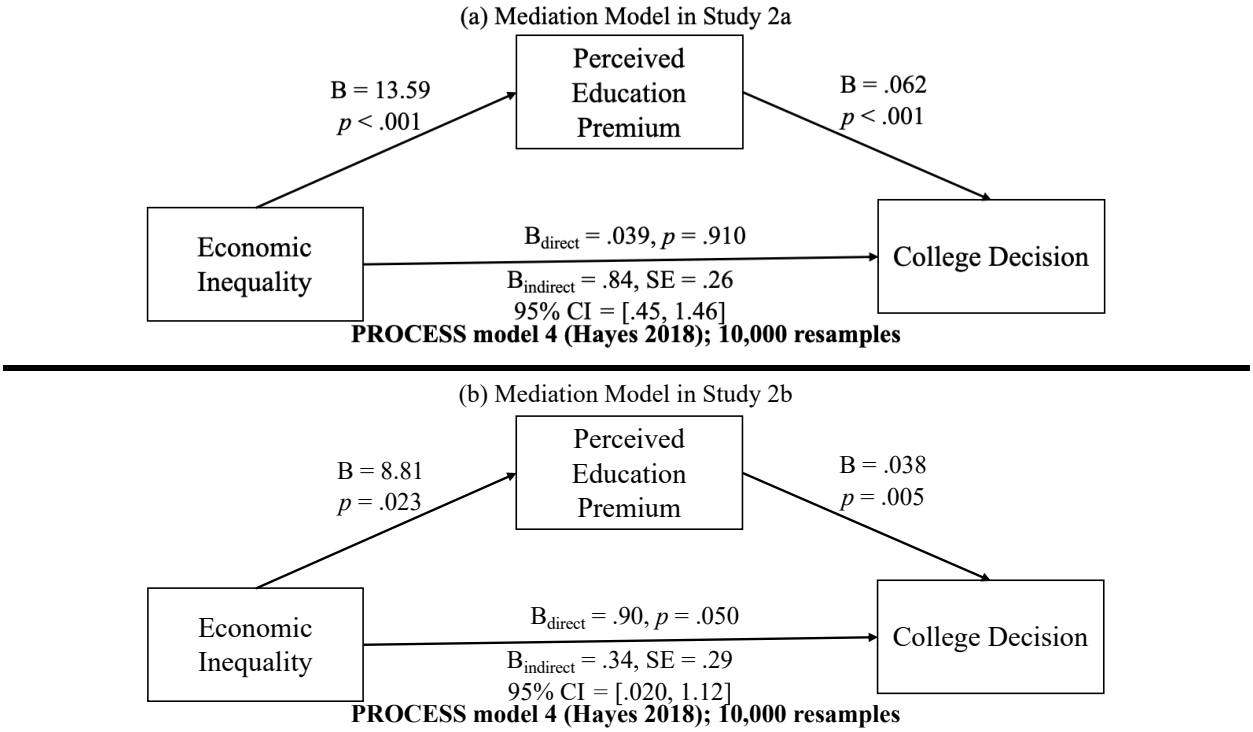
Notes: Error bars represent one standard error. ** denotes p < .01, * denotes p < .05.

Next, we tested the two alternative explanations. An ordinal logistic regression revealed a significant positive effect of economic inequality on participants' status aspirations, consistent with the previous literature (B = 1.63, SE = .82, Wald χ^2 (N = 108) = 4.00, p = .046). However, a binary logistic regression showed that participants' college decision was not affected by their status aspirations (B = .77, SE = .67, Wald χ^2 (N = 108) = 1.33, p = .249). Similarly, economic inequality marginally increased participants' monetary needs (M_{high} = 92.33, SD = 36.97 vs. M_{low} = 79.06, SD = 42.00; F(1,106) = 3.07, p = .083), but their monetary needs did not influence their college decision (B = .004, SE = .005, Wald χ^2 (N = 108) = .49, p = .483).

Discussion. Study 2b reaffirmed the positive effect of economic inequality on college decision, which was mediated by a heightened perceived education premium of college. These

results replicated the findings of Study 2a, providing further support for H_1 and H_2. Moreover, even though economic inequality promoted status aspirations and monetary needs, neither of the factors had any impact on people's choice to attend college, thereby ruling out them as the alternative explanations. Study 2c sought to test the mechanism using a moderation design. Additionally, it adopted a continuous measure of college decision instead of the binary one used in Studies 2a and 2b.

Figure 2.3. The Mediating Role of Perceived Education Premium of College



Study 2c

The hypotheses, method, and sample size for Study 2c were preregistered at https://aspredicted.org/PGQ_GNH.

Participants and Procedure. Three hundred and one participants recruited through Cloud Research (48.2% male; M_{age} = 44.41) completed Study 2c for monetary compensation. The study employed a 2 (economic inequality: low vs. high) by 2 (income difference: fixed difference vs.

no information) between-subject design, and participants were randomly assigned to one of the four conditions.

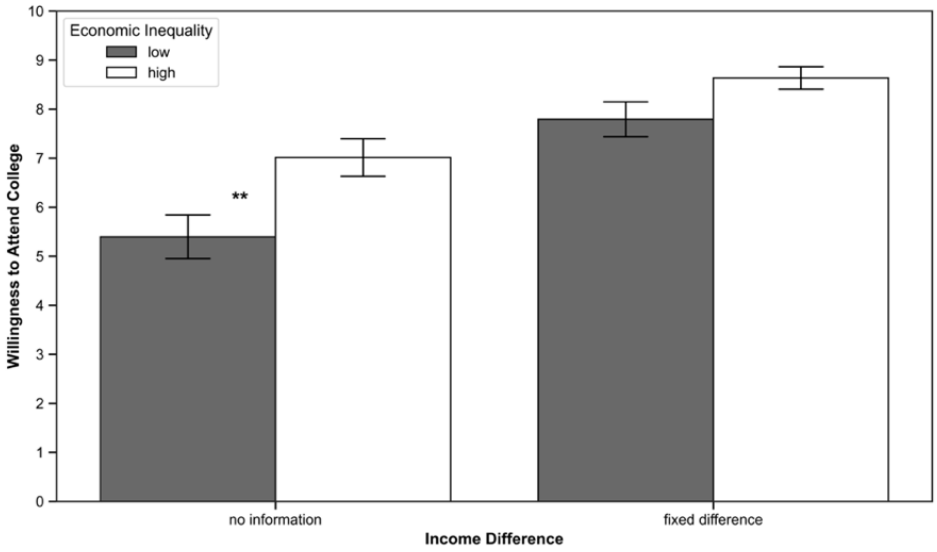
The procedure of Study 2c was similar to Study 2a with two changes. First, participants in the *fixed difference* condition were presented with the income distribution, followed by a specified average annual income difference between college graduates and high school graduates set at $33,792. This figure corresponds to the actual income gap between these two groups in the United States in 2019 (Statista 2022). In contrast, participants in the *no information* condition did not receive this information after viewing the income distribution. Another change was that we implemented a new measure of college decision. Contrary to the binary choice employed in Studies 2a and 2b, participants indicated their willingness to attend college on a 11-point Likert scale (0 = not willing to at all, 10 = definitely willing to).

Results. The manipulation of the economic inequality (Cronbach's $\alpha = .76$) was effective ($M_{high} = 6.09$, SD = .91 vs. $M_{low} = 4.85$, SD = .95*;* $F(1, 297) = 133.47$, $p < .001$, $\eta^2 = .310$). Unexpectedly, the manipulation of income difference had a main effect on the perceived economic inequality ($M_{fixed\text{-}difference} = 5.58$, SD = 1.08 vs. $M_{no\text{-}information} = 5.32$, SD = 1.14*;* $F(1, 297) = 4.89$, $p = .028$, $\eta^2 = .016$). However, the effect size of income difference manipulation is considerably small compared to that of economic inequality manipulation, indicating the majority of the variance in perceived economic inequality should be attributed to the manipulation of overall economic inequality itself. In addition, there was no interaction between the two factors ($F(1, 297) = 1.07$, $p = .289$, $\eta^2 = .004$). We conducted additional analyses, as detailed in Appendix L, to explore the potential causes of the unexpected effect of income difference manipulation on perceived economic inequality.

As pre-registered, we first tested the one-tail interaction, because our hypothesis was that the difference in willingness to attend college between the *high (vs. low) economic inequality* condition would be greater in the *no information* condition than in the *fixed difference* condition. Although the contrast analysis showed that the difference in difference was consistent with the hypothesized direction, it was not significant (estimate = .77, SE = .73, t(297) = 1.06, p = .145).

Despite the insignificant contrast result, we proceeded to analyze the simple effects, as pre-registered. Consistent with Studies 2a and 2b, in the *no information* condition, participants in the *high economic inequality condition* were more willing to attend college (M = 7.01, SD = 3.24) than those in the *low inequality condition* (M = 5.40, SD = 3.93; F(1, 297) = 9.83, p = .002, η^2 = .032). The effect of economic inequality on participants' willingness to attend college diminished in the *fixed difference* condition, where the education premium of college was specified (M_{high} = 8.64, SD = 1.98 vs. M_{low} = 7.79, SD = 3.12; F(1, 297) = 2.69, p = .102, η^2 = .009). These results provided partial support for the perceived education premium of college as the underlying mechanism *(*Figure 2.4).

Figure 2.4. The Impact of Economic Inequality on College Decision by Income Difference



In addition, we found a positive main effect of economic inequality (M_{high} = 7.84, SD = 2.78 vs. M_{low} = 6.59, SD = 3.74; F(1, 297) = 11.42, p = .001, η^2 = .037. Interestingly, we also observed a significant main effect of income difference (F(1, 297) = 30.46, p < .001, η^2 = .093). Participants in the *fixed difference* condition were more willing to attend college (M = 8.21, SD = 2.65) than their counterparts in the *no information* condition (M = 6.17, SD = 3.69). Although we did not have a specific *a priori* prediction for this effect, we hypothesized it could be due to participants in the *no information* condition having a lower estimate of the education premium of college than the specified income difference of $33,792. In Studies 2a and 2b, where participants were also not provided with the fixed income difference, their mean estimated education premium of college across economic inequality conditions was 31.48 (SD = 20.31) and 32.64 (SD = 20.64) thousand dollars respectively, both falling slightly below $33,792. The simple effect analyses investigating the effect of income difference on willingness to attend college provided additional support for this hypothesis. Specifically, the simple effect was more pronounced in the *low economic inequality* condition (mean difference = 2.40; SE = .51, F(1, 297) = 22.33, p < .001, η^2 = .070), where participants tended to estimate an education premium of college that, on average, was much lower than $33,792, mirroring their counterparts in Studies 2a (i.e., $22,720) and 2b (i.e., $27,600). However, the simple effect was weaker in the *high economic inequality* condition (mean difference = 1.62, SE = .52; F(1, 297) = 9.64, p = .002, η^2 = .031), where participants were inclined to estimate an education premium of college that, on average, was greater than $33,792, mirroring their counterparts in Studies 2a (i.e., $38,310) and 2b (i.e., $37,180).

Overall Discussion

The three experiments provided convergent causal evidence that rising economic inequality motivates people to choose to attend college (H_1) primarily because it heightens their perceived education premium of college (H_2). While the education decision task paradigm offers strong internal validity under controlled conditions, it may be vulnerable to artificiality and may not fully capture the complexity of people's college decision in natural contexts. To address this limitation, we leveraged real-world data in Studies 3a and 3b to enhance the ecological validity of our findings.

Studies 3a and 3b

In Studies 3a and 3b, we conducted archival data analyses using a fixed-effects model. Particularly, we utilized the ten-year county-level education data from American Community Survey (ACS) administered by the U.S. Bureau of Census (2023d, 2023e). We used two different proxies of college decision: education attainment (Study 3a) and school enrollment (Study 3b). To ensure the utmost relevance to our research, we focused the attainment of bachelor's degree and the enrollment in college. Similarly, we targeted the age groups (i.e., 18 to 24 years and 25 to 34 years) that are most actively engaged in college education and likely to be influenced by the recent trend in economic inequality. The additional analyses on other postsecondary degrees and age groups are detailed in the Appendix M.

Data and Method

College Decision. In Study 3a, we obtained the yearly one-year estimated data on education attainment from ACS for the period between 2010 and 2019, using it as the proxy for college decision. Specifically, we focused on the proportions of individuals aged between 18 and 24 years and between 25 and 34 years with a bachelor's degree or higher, treating them as the key dependent variables.

Recognizing that degree completion may be influenced by factors beyond the decision to attend college, we employed a more direct proxy in Study 3b—school enrollment. Our key dependent variable was the proportion of individuals aged between 18 and 24 years who were enrolled in college or graduate school.

Due to the lack of detailed information in the ACS data, we were unable to differentiate between the attainment of a bachelor's degree and the attainment of a professional or graduate degree within the targeted age groups in Study 3a. In Study 3b, we faced the same data limitation in differentiating between the college enrollment and the graduate school enrollment within the targeted age group. Nonetheless, earning a professional or graduate degree or enrolling in graduate school suggests that an individual has already completed their undergraduate education, indirectly indicating their decision to attend college. In addition, we conducted the supplementary analyses on the entire population (e.g., individuals over 25 years for education attainment and over 3 years for school enrollment), allowing us to make such differentiations. The additional analyses on other age groups are detailed in the Appendix M.

Economic Inequality and Covariates. For both studies, we collected county-level Gini index from ACS for the period between 2010 and 2019 (U.S. Bureau of Census 2023a), treating it as the focal predictor. We utilized five-year estimated Gini index to capture the dynamic and cumulative impact of economic inequality on people's college decision, recognizing that its influence is unlikely to be immediate or simultaneous. In addition, we collected county-level median household income, population (U.S. Bureau of Census 2023b, U.S. Bureau of Census 2023c), and unemployment rate (U.S. Bureau of Labor Statistics 2023) for the same ten-year period, including them as county-level covariates.

Datasets Description. Both datasets (education attainment in Study 3a, and school enrollment in 3b) consisted of 8,186 observations from 831 unique counties across 51 states of the United States, including Washington DC. Out of these, 26 counties in 16 states had missing years (N_{total} = 124), accounting for approximately 1.5% of the total observations. In addition, there were 346 missing values for the proportion of individuals aged between 18 and 24 years who were enrolled in college or graduate school, representing approximately 4.2% of the total observations. Given the proportions of missing data were not substantial—less than 5%—omitting these missing data was unlikely to introduce bias (Little and Rubin 1987; Schafer and Graham 2002). Therefore, we included these counties in our fixed-effects model.

Fixed-effects model. To account for the bounded nature of the dependent variables, which are proportions ranging between 0 and 1, we utilized a fixed-effects Generalized Linear Model (GLM) with a logit link and the binomial family in both studies. Additionally, we utilized robust standard errors to enhance the reliability of our results (Papke and Wooldridge 1996). Specifically, We regressed the key dependent variables related to education attainment on the Gini index and the aforementioned county-level covariates. To address unobservable heterogeneity among states, which encompasses state education policies such as state funding, institutional expenditure, financial aids, standards, and affirmative actions—all of which can influence people's college decision (reviewed by Perna 2006)—we included fixed state effects. Additionally, fixed year effects were incorporated to account for unobservable time shocks.

Results

Education Attainment. The regression analyses in Study 3a , predicting education attainment, revealed that Gini index was positively associated with the proportion of individuals with a bachelor's degree or higher among individuals aged between 18 and 24 years (B = 7.45,

robust SE = .20, 95% robust CI = [7.06, 7.84], $p < .001$) and 25 to 34 years (B = 9.20, robust SE = .20, 95% robust CI = [8.81, 9.59], $p < .001$). The three county-level covariates were also significant (Table 2.2).

School Enrollment. In the regression analysis in Study 3b predicting school enrollment, we found the positive association between Gini index and the proportion of individuals aged between 18 and 24 years who were enrolled in the college or graduate school (B = 7.97, robust SE = .26, 95% robust CI = [7.46, 8.48], $p < .001$). The three county-level covariates were also significant (Table 2.2).

Table 2.2. Regression on County-level Education Attainment and School Enrollment

	B	Robust std err.	z	*p*
Attainment				
bachelor's degree or higher, 18-24 years				
Intercept	-19.55	.45	-43.40	< .001
Gini	7.45	.20	37.93	< .001
Income (Log10)	3.03	.080	37.64	< .001
Population	7.36e-08	8.81e-09	8.35	< .001
Unemployment rate	-.073	.0048	-15.33	< .001
bachelor's degree or higher, 25-34 years				
Intercept	-21.95	.41	-53.28	< .001
Gini	9.20	.20	46.70	< .001
Income (Log10)	3.72	.072	51.71	< .001
Population	5.46e-08	7.45e-09	7.33	< .001
Unemployment rate	-.079	.0046	-17.24	< .001
Enrollment				
college or graduate school, 18-24 years				
Intercept	-4.15	.52	-8.05	< .001
Gini	7.97	.26	30.87	< .001
Income (Log10)	.20	.091	2.24	< .001
Population	-7.40e-08	9.29e-09	-7.97	< .001
Unemployment rate	-.084	.0056	-15.02	< .001

Notes: The estimates for fixed state and year effects are not reported in this table, which can be found at https://researchbox.org/2321&PEER_REVIEW_passcode=QHWUDQ. The descriptive statistics of the independent and dependent variables are reported in tables M.8 to M.10 in Appendix M.

Discussion

Since one-year estimated ACS data are typically unavailable for counties with populations below 65,000, there is a potential for selection bias that could impact the

generalizability of our findings in Studies 3a and 3b. However, to a large extent, we mitigate this concern by directly controlling for population. Moreover, we conducted additional analyses utilizing five-year estimated data for education attainment and school enrollment. Furthermore, additional analyses were conducted using five-year estimated data for education attainment and school enrollment, encompassing observations from 3,141 unique counties across 50 states in the United States and Washington, D.C.. These additional analyses are detailed in Appendix M.

These results supported the positive relationship between economic inequality and people's decision to attend college, operationalized as the attainment of the bachelor's or higher degrees and the enrollment in college and graduate schools. The multi-year county-level evidence supplements the state-level observations from Google search and the experimental findings from the education decision task. Together, these diverse data sources provide a comprehensive perspective on the influence of economic inequality on people's college decision, exhibiting both internal and external validity. Furthermore, the additional analyses as detailed in Appendix M, covering different age groups, and utilizing alternative data sources and regression models, yielded consistent findings, thereby affirming the robustness of our findings.

Study 4

Across Studies 1 to 3, we found convergent evidence supporting the first two hypotheses, employing various operationalizations of economic inequality and diverse proxies for college decision. In Study 4, we shifted our focus to H_3 by investigating the impact of economic inequality on people's choice of major. This study aimed to examine the impact in different tradeoff scenarios, ranging from moderate to more extreme conflicts between external rewards and personal interests associated with a major.

Methods

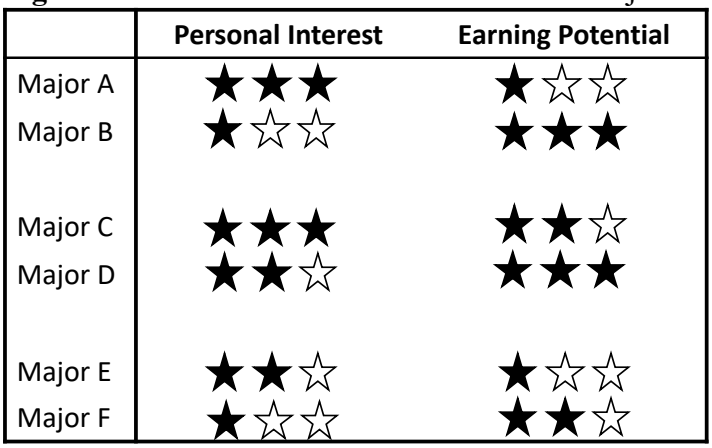
Participants. Three hundred and six participants recruited through Cloud Research (60.2% male; M_{age} = 39.68) completed Study 4 for monetary compensation. The study employed a two by three between-within subject design, with economic inequality as the between-subject design (low vs. high) and tradeoff scenarios (one extreme vs. two moderate) as the within-subject factor. Participants were randomly assigned to one of the two economic inequality conditions.

Manipulation of Economic Inequality. Participants were asked to imagine themselves as citizens of a fictious society called Bimboola, where people were categorized into three groups based on their annual income (Peters et al. 2021; Sánchez-Rodríguez et al. 2019; Sprong et al. 2019). They were then presented with income distributions with constant average income but varying variances between income groups, serving as a manipulation of economic inequality (Figure J.2 in Appendix J). Given the well-established nature of this paradigm, we used a single-item manipulation check question on a 7-point scale: "The annual incomes of Bimboolian people are ___." (1 = "very equal", 7 = "very unequal").

The Tradeoff Tests. Following the manipulation of economic inequality and the manipulation check question, participants were asked to further imagine they were high school students in Bimboola facing a crucial decision on their college major. Then, they were provided with a table describing six majors, labeling from A to F, each indicating different earning potentials and alignment with their personal interests (Figure 2.5). Among these options, majors A and C were most aligned with their personal interests but offered the lowest earning potential across all majors, or a moderate earning potential equivalent to the average starting salary upon graduation for all college graduates. Conversely, majors B and D offered the highest earning potential compared to all other majors, but they were the least or moderately interested in pursuing them. Finally, major E was the least-paying major and they were moderately interested

in it, while major F was the least interesting to them but had a moderate pay level. Subsequently, participants were asked to make a series of choices between the three pairs of majors: A vs. B (extreme tradeoff), C vs. D (moderate tradeoff), and E vs. F (moderate tradeoff). In each pair, the major on the left side had higher personal interests but lower earning potential, whereas the major on the right side had lower personal interests but higher earning potential. Participants indicated their choices on a 7-point scale (1 = "definitely A", "definitely C", or "definitely E"; 7 = "definitely B", "definitely D", or "definitely F"). Participants were explicitly informed that each choice was independent of the others. In addition, participants were allowed to make only one choice at a time and were unable to change their decision, ensuring the independence of each choice. Furthermore, we randomized the order of the three major pairs to minimize order effects. At the end of the survey, participants provided demographic information, including gender, age, annual household income, subjective social class, and political ideology.

Figure 2.5. The Details of the Three Pairs of Majors



Results

As intended, participants in the *high economic inequality* condition perceived Bimboola as more economically unequal (M = 6.05, SD = 1.25) than those in the *low economic inequality* condition (M = 3.27, SD = 1.51; t(296.81) = 17.52, $p < .001$, Cohen's $d = 2.00$).

We employed a mixed ANOVA, treating economic inequality as the between-subject factor and tradeoff pair as the within-subject factor. As predicted, participants in the *high economic inequality* condition ($M_{\text{average of the tradeoff pairs}} = 5.17$, SE = .13) were more willing to choose the majors with higher earning potential but less personal interests (e.g., B, D, F) over those that aligned more closely with personal interests but offered lower earning potential (e.g., A, C, E), compared to their counterparts in the *low economic inequality* condition ($M_{\text{average of the tradeoff pairs}} = 4.26$, SE = .13, $F(1, 304) = 25.10$, $p < .001$, $\eta^2 = .076$). Table 2.3 reports the choice in each pair. In addition, we found a significant main effect of tradeoff pair, despite not having any *a priori* prediction on it (Mauchly's W = .88, $p < .001$; $F_{\text{Huynh-Feldt correction}}(1.79, 545.01) = 4.04$, $p = .022$, $\eta^2 = .013$). Specifically, participants were significantly less willing to choose the major with higher earning potential over the one that aligned more closely with personal interests when choosing between the pair C and D (M = 4.53, SD = 2.31, compared to when the pair was A and B (M = 4.79, SD = 1.92; $p = .033$) or E and F (M = 4.81, SD = 1.81; $p = .017$).

Table 2.3. The Results of the Tradeoff Tests

Tradeoff Scenario	**Economic Inequality** Low (code = 0)		High (code= 1)		**F-statistics (1, 304)**	***p*-value**	η^2
	M	SD/*SE*	M	SD/*SE*			
A vs. B	4.28	1.98	5.31	1.72	23.69	< .001	.072
C vs. D	4.14	2.35	4.91	2.21	8.75	= .003	.022
E vs. F	4.35	1.87	5.29	1.62	22.01	< .001	.082
AVERAGE	4.26	*.13*	4.80	*.13*	25.10	< .001	.076

Discussion

Study 4 supported H_3 that people tend to be more extrinsically (vs. intrinsically) motivated as economic inequality increases. Therefore, in more unequal societies, people favor majors with higher external rewards (e.g., earning potential) but lower internal drive (e.g., personal interests) over those aligned more closely with their internal drive while offering fewer

external rewards. Importantly, we observed the effect of economic inequality on people's choice of major across all tradeoff scenarios, demonstrating its widespread influence.

Study 5

Study 5 served dual purposes. First, it sought to replicate the impact of economic inequality on people's choice of major (H_3). Second, it aimed to test whether perceived education premium between majors was the underlying mechanism (H_4). In this study, instead of presenting all tradeoff scenarios, we only utilized the most conservative tradeoff scenario. This scenario entailed a tradeoff between the highest personal interests but moderate external rewards and the moderate personal interests but the highest external rewards.

Methods

The hypotheses, method, and sample size for Study 5 were preregistered at https://aspredicted.org/blind.php?x=Z3Q_6PH.

Participants and Procedure. Two hundred participants recruited through Cloud Research (62.5% male; M_{age} = 40.06) completed Study 5 for monetary compensation. The study employed a one-factor (economic inequality: low vs. high) between-subject design, and participants were randomly assigned to one of the two conditions.

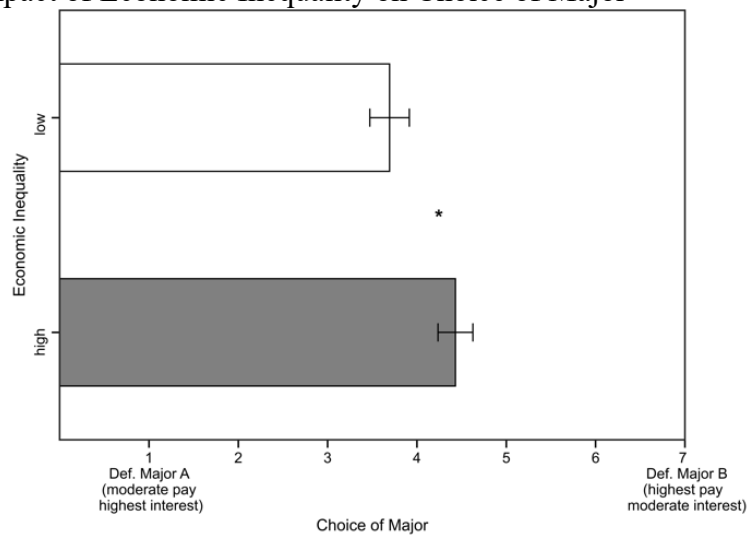
Similar to Study 4, participants were asked to image themselves as citizens of Bimboola. Then, they were presented with the income distribution in Bimboola, which served as the manipulation of economic inequality. Following this, participants were asked to further imagine making a crucial decision on their college major as a high school student in Bimboola. Particularly, they were choosing between two majors: *major A*, which aligned most with their personal interests but offered a moderate pay, and *major B*, which provided the highest pay, but only sparked moderate interest in them. Then, they indicated their choice on a 7-point scale (1 =

"definitely major A", 7 = "definitely major B"). Next, they indicated the perceived difference in average annual income between major A and major B using a slider raging from 0 to 100 (in thousand Bimboolian dollars). This question measured the *perceived education premium between majors*. Afterward, they answered the manipulation check question and concluded the study by responding to a set of demographic questions as in Study 4.

Results and Discussion

The manipulation of economic inequality was effective (M_{high} = 5.83, *SD* = 1.19; M_{low} = 3.64, SD = 1.47*;* t(186.54) = 11.59, $p < .001$, Cohen's d = 1.65). Consistent with Study 4, participants in the *high economic inequality* condition (M = 4.43, SD = 1.97) were more willing to choose the major that offered higher pay but they were less interested in (i.e., major B) over the one with higher personal interests but lower earning potential (i.e., major A), compared to those in the *low economic inequality* condition (M = 3.69, SD = 2.19, F(1, 198) = 6.27, $p = .013$, $\eta^2 = .031$; Figure 2.6). They also perceived a greater annual income difference between the two majors (M = 45.91, SD = 19.09) than their counterparts in the *low economic inequality* condition (M = 39.86, SD = 23.52; F(1, 198) = 14.74*,* $p < .001$, $\eta^2 = .069$).

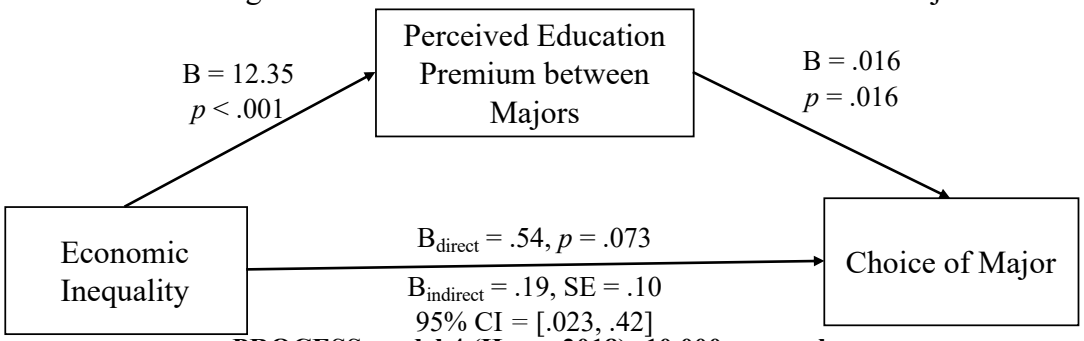
Figure 2.6. The Impact of Economic Inequality on Choice of Major



Notes: Error bars represent one standard error. * denotes $p < .05$.

Next, we employed PROCESS model 4 (Hayes 2018) with 10,000 resamples to test the proposed mediation model, treating economic inequality as the independent variable, perceived education premium between majors as the mediator, and choice of major as the dependent variables. In line with H_4, a greater perceived difference in average annual income between major A and major B mediated the positive effect of economic inequality on participants' willingness to choose the higher-paying (vs. lower-paying) major (B = .19, SE = .10, 95% CI = [.023, .42]; Figure 2.7). The complete mediation results are reported in Table K.4. Appendix K.

Figure 2.7. The Mediating Role of Perceived Education Premium Between Majors



PROCESS model 4 (Hayes 2018); 10,000 resamples

Discussion

Study 5 replicated the findings of Study 4, using the most conservative tradeoff scenario, thereby providing additional evidence for H_3. Moreover, it unveiled the rationale behind why higher economic inequality drives people to prioritize external rewards (e.g., earning potential) over internal drives (e.g., personal interests) when choosing college majors. This choice is attributed to people perceiving a greater education premium between majors in more unequal societies, thus supporting H_4.

General Discussion

Amidst the intense discourse concerning the impact of education on economic inequality (e.g., Abdullah, Doucouliagos, and Manning 2013; Breen and Chung 2015), scant attention has

been directed to examining the reciprocal relationship—how economic inequality influences education. The present research delves into this less-explored aspect by addressing two specific questions: how rising economic inequality shapes people's college decision and their choice of major, which are among the most critical decisions in their lives.

Six studies yield convergent evidence that rising economic inequality motivates people to attend college. In Study 1, we find a positive association between Gini index and search interest in college education at the state level, controlling for other relevant factors. Building upon this preliminary evidence from Google Trends, we conducted three experiments in Studies 2a to 2c (2c is pre-registered), using an education decision task adapted from Payne et al. (2017). They provide consistent causal evidence to the positive effect of economic inequality on people's choice to attend college. They also unveil that this effect is driven by people perceiving a greater *education premium of college* in more unequal societies. To address concerns regarding artificiality in the experimental paradigm, we conducted archival data analyses on ten-year census data obtained from American Community Survey in Studies 3a and 3b, aiming to enhance the ecological validity of our findings. These analyses reveal positive associations between the Gini index and education attainment (Study 3a), as well as school enrollment (Study 3b) at the county-level.

In the last two studies, our focus shifts to explore the impact of economic inequality on people's choice of major. Study 4 documents that, regardless of whether the conflicts between intrinsic and extrinsic motivations are moderate or more extreme, people display a stronger inclination to prioritize external rewards over internal drives as economic inequality increases. This, in turn, leads them to choose majors with higher earning potential but lower personal interests over those that align more with their genuine interests but offer less pay. Study 5 (pre-

registered) replicate this finding using the most conservative tradeoff scenario. More importantly, it reveals the rationale behind people's choice of major, which is attributed to a heightened perceived *education premium between majors* in more unequal societies.

Theoretical Contribution

The present research mainly contributes to the two streams of literature. First, it broadens our understanding on people's decision-making regarding higher education. Perna (2006) proposed a four-layer model to explain this process, encompassing the individual's habitus, school and community context, the higher education context, and the broader social, economic, and policy context. Prior research has predominantly concentrated on the micro-level and meso-level factors, examining the influence of individual characteristics, school, community, neighborhood, and family influences, as well as institutional attributes (e.g., Chapman 1981; Dearden et al. 2019; Hossler et al. 1989; Long 2004a; Paulsen 1990; Yoon et al. 2021). However, limited research has examined macro-level factors, with a majority focusing on the impacts of cultural differences (e.g., Nora 2004) and policies (e.g., Kirst and Bracco 2004, Long 2004b; Perna and Tinus 2004). Nonetheless, people's education decision cannot be isolated from their socioeconomic environments. For example, Bettis (1996) found that deindustrialization and the consequential high unemployment rate among low-skill workers lead urban students in such a socioeconomic environment to have heightened aspirations for attending college. The present research studies another critical factor in socioeconomic environment—economic inequality and explores how it influences people's college decision and choice of major. In addition, we approach this question from a psychological perspective, different from Hill (2016), who took an economic standpoint, revealing the detrimental effect of economic inequality on financial challenges for higher institutions and tuition burdens for students and their families.

By studying economic inequality as the key macroeconomic antecedent of education decisions, the present research also makes contribution to the growing literature on economic inequality. Existing studies have extensively explored its economic, political, societal, psychological, and managerial ramifications (e.g., Banerjee and Duflo, 2003; Goya-Tocchetto and Payne 2022; Payne et al. 2017; Peters et al. 2022; Sánchez-Rodríguez et al. 2019; Sprong 2019; Wang et al. 2022). However, there has been little investigation into its impact on education decisions, despite their significant relevance to individuals (Grewal et al. 2022).

Moreover, we highlight the *perceived education premium of college* and *perceived education premium between majors* as the mechanisms underlying the influence of economic inequality on people's college decision and choice of major. While the actual education premium has been extensively documented in the literature (e.g., Grogger and Eide 1995; Walker and Zhu 2008; Fortin 2006), there has been limited understanding how individuals perceive it. The present research bridges this gap by investigating not only people's perception of education premium but, more importantly, its variability depending on the level of economic inequality, for both the same education level (e.g., college) and the same major.

Policy Implications

Since the 1970s, the United States has experienced a dramatic shift in the gender gap within higher education. As of 2019, the percentage of women obtaining bachelor's degrees exceeded that of their male counterparts by a substantial 14 percent. This difference was higher than in 1972, where the situation was reversed (Reeves and Smith 2022). While we celebrate the enhanced gender equality in higher education, we cannot ignore the emergence of a *male college crisis*, which is observed across all income and racial groups except for Asian, as well as in other countries, such as France, Brazil, Slovenia, and Mexico (Belkin 2021; Thompson 2021). In

addition to supporting male students in their academic and financial preparation, our findings suggest that making economic inequality more salient and promoting perceived education premium of college may help with tackling this crisis. An array of strategies can be employed to achieve this, including the implementation of awareness campaigns in high schools. These campaigns can illuminate the realities of income inequality and spotlight the enduring financial advantages and career prospects associated with pursuing college degrees in the long run.

The past half decade also witnessed a sharp decline in humanities major enrollments across various institutions, including elite liberal arts colleges. The percentage of humanities degrees conferred in the late 2010s was less than a third of that during the peak of humanities popularity in the late 1960s to early 1970s (Schmidt 2018). This *humanity major crisis* is also manifested in people's remorse of studying humanities. Recent data from the Survey of Household Economics and Decision-making (SHED) reveals that nearly 50% of humanities graduates expressed regret over their college major choice, in stark contrast to the 25% of engineering graduates (Van Dam 2022). To counteract the retreat from humanities, the essential solution is to bridge the income gap between higher-paying fields (e.g., STEM) and those with lower pay levels (e.g., humanities). Additionally, efforts should be directed towards creating equitable job prospects for individuals with humanities backgrounds. Concurrently, it is necessary to boost the perceived education premium of humanities majors. Rather than solely presenting young people with income charts, it is crucial to emphasize the value of versatile, transferable, and adaptable skills acquired through studying humanities, showcasing how these skills can translate into financial benefits across various professions.

Beneath the humanities major crisis lies a more profound issue: young people often forsake their genuine passions in favor of majors promising higher earnings (Belkin 2021). This

decision can be myopic and detrimental. Primarily, they might struggle with their academic performance, as their inherent aptitude might not align with fields offering greater pays. For instance, 48% of college students who initially opted for a STEM major latter switched to a non-STEM major or dropped out completely (Altonji, Arcidiacono, and Maurel 2015). Similarly, pursuing a career path for which individuals lack intrinsic motivation may result in lower job satisfaction (Wernimont 1966). Therefore, policymakers should foster a diverse, inclusive, and dynamic environment where young people can preserve their intrinsic motives, unleash their authentic talents and passions, and harness their strengths to their fullest potential. This can be achieved by helping them become aware that there will be a greater long-term personal growth and inherent fulfillment in studying and working in a field they are genuinely gifted and interested rather than a field with greater average earning potential. Ultimately, these efforts should benefit the development of collective intelligence and long-term prosperity of society.

Beyond its role in tackling these two pressing crises, the present research underscores two other phenomena in higher education to which economic inequality may contribute. First, it may fuel *credential inflation*, which is characterized by "expansion of access to higher education and the proliferation of formal degree requirements for entry to employment" (Brown 2001; p.19). In addition to economic growth, intensified competition, increased importance of technical skills, and the standardization of credentials, one individual factor making a significant contribution to credential inflation is self-interest (Brown 2001; Collin 2019). Economic inequality heightens people's interest in college education, potentially indirectly fueling *credential inflation*. This inflation, in turn, increases the number of college graduates, potentially further exacerbating the perceived education premium of college. Ultimately, this perpetuates a self-reinforcing cycle. Additionally, economic inequality could contribute to the rise in students' debts through two

mechanisms (Federal Reserve Bank of New York 2023). Firstly, it motivates young people to purse college without adequately considering their financial situation. Simultaneously, it enhances the perceived education premium of college, potentially leading young people to be overly optimistic about their capacity to repay debts. Hence, to partially tackle credential inflation and alleviate the escalation of student debts, it is crucial to nudge young people to take into account various factors. This involves considering their actual needs, genuine interests, career paths, and financial capabilities, rather than being excessively influenced by the perceived education premium of college, which may be exaggerated by economic inequality in their minds.

Finally, we acknowledge that, although people show increased interest in attending college in response to heightened economic inequality, this does not necessarily ensure successful graduation. The journey from predisposition to graduation encompasses numerous challenges. Consequently, it becomes imperative for policymakers to proactively address the obstacles that span this journey, such as the financial burdens, application complexities, and academic struggles. Only by doing so can the decision to attend college translate into to earning a bachelor's degree.

Limitations and Directions for Future Research

We acknowledge several limitations in the present research, which provide opportunities for future investigation. First, the education decision task may inadvertently downplay the significance of non-monetary factors, such as personal alignment and academic capabilities, as the setup primarily focuses on earning potential. While non-monetary considerations are unlikely affected by changing economic inequality, their potential moderating roles in the effect of economic inequality on people's college decision might be understated. To address this, future research could explicitly introduce other factors to the education decision task to examine the

interaction between monetary and non-monetary considerations in shaping people's college decision. In exploring people's choice of major, we directly tested the tradeoff between the intrinsic motive—personal interests and the extrinsic motive—earning potential. However, we did not explicitly consider the role of academic capabilities, which is another significant determinant of college major choice (Wright 2018). Interestingly, students' self-estimation on their academic capability may be biased by their desire to study a certain major when choosing a college major, only realizing their true capability while studying. As mentioned before, research has shown that 48% of college students who initially chose a STEM major switched to a different major or dropped out (Altonji, et al. 2015); this is probably partly due to an overestimation of one's own ability to pursue these majors. Future research can examine the intricate interplay among personal interests, earning potential and academic capability in people's choice of major as economic inequality changes.

Second, the college cost was held constant across economic inequality conditions. However, it could vary; for example, rising economic inequality in the United States led to an increase in college tuition (Hill 2016). Therefore, while economic inequality increases perceived education premium of college, it could simultaneously raise college costs, potentially offsetting the return on investment (ROI) associated with college education in the short term. In this case, students with a short-term perspective, prioritizing immediate ROI over long-term ROI, may be less motivated to attend college as economic inequality increases. Future research may incorporate college cost into the decision-making model and explore how it interacts with the perceived education premium of college in shaping people's college decision. We did not specify the cost of studying each major, as it closely aligns with the general college cost, and the differences in costs between most majors are often negligible.

Third, the perceived education premium of college and between majors can be measured over different time spans, such as annually, cumulatively over ten years, or even across a lifetime, influencing the perceived financial benefit of a college degree. In the present research, we chose to measure it solely as the perceived annual income difference upon graduation. This decision was made because this immediate education premium provides a more conservative estimate than the ten-year or lifetime education premium, which tends to be wider due to a higher income growth rate among individuals with higher education or those studying high-paying majors (Connolly and Gottschalk, 2006; Deming, 2023). However, it would be worthwhile for future research to also measure perceived education premium of college and between majors over longer time spans to investigate potential differing impact of economic inequality across various time horizons.

Fourth, we explored the potential moderating role of two individual differences, namely social comparison orientation (SCO) (Gibbons and Buunk 1999) and relative aspirational centrality (intrinsic vs. extrinsic) (Kasser and Ryan 1993, 1996). We predicted that the effect of economic inequality on college decision and choice of major would be attenuated among people with lower SCO and higher centrality of either intrinsic or extrinsic aspiration, respectively. The theorization and analyses are detailed in the Appendices K and N. However, we did not find evidence to support the proposed moderating roles of SCO and relative aspirational centrality. Nevertheless, this does not imply that other psychographic factors cannot moderate the observed effects. For example, socioeconomic status (SES) could be a moderator though we do not have any conclusive prediction regarding this interaction. On the one hand, people with higher SES may find these heightened perceived education premiums more appealing due to their desire to uphold their social standing; on the other hand, their lower-SES counterparts may be more

allured by the elevated expected monetary benefits, potentially mitigating their sense of relative deprivation (Jetten et al. 2017). Hence, both groups could be more susceptible to the impacts of economic inequality on their college decision and major choice.

Lastly, the present research has primarily centered on the conventional college education. However, our findings suggest potentially growing interest in alternative postsecondary education options, which also yield heightened education premiums, as economic inequality increases. Subsequent research could extend their focus to explore the impact of economic inequality on these non-traditional educational alternatives, including engaging in massive open online courses (MOOCs), participating in bootcamps, enrolling in online degree courses, and obtaining specialized professional certificates.

CHAPTER 4. CONCLUSION

In this dissertation, I delved into the intricate relationship between economic inequality and people's consumption decisions and experiences. In this endeavor, I leveraged various data sources, encompassing individual-level data collected through experiments and surveys, as well as aggregate-level data obtained from transactions, search patterns, and census records.

Utilizing these datasets, I explored the impacts of economic inequality on consumers' access to P2P services in Essay 1 and on their educational decisions in Essay 2. Essay 1 reveals that consumers in significantly unequal regions face reduced access to P2P services due to providers' diminished willingness to serve them. Providers' reluctance is driven by a perception of lower trustworthiness among these consumers and an increased financial risk associated with serving them. These negative effects can be mitigated when providers perceive a greater level of interpersonal similarity with consumers from unequal regions. Essay 2 unveils that economic inequality motivates people to attend college, driven by their perception of a heightened income difference between college graduates and high school graduates (i.e., a greater perceived *education premium of college*). It also motivates people to choose majors with higher earning potential, even if these fields align less closely with their personal interests because they perceive a wider income gap between higher- and lower-paying majors (i.e., a greater perceived *education premium between majors*). Importantly, we observed these impacts of economic inequality across various *kinds* of inequality, spanning from local to county, state, and country levels.

Both essays make significant contribution to a growing body of literature on the consequences of economic inequality (reviewed by Goya-Tocchetto and Payne 2022; Peters and Jetten 2022). At the individual level, it erodes people's sense of control (To et al. 2023), diminishes happiness and personal well-being (Buttrick et al. 2017; Oishi et al. 2017), fuels

social comparison (Cheung and Lucas 2016), intensifies status anxiety and the pursuit of status (Blake and Brooks 2019; Delhey and Dragolov, 2014; Melita et al. 2021; Walasek and Brown 2015; Wang et al. 2023), as well as encourages risky decisions (e.g., Payne et al. 2017) and unethical behaviors (e.g., Norton 2014). At the corporate level, economic inequality increases customer-directed opportunism while weakening the customer-oriented culture, resulting in a decrease in long-term profit (Bamberger, Homburg, and Wielgos 2021) At the societal level, economic inequality undermines public health (Layte and Whelan 2014; Pickett and Wilkinson 2015), deepens social class stereotypes (Tanjitpiyanond et al. 2022), promotes support for conspiracy theories and authoritarianism (Jetten et al., 2022; Sprong et al. 2019), impairs democracy (Krieger and Meierrieks 2016) and polarizes political ideology (Winkler 2019).

Surprisingly, in contrast to the burgeoning research in related disciplines, the marketing literature has remained quiet about how economic inequality affects individuals' consumption decisions and experiences, despite its undeniable impacts (Ordabayeva and Lisjak 2022). For example, it amplifies consumers' preference for status goods (Velandia-Morales et al. 2022; Walasek and Brown 2015), prompting lower-income households to increase their borrowing to sustain a conspicuous lifestyle (Christen and Morgan 2005). It also exerts a more nuanced influence on status consumption among lower-tier consumers, depending on their emphasis on either closing the possession gap or achieving positional advancement (Ordabayeva and Chandon 2011). Building upon these works, this dissertation investigates two consumer consequences of economic inequality in domains distinct from status consumption, which was the primary focus of prior studies in this vein.

Moreover, this dissertation explores the influence of economic inequality on individuals from two perspectives. First, it examines how economic inequality within an one's own region

impacts their decision-making—a central focus in the literature on economic inequality (Peters and Jetten 2022). Second, it investigates how economic inequality in regions beyond one's own can also shape how they perceive and behave in their interactions with people from these regions—an aspect that has received relatively little attention in previous research.

Through its examination of two novel consumer consequences, this dissertation contributes to the literature in two important domains: P2P services and education decision-making. Comprehensive discussions of these contributions are presented in the *General Discussion* section within each essay. In summary, Essay 1 expands the growing, yet still limited, literature on digital discrimination in P2P services (Cheng and Foley 2018; Cui et al. 2020; Edelman and Luca 2014; Edelman et al. 2017; Farmaki and Kladou 2020; Ge et al. 2020; Hannák et al. 2017; Ravenelle 2016). It also sheds light on providers' participation in P2P services (Chung et al. 2021; Wu et al. 2023), as well as their trust in consumers and their risk perception (Huurne et al. 2015). Essay 2 adds to the literature on individuals' decisions regarding higher education, an area that has predominantly centered on non-socioeconomic factors (reviewed by Perna 2006).

In the *General Discussion* sections in both essays, I have elucidated the managerial insights, policy implications, as well as the limitations and future research avenues specific to each essay. In addition to these specific limitations, there are two shared constraints. First, various objective measures of economic inequality are available, including the Gini index, Herfindahl index, and 90/10 or 80/20 ratios. More recently, the use of a two-parameter Ortega model has been proposed (Blesch, Hauser, and Jachimowicz 2022). This dissertation exclusively employed the *Gini index* as the objective measure and utilized single-parameter models. Future research could explore alternative measures or employ the Ortega model to assess the robustness

of the findings. Secondly, due to the scope of this dissertation, I could not evaluate the effectiveness of the proposed strategies in addressing managerial and policy challenges. For instance, future research could investigate whether an improved matching algorithm incorporating interpersonal similarity can effectively mitigate digital discrimination against consumers. It could also investigate whether campaigns aimed at improving young people's decision-making regarding higher education can, to some extent, alleviate issues such as *credential inflation*, the escalation of student debts, the *male college crisis*, and the *humanities major crisis*.

In conclusion, this dissertation has broadened our understanding of the impact of economic inequality on individuals' consumption decisions and experiences, shedding light on a relatively underexplored area in the existing literature. The discoveries made in this dissertation offer valuable managerial insights and carry important implications for policymaking. To further enhance our knowledge in this field, it is crucial to address the limitations in each essay and delve further into the intricacies of these findings. This approach will facilitate a more comprehensive understanding of the observed consumer consequences and unveil additional consumer outcomes related to economic inequality.

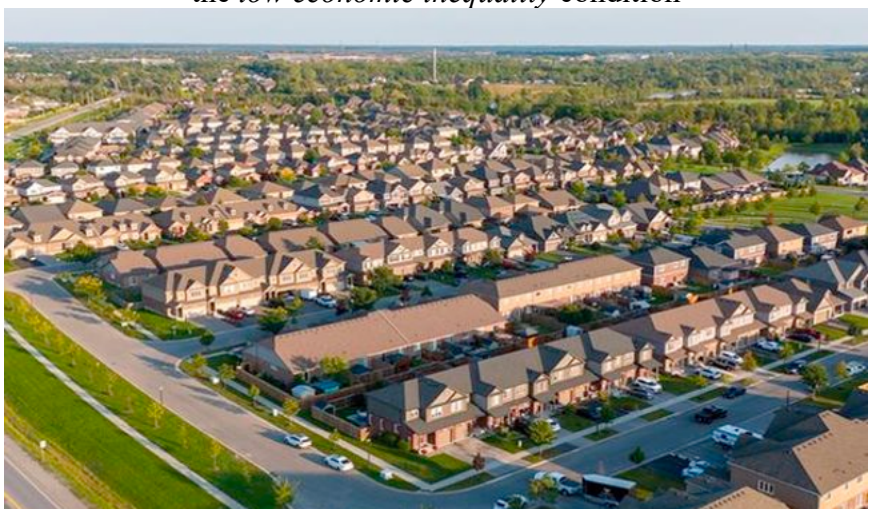
Appendix A: Manipulation of Economic Inequality in Essay 1

Manipulation of Economic Inequality in An Unspecified Local Community (Study 3)

Stimuli and Procedure. Participants were randomly assigned to either the *high* or the *low economic inequality* condition and read a brief description of the consumer's local community or neighborhood along with an accompanying image (Figure A.1). Specifically, those in the *low economic inequality* condition read "*having previously traversed her neighborhood, you recall that it's a large residential area characterized by rows of medium-sized townhouses*" while those in the *high economic inequality* condition read "*having previously traversed her neighborhood, you recall that it's an intersecting area characterized by a blend of well-designed single-family houses with spacious backyards and compactly arranged mobile homes*".

Manipulation check. Participants completed a two-item manipulation check on a 7-point scale: "how unequal are people's income in [the consumer's] neighborhood" (1 = "not unequal at all", 7 = "very unequal") and "how much does income vary across people in [the consumer's] neighborhood" (1 = "not at all", 7 = "a lot"). Manipulation check results of all experiments are summarized in Table A.1.

Figure A.1. The Accompanying Images of the Renter's Neighborhood
the *low economic inequality* condition



the *high economic inequality* condition

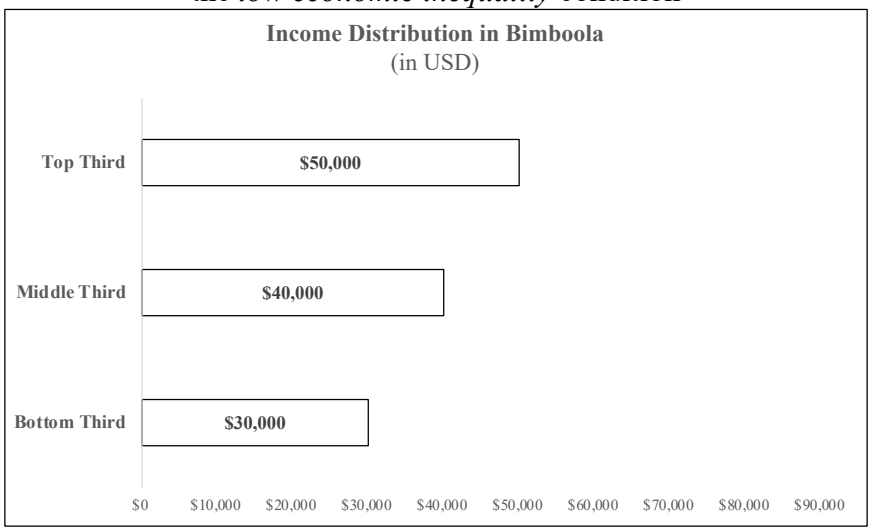
Manipulation of Economic Inequality in Bimboola (Studies 4 and 5)

Stimuli and Procedure. Participants were randomly assigned to either the *high* or the *low inequality* condition. In both conditions, participants were informed that "*Bimboola is like any other countries. Based on their annual individual incomes, Bimboolian people can be categorized into three groups: the top 1/3, the middle 1/3, and the bottom 1/3*". Then, they were presented with a bar chart displaying the average income of each group (e.g., Jetten et al. 2020; Peters et al. 2021; Sánchez-Rodríguez et al. 2019; Sprong et al. 2019; Wang et al. 2023; To et al. 2023; Figure A.2). In the *high (vs. low) economic inequality* condition, the income distribution had a large (vs. small) variance, indicating large (vs. small) differences between each of the income groups. In addition, the average income remained constant across both conditions (i.e., income distributions), allowing us to isolate the impact of inequality independent from that of the average income.

Manipulation check. Participants completed a two-item manipulation check on a 7-point scale: "how unequal is the people's income in Bimboola" (1 = "not unequal at all", 7 = "very unequal") and "how much does the annual income vary across people in Bimboola" (1 = "not at all", 7 = "a lot").

Figure A.2. Income Distributions in Bimboola

the *low economic inequality* condition



the *high economic inequality* condition

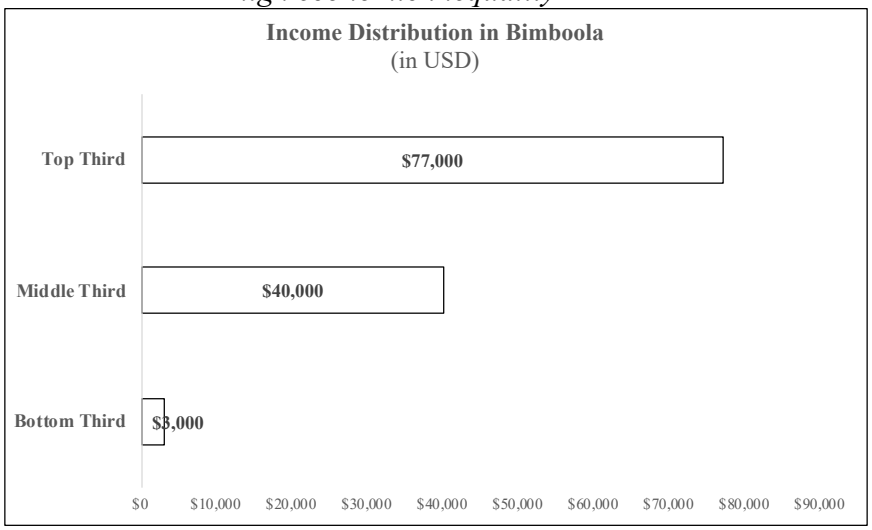


Table A.1. The Summary of Manipulation Check Results

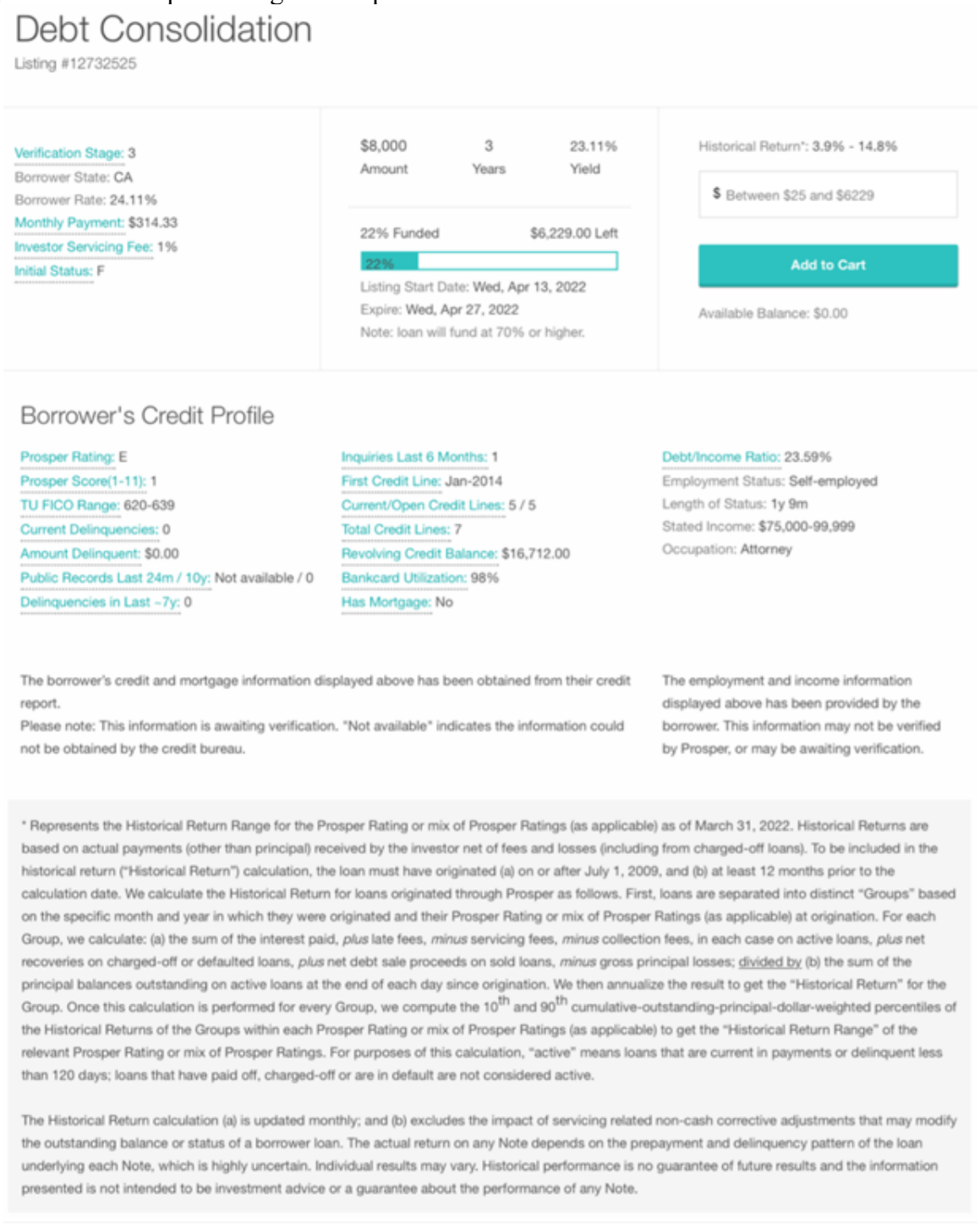
Study	Reliability *r*	Economic Inequality: Low (code = 0) M	Low (code = 0) SD	High (code= 1) M	High (code= 1) SD	Test Statistics	*p*-value	Effect Size
3	.88	2.95	1.34	5.08	1.54	t(200) = 10.50	< .001	*d* = 1.43
4	.91	3.33	1.10	5.81	1.14	t(211) = 16.06	< .001	*d* = 1.13
5	.83	3.01	1.01	5.82	1.17	t(159) = 16.25	< .001	*d* = 2.58

Appendix B: Proxy and Measures of Providers' Willingness to Provide P2P Services

Study	Providers' Willingness to Provide P2P Services
1	Logarithmic average lending amount.
2	How willing would you to host [this guest], considering you also received requests from other potential guests (1 = "not willing at all", 7 = "very willing to")?
3	How willing would you be to rent your tool to [the tool renter] (1 = "not willing at all", 7 = "very willing to")?
4	How much would you lend to [this borrower] ($0 – $3000)? *In the cover story, the borrower requests a loan of $3,000.* How willing would you be to lend to [this borrower] over other potential borrowers? (1 = "not willing at all", 7 = "very willing to")?
5	How willing would you be to host [this guest], considering you also received inquiries from other guests (1 = "not willing at all", 7 = "very willing to")?

Appendix C: Stimuli, Contexts and Cover Stories in Essay 1

Figure C.1 A Sample Listing on Prosper



Debt Consolidation

Listing #12732525

Verification Stage: 3
Borrower State: CA
Borrower Rate: 24.11%
Monthly Payment: $314.33
Investor Servicing Fee: 1%
Initial Status: F

$8,000 Amount | 3 Years | 23.11% Yield

22% Funded | $6,229.00 Left

22%

Listing Start Date: Wed, Apr 13, 2022
Expire: Wed, Apr 27, 2022
Note: loan will fund at 70% or higher.

Historical Return*: 3.9% - 14.8%

$ Between $25 and $6229

Add to Cart

Available Balance: $0.00

Borrower's Credit Profile

Prosper Rating: E
Prosper Score(1-11): 1
TU FICO Range: 620-639
Current Delinquencies: 0
Amount Delinquent: $0.00
Public Records Last 24m / 10y: Not available / 0
Delinquencies in Last ~7y: 0

Inquiries Last 6 Months: 1
First Credit Line: Jan-2014
Current/Open Credit Lines: 5 / 5
Total Credit Lines: 7
Revolving Credit Balance: $16,712.00
Bankcard Utilization: 98%
Has Mortgage: No

Debt/Income Ratio: 23.59%
Employment Status: Self-employed
Length of Status: 1y 9m
Stated Income: $75,000-99,999
Occupation: Attorney

The borrower's credit and mortgage information displayed above has been obtained from their credit report.
Please note: This information is awaiting verification. "Not available" indicates the information could not be obtained by the credit bureau.

The employment and income information displayed above has been provided by the borrower. This information may not be verified by Prosper, or may be awaiting verification.

* Represents the Historical Return Range for the Prosper Rating or mix of Prosper Ratings (as applicable) as of March 31, 2022. Historical Returns are based on actual payments (other than principal) received by the investor net of fees and losses (including from charged-off loans). To be included in the historical return ("Historical Return") calculation, the loan must have originated (a) on or after July 1, 2009, and (b) at least 12 months prior to the calculation date. We calculate the Historical Return for loans originated through Prosper as follows. First, loans are separated into distinct "Groups" based on the specific month and year in which they were originated and their Prosper Rating or mix of Prosper Ratings (as applicable) at origination. For each Group, we calculate: (a) the sum of the interest paid, *plus* late fees, *minus* servicing fees, *minus* collection fees, in each case on active loans, *plus* net recoveries on charged-off or defaulted loans, *plus* net debt sale proceeds on sold loans, *minus* gross principal losses; divided by (b) the sum of the principal balances outstanding on active loans at the end of each day since origination. We then annualize the result to get the "Historical Return" for the Group. Once this calculation is performed for every Group, we compute the 10^{th} and 90^{th} cumulative-outstanding-principal-dollar-weighted percentiles of the Historical Returns of the Groups within each Prosper Rating or mix of Prosper Ratings (as applicable) to get the "Historical Return Range" of the relevant Prosper Rating or mix of Prosper Ratings. For purposes of this calculation, "active" means loans that are current in payments or delinquent less than 120 days; loans that have paid off, charged-off or are in default are not considered active.

The Historical Return calculation (a) is updated monthly; and (b) excludes the impact of servicing related non-cash corrective adjustments that may modify the outstanding balance or status of a borrower loan. The actual return on any Note depends on the prepayment and delinquency pattern of the loan underlying each Note, which is highly uncertain. Individual results may vary. Historical performance is no guarantee of future results and the information presented is not intended to be investment advice or a guarantee about the performance of any Note.

The P2P Accommodation Context (Studies 2 and 5)

In Study 2, participants were asked to envision themselves as hosts on a P2P accommodation platform who "*offer accommodation to peer guests, and in return, earn money from providing homestay services*". Afterward, they were presented with the scenario:

"*You just received a new booking request from Michael, alongside several requests from other potential guests. All these guests, including Michael, are looking for a stay for the same duration, which is a 5-day period, and they are all willing to pay the price you've set for your listing.*"

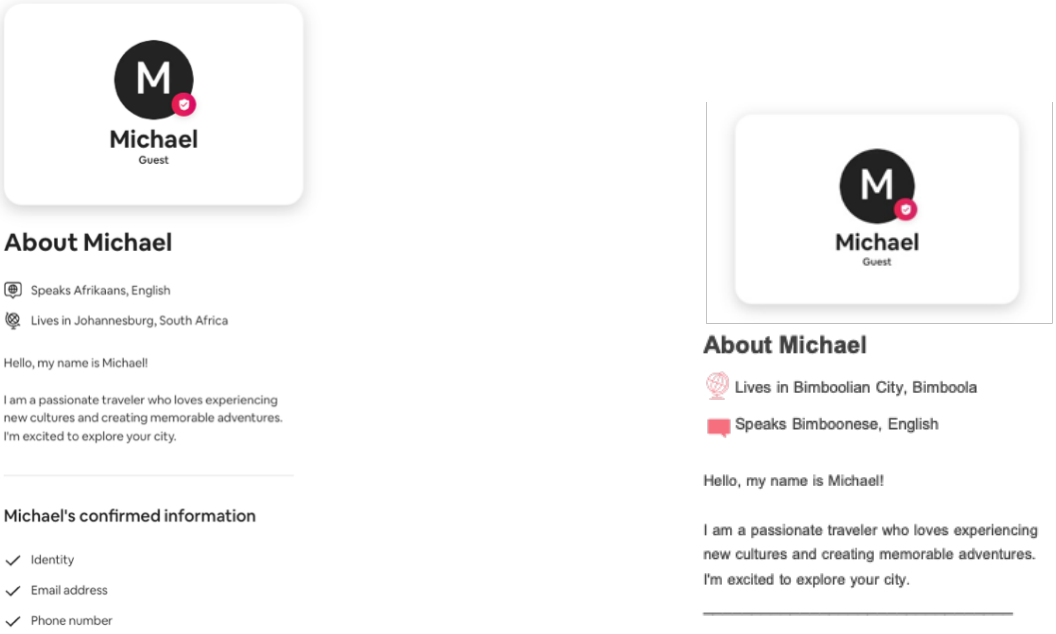
Following this, participants were presented with the Michael's profile (Figure C.2a).

Study 5 utilized the same cover story as Study 2, incorporating two key differences. First, recognizing that not all participants may have experiences as providers in P2P services, we supplied additional information about the platform.

"*While most guests treat their lodgings with care and adhere to check-out times, there is a possibility of late check-out, damage, or theft occurring during a stay. In the event of damage or loss, you are responsible for pursuing all rights and remedies against the responsible guest independently. The platform holds no responsibility in this regard. Nonetheless, if none of these remedies succeeds, you might be eligible for the damage protection plan (not an insurance) provided by the platform. This plan could potentially reimburse a portion of your damages and losses, provided you can demonstrate that they were caused by the guest."*

Second, to manipulate economic inequality in a consumer's region, Michael's residence was depicted in a fictional country, namely, Bimboola (Figure C.2b). After presenting the profile, we proceeded to manipulate economic inequality in Bimboola.

Figure C.2a and 2b. Guest's Profile in Study 2 (left) and Study 5 (right)



The P2P Tool-sharing Context (Study 3)

Participants were asked to imagine themselves as tool owners on a P2P tool-sharing platform, after which they were provided with a description of the platform:

"*As a tool owner, you rent out your personal tools to peer renters, allowing them to use it for a specified period in exchange for payment. In other words, you make money by offering tool-rental services. While the majority of tool renters return their rented tools in a timely and undamaged manner, there is a possibility that a tool may be significantly damaged, returned late, or with missing parts. In such cases, the platform is absolved of liability, and compensation will be determined through mutual agreement between the tool owner and the tool renter.*"

Subsequently, participants were presented with scenario:

"*You just received a rental request for a large toolbox (originally valued at $300), intended for a 2-day period of use by a renter named Michelle. The rental fee is $30 in total.*"

This scenario was followed by the manipulation of economic inequality.

The P2P Lending Context (Study 4)

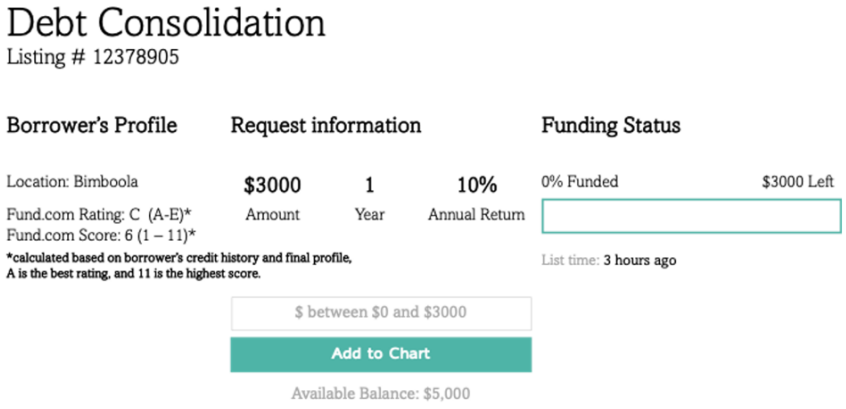
Participants were asked to imagine themselves as a lender on a P2P lending platform, after which they were provided with a description of the platform:

"*Fund.com is an international peer-to-peer lending platform that connects borrowers and lenders from various countries. On Fund.com, borrowers request loans from lenders, who, in turn, receive both the principal amount (the money they lend) and the interest or return when the borrower repays the loan. While most borrowers do repay on time, there is a possibility that some borrowers may default (i.e., fail to pay off the loan), be delinquent (i.e., fail to pay back on time), and exit the platform, making it challenging for lenders to recover their principal. It's important to note that the platform does not bear any responsibility for compensating lenders for their losses.*

As a lender on Fund.com, you wish to invest $5,000. You have the flexibility to allocate this amount among different borrowers. As a lender, you can explore various loan request listings. All loans listed on Fund.com have a fixed one-year term, and lenders receive a 10% annual return on each loan investment."

After providing responses to the information recap question, participants were presented with a simulated loan listing (Figure C.3), followed by the manipulation of economic inequality.

Figure C.3. The Simulated Loan Listing in Study 4



Appendix D: Description of Variables in the Prosper Data in Essay 1

Variable	Description
ListingKey	Unique key for each listing, same value as the 'key' used in the listing object in the API.
ListingNumber	The number that uniquely identifies the listing to the public as displayed on the website.
ListingCreationDate	The date the listing was created.
EstimatedEffectiveYield	Effective yield is equal to the borrower interest rate (i) minus the servicing fee rate, (ii) minus estimated uncollected interest on charge-offs, (iii) plus estimated collected late fees. Applicable for loans originated after July 2009.
EstimatedLoss	Estimated loss is the estimated principal loss on charge-offs. Applicable for loans originated after July 2009.
EstimatedReturn	The estimated return assigned to the listing at the time it was created. Estimated return is the difference between the Estimated Effective Yield and the Estimated Loss Rate. Applicable for loans originated after July 2009.
ProsperScore	A custom risk score built using historical Prosper data. The score ranges from 1-11, with 11 being the best, or lowest risk score. Applicable for loans originated after July 2009.
BorrowerState	The two-letter abbreviation of the state of the address of the borrower at the time the Listing was created.
LoanOriginalAmount	The origination amount of the loan.
LoanOriginationDate	The date the loan was originated.
LoanDuration	The number of days the loan being listed. The difference between ListingCreationDate and LoanOriginationDate.
AveInvestment	The average investment (lending) per listing. The Quotient of LoanOrignialAmount divided by Investors.
PercentFunded	Percent the listing was funded.
Investors	The number of investors that funded the loan.
ListingYear	The year the listing was created.
ListingMonth	The month the listing was created.
Gini	The Gini index of the corresponding state in the corresponding year.
Income	The median household income of the state (inflation-adjusted in 2019 US dollars).

Appendix E*:* The Complete Results of Study 1 in Essay 1

	Robust Linear Model *the focal model*	**Robust Linear Model** *excluding outliers*	**Quantile Regression** *q = 50%*
Intercept	2.19 ($p < .001$)	2.38 ($p < .001$)	2.35 ($p < .001$)
Gini index	-2.93 ($p < .001$)	-3.04 ($p < .001$)	-2.95 ($p < .001$)
Median Household Income	.0098 ($p = .007$)	.0086 ($p = .015$)	.0078 ($p = .008$)
Poverty Rate	.69 ($p = .298$)	.52 ($p = .424$)	.57 ($p = .275$)
Prosper Score	-.044 ($p = .016$)	-.043 ($p = .016$)	-.044 ($p = .023$)
Estimated Return	-8.52 ($p < .001$)	-8.51 ($p < .001$)	-7.64 ($p < .001$)
Logarithmic Loan Duration	-.097 ($p < .001$)	-.095 ($p < .001$)	-.084 ($p < .001$)
Gini Index * Prosper Score	.047 ($p = .224$)	.045 ($p = .235$)	.053 ($p = .203$)
Gini Index * Estimated Return	22.92 ($p < .001$)	22.50 ($p < .001$)	19.83 ($p < .001$)
	fixed time effects		
month: January 2010*			
month: February 2010	-.0004 ($p = .988$)	-.015 ($p = .9560$)	-.0004 ($p = .988$)
month: March 2010	.012 ($p = .605$)	-.0035 ($p = .884$)	.012 ($p = .605$)
month: April 2010	.012 ($p = .608$)	-.0089 ($p = .704$)	.012 ($p = .608$)
month: May 2010	.026 ($p = .271$)	.0052 ($p = .832$)	.026 ($p = .271$)
month: June 2010	.073 ($p = .001$)	.049 ($p = .040$)	.073 ($p = .001$)
month: July 2010	.033 ($p = .156$)	.0031 ($p = .899$)	.033 ($p = .156$)
month: August 2010	.0011 ($p = .964$)	-.017 ($p = .497$)	.0011 ($p = .964$)
month: September 2010	.029 ($p = .234$)	.0089 ($p = .723$)	.029 ($p = .234$)
month: October 2010	.057 ($p = .013$)	.029 ($p = .224$)	.057 ($p = .013$)
month: November 2010	.074 ($p = .001$)	.047 ($p = .046$)	.074 ($p = .001$)
month: December 2010	.21 ($p < .001$)	.17 ($p < .001$)	.21 ($p < .001$)
month: January, 2011	.26 ($p < .001$)	.21 ($p < .001$)	.26 ($p < .001$)
month: February, 2011	.28 ($p < .001$)	.23 ($p < .001$)	.28 ($p < .001$)
month: March 2011	.32 ($p < .001$)	.28 ($p < .001$)	.32 ($p < .001$)
month: April 2011	.34 ($p < .001$)	.29 ($p < .001$)	.34 ($p < .001$)
month: May 2011	.48 ($p < .001$)	.33 ($p < .001$)	.48 ($p < .001$)
month: June 2011	.34 ($p < .001$)	.29 ($p < .001$)	.34 ($p < .001$)
month: July 2011	.48 ($p < .001$)	.43 ($p < .001$)	.48 ($p < .001$)
month: August 2011	.48 ($p < .001$)	.43 ($p < .001$)	.48 ($p < .001$)
month: September 2011	.49 ($p < .001$)	.44 ($p < .001$)	.49 ($p < .001$)
month: October 2011	.48 ($p < .001$)	.43 ($p < .001$)	.48 ($p < .001$)
month: November 2011	.47 ($p < .001$)	.41 ($p < .001$)	.47 ($p < .001$)
month: December 2011	.57 ($p < .001$)	.50 ($p < .001$)	.57 ($p < .001$)
month: January, 2012	.49 ($p < .001$)	.43 ($p < .001$)	.49 ($p < .001$)
month: February, 2012	.52 ($p < .001$)	.45 ($p < .001$)	.52 ($p < .001$)
month: March 2012	.46 ($p < .001$)	.41 ($p < .001$)	.46 ($p < .001$)
month: April 2012	.48 ($p < .001$)	.43 ($p < .001$)	.48 ($p < .001$)
month: May 2012	.49 ($p < .001$)	.44 ($p < .001$)	.49 ($p < .001$)
month: June 2012	.49 ($p < .001$)	.44 ($p < .001$)	.49 ($p < .001$)
month: July 2012	.47 ($p < .001$)	.42 ($p < .001$)	.47 ($p < .001$)
month: August 2012	.49 ($p < .001$)	.45 ($p < .001$)	.49 ($p < .001$)
month: September 2012	.55 ($p < .001$)	.49 ($p < .001$)	.55 ($p < .001$)
month: October 2012	.39 ($p < .001$)	.34 ($p < .001$)	.39 ($p < .001$)
month: November 2012	.31 ($p < .001$)	.26 ($p < .001$)	.31 ($p < .001$)
month: December 2012	.27 ($p < .001$)	.23 ($p < .001$)	.27 ($p < .001$)
month: January, 2013	.20 ($p < .001$)	.16 ($p < .001$)	.20 ($p < .001$)
month: February, 2013	.31 ($p < .001$)	.26 ($p < .001$)	.31 ($p < .001$)
month: March 2013	.39 ($p < .001$)	.31 ($p < .001$)	.39 ($p < .001$)

month: April 2013	.35 ($p < .001$)	.29 ($p < .001$)	.35 ($p < .001$)
month: May 2013	.39 ($p < .001$)	.34 ($p < .001$)	.39 ($p < .001$)
month: June 2013	.38 ($p < .001$)	.33 ($p < .001$)	.38 ($p < .001$)
month: July 2013	.51 ($p < .001$)	.46 ($p < .001$)	.51 ($p < .001$)
month: August 2013	.52 ($p < .001$)	.46 ($p < .001$)	.52 ($p < .001$)
month: September 2013	.57 ($p < .001$)	.52 ($p < .001$)	.57 ($p < .001$)
month: October 2013	.57 ($p < .001$)	.52 ($p < .001$)	.57 ($p < .001$)
month: November 2013	.70 ($p < .001$)	.63 ($p < .001$)	.70 ($p < .001$)
month: December 2013	.75 ($p < .001$)	.67 ($p < .001$)	.75 ($p < .001$)
month: January, 2014	.78 ($p < .001$)	.64 ($p < .001$)	.78 ($p < .001$)
month: February, 2014	.48 ($p < .001$)	.42 ($p < .001$)	.48 ($p < .001$)
month: March, 2014	.43 ($p < .001$)	.38 ($p < .001$)	.43 ($p < .001$)
	fixed state effects		
state: AK-Alaska*			
state: AL-Alabama	.20 ($p = .045$)	.20 ($p = .037$)	.20 ($p = .045$)
state: AR-Arkansas	.25 ($p = .020$)	.25 ($p = .017$)	.25 ($p = .020$)
state: AZ-Arizona	.15 ($p = .062$)	.16 ($p = .048$)	.15 ($p = .062$)
state: CA-California	.058 ($p = .355$)	.080 ($p = .191$)	.058 ($p = .355$)
state: CO-Colorado	.13 ($p = .021$)	.13 ($p = .015$)	.13 ($p = .021$)
state: CT-Connecticut	.068 ($p = .261$)	.093 ($p = .119$)	.068 ($p = .261$)
state: DC-D. C. Washington	. 043 ($p = .622$)	. 073 ($p = .397$)	. 043 ($p = .622$)
state: DE-Delaware	. 048 ($p = .379$)	. 052 ($p = .346$)	. 048 ($p = .379$)
state: FL-Florida	.15 ($p = .103$)	.16 ($p = .080$)	.15 ($p = .103$)
state: GA-Georgia	.12 ($p = .154$)	.14 ($p = .111$)	.12 ($p = .154$)
state: HI-Hawaii	-.0016 ($p = .970$)	.015 ($p = .718$)	-.0016 ($p = .970$)
state: ID-Idaho	.22 ($p = .014$)	.21 ($p = .016$)	.22 ($p = .014$)
state: IL-Illinois	.13 ($p = .040$)	.14 ($p = .023$)	.13 ($p = .040$)
state: IN-Indiana	.16 ($p = .049$)	.16 ($p = .041$)	.16 ($p = .049$)
state: KS-Kansas	.17 ($p = .019$)	.17 ($p = .016$)	.17 ($p = .019$)
state: KY-Kentucky	.22 ($p = .026$)	.22 ($p = .023$)	.22 ($p = .026$)
state: LA-Louisiana	.17 ($p = .094$)	.17 ($p = .074$)	.17 ($p = .094$)
state: MA-Massachusetts	.065 ($p = .227$)	.081 ($p = .123$)	.065 ($p = .227$)
state: MD-Maryland	.0090 ($p = .827$)	.025 ($p = .537$)	.0090 ($p = .827$)
state: MI-Michigan	.17 ($p = .034$)	.18 ($p = .028$)	.17 ($p = .034$)
state: MN-Minnesota	.10 ($p = .039$)	.11 ($p = .023$)	.10 ($p = .039$)
state: MO-Missouri	.19 ($p = .024$)	.19 ($p = .021$)	.19 ($p = .024$)
state: MS-Mississippi	.23 ($p = .058$)	.23 ($p = .051$)	.23 ($p = .058$)
state: MT-Montana	.22 ($p = .015$)	.21 ($p = .018$)	.22 ($p = .015$)
state: NC-North Carolina	.15 ($p = .086$)	.16 ($p = .073$)	.15 ($p = .086$)
state: NE-Nebraska	.14 ($p = .050$)	.14 ($p = .046$)	.14 ($p = .050$)
state: NH-New Hampshire	.074 ($p = .112$)	.070 ($p = .127$)	.074 ($p = .112$)
state: NJ-New Jersey	. 035 ($p = .480$)	. 055 ($p = .258$)	. 035 ($p = .480$)
state: NM-New Mexico	.19 ($p = .064$)	.20 ($p = .045$)	.19 ($p = .064$)
state: NV-Nevada	.13 ($p = .075$)	.14 ($p = .051$)	.13 ($p = .075$)
state: NY-New York	.13 ($p = .069$)	.15 ($p = .031$)	.13 ($p = .069$)
state: OH-Ohio	.19 ($p = .023$)	.19 ($p = .019$)	.19 ($p = .023$)
state: OK-Oklahoma	.18 ($p = .051$)	.18 ($p = .043$)	.18 ($p = .051$)
state: OR-Oregon	.13 ($p = .088$)	.14 ($p = .068$)	.13 ($p = .088$)
state: PA-Pennsylvania	.16 ($p = .028$)	.16 ($p = .021$)	.16 ($p = .028$)
state: RI-Rhode Island	.12 ($p = .080$)	.12 ($p = .065$)	.12 ($p = .080$)
state: SC-South Carolina	.16 ($p = .102$)	.16 ($p = .090$)	.16 ($p = .102$)
state: SD-South Dakota	.17 ($p = .041$)	.16 ($p = .040$)	.17 ($p = .041$)
state: TN-Tennessee	.21 ($p = .029$)	.21 ($p = .024$)	.21 ($p = .029$)

state: TX-Texas	.14 (p = . 058)	.15 (p = . 040)	.14 (p = . 058)
state: UT-Utah	.062 (p = .234)	.068 (p = .193)	.062 (p = .234)
state: VA-Virginia	.097 (p = .049)	.11 (p = .022)	.097 (p = .049)
state: VT-Vermont	.20 (p = .008)	.19 (p = .010)	.20 (p = .008)
state: WA-Washington	.057 (p = .281)	.069 (p = .182)	.057 (p = .281)
state: WI-Wisconsin	.15 (p = .028)	.15 (p = .028)	.15 (p = .028)
state: WV-West Virginia	.18 (p = .089)	.18 (p = .081)	.18 (p = .089)
state: WY-Wyoming	.041 (p = .531)	.052 (p = .420)	.0041 (p = .531)

Note: * indicates the reference month and state.

Appendix F: The Distributions of the Skewed Variables in Essay 1

Figure F.1a. The Distribution of Average Lending Amount (per listing) in Study 1

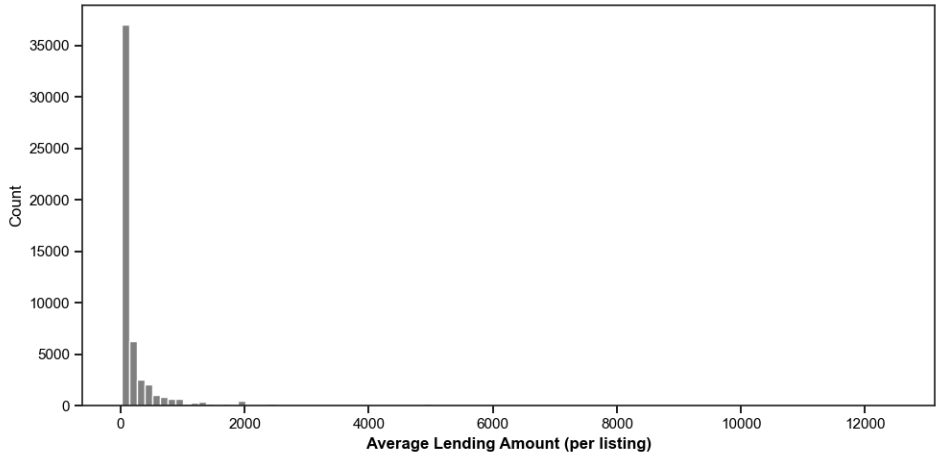


Figure F.1b. The Distribution of Logarithmic Average Lending Amount (per listing) in Study 1

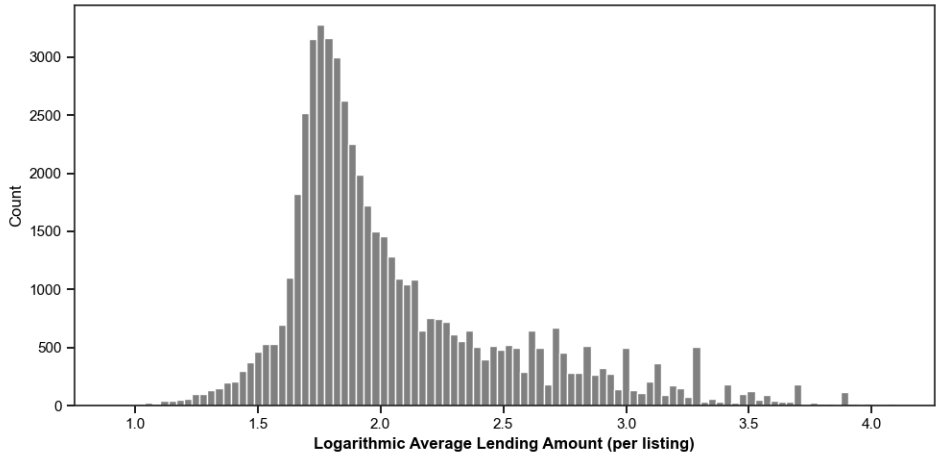


Figure F.2a. The Distribution of Loan Duration in Study 1

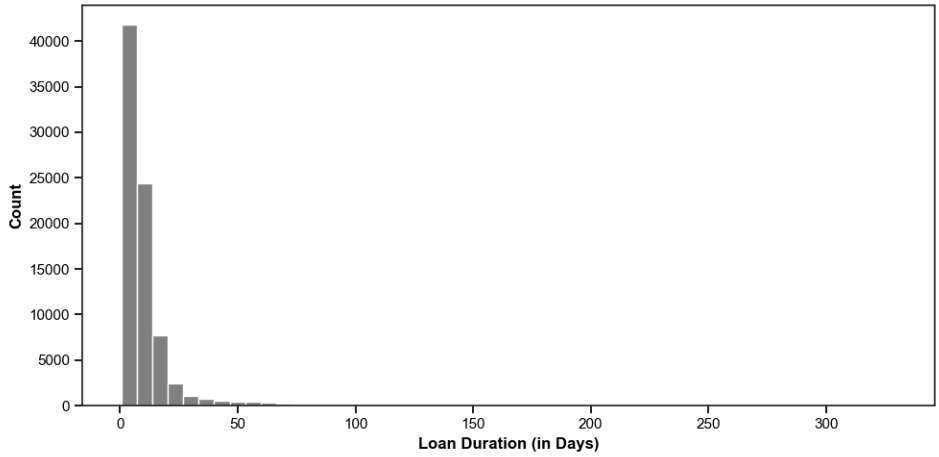


Figure F.2b. The Distribution of Logarithmic Loan Duration in Study 1

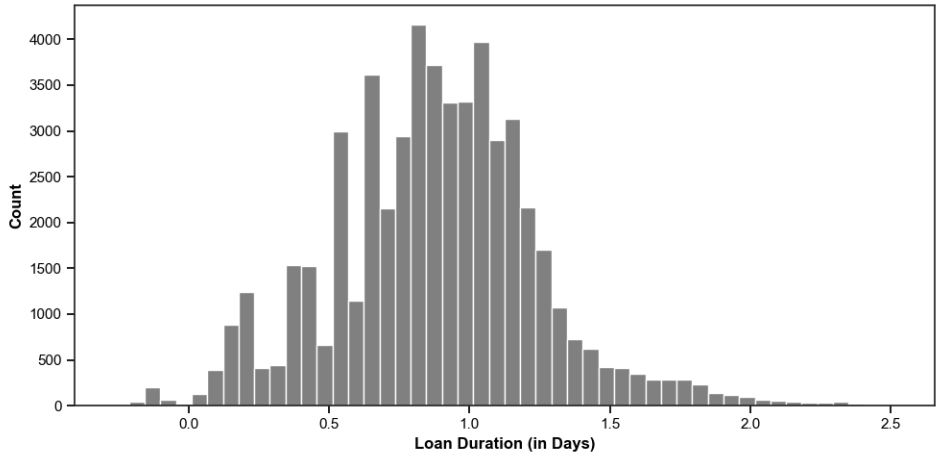
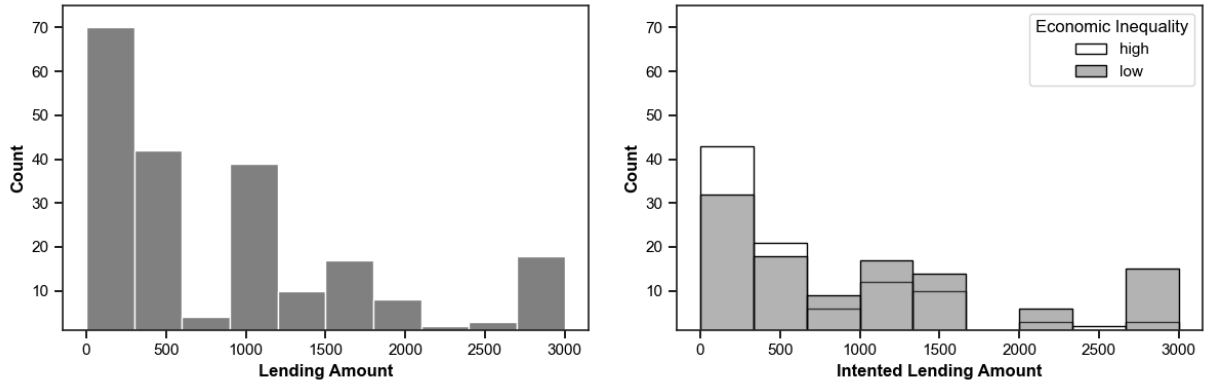


Figure F.3. The Distribution of Lending Amount in Study 4



Appendix G: Serial Mediation Analyses in Study 4 in Essay 1

Table G.1. Serial Mediation on Willingness to Lend

	Measures											
Antecedents	M_1				M_2				Y			
	B	SE	t	*p*	B	SE	t	*p*	B	SE	t	*p*
Constant	4.17	.11	37.35	< .001	7.35	.28	26.24	< .001	2.50	.53	4.72	< .001
X	-.57	.16	-.48	< .001	.28	.15	1.88	= .063	.078	.14	.55	= .580
M_1					-.64	.063	-10.18	< .001	.66	.070	9.48	< .001
M_2									-.39	.063	-6.13	< .001

	Effect	SE	t	*p*
Direct Effects	.078	.14	.55	.578

	Effect	Boot SE	Boot LLCI	Boot ULCI
Indirect Effects				
X → M_1 → M_2 → Y	-.14	.053	-.26	-.054

Notes: X = Economic Inequality, M_1 = Perceived Trustworthiness, M_2 = Anticipated Financial Risk, Y = Willingness to Lend

Table G.2. Serial Mediation on Lending Amount (median-dichotomized)

	Measures											
Antecedents	M_1				M_2				Y			
	B	SE	t	*p*	B	SE	t	*p*	B	SE	z	*p*
Constant	4.17	.11	37.35	< .001	7.35	.28	26.24	< .001	-1.19	1.35	-.89	= .378
X	-.57	.16	-3.48	< .001	.28	.15	1.88	= .063	-.39	.34	-1.13	= .257
M_1					-.64	.063	-10.18	< .001	1.06	.23	4.71	< .001
M_2									-.55	.17	-3.36	< .001

	Effect	SE	z	*p*
Direct Effects	-.39	.34	-1.13	.257

	Effect	Boot SE	Boot LLCI	Boot ULCI
Indirect Effects:				
X → M_1 → M_2 → Y	-.20	.099	-.44	-.058

Notes: X = Economic Inequality, M_1 = Perceived Trustworthiness, M_2 = Anticipated Financial Risk, and Y = Lending Amount (median-dichotomized, 0 = less than or equal to the sample median of 506,1 = greater than the sample median)

Table G.3. Serial Mediation on Lending Amount (continuous)

	Measures											
Antecedents	M_1				M_2				Y			
	B	SE	t	*p*	B	SE	t	*p*	B	SE	t	*p*
Constant	4.17	.11	37.35	< .001	7.35	.28	26.24	< .001	541.71	376.29	1.44	= .152
X	-.57	.16	-3.48	< .001	.28	.15	1.88	= .063	-92.08	99.30	-.93	= .355
M_1					-.64	.063	-10.18	< .001	313.89	49.64	6.32	< .001
M_2									-169.25	44.82	-3.78	< .001

	Effect	SE	t	*p*
Direct Effects	-92.08	99.30	-.93	.355

	Effect	Boot SE	Boot LLCI	Boot ULCI
Indirect Effects				
X → M_1 → M_2 → Y_1	-60.91	28.60	-127.78	-16.91

Notes: X = Economic Inequality, M_1 = Perceived Trustworthiness, M_2 = Anticipated Financial Risk, and Y= Lending Amount (continuous)

Appendix H: Additional Analyses with the Full Sample (N = 252) for Study 4 in Essay 1

Table H.1. The Main Effects of Economic Inequality on Outcome Variables and Mediators (Full Sample)

DV	Reliability *r*	X: Economic Inequality Low (code = 0) M/P	Low (code = 0) SD	High (code = 1) M/P	High (code = 1) SD	Statistical Test	Test Statistics	*p*-value	Effect Size
MC	.88	3.38	1.10	5.79	1.14	t-test	t(250) = -10.50	< .001	d = 1.12
Y_1	--	3.60	1.59	3.05	1.52	ANOVA	t(250) = 7.75	= .006	η^2 = .030
Y_{2a}	--	39.55%	--	61.86%	--	median test	χ^2 (N = 252) = 11.62	< .001	ω = .215
Y_{2b}	--	1171.93	992.28	775.95	837.50	ANOVA	F(250) = 11.55	< .001	η^2 = .044
M_1	.85	4.19	1.22	3.72	1.18	ANOVA	F(250) = 9.43	= .002	η^2 = .036
M_2	.93	4.69	1.40	5.23	1.25	ANOVA	F(250) = 10.58	= .001	η^2 = .041

Notes: MC = Perceived Economic Inequality (i.e., Manipulation Check), M_1 = Perceived Trustworthiness, M_2 = Anticipated Financial Risk, Y_1 = Willingness to Lend, Y_{2a} = Lending Amount (median-dichotomized, 0 = less than or equal to the sample median of 891, 1 = greater than the sample median), and Y_{2b} = Lending Amount (continuous)

Table H.2. Serial Mediation on Willingness to Lend (Full Sample)

	Measures											
Antecedents	M_1				M_2				Y			
	B	SE	t	*p*	B	SE	t	*p*	B	SE	t	*p*
Constant	4.19	.10	40.38	< .001	7.40	.26	28.91	< .001	2.66	.52	5.16	< .001
X	-.47	.15	-3.07	= .002	.24	.14	1.75	= .080	-.035	.14	-.26	= .799
M_1					-.65	.057	-11.39	< .001	.65	.068	9.58	< .001
M_2									-.38	.061	-6.24	< .001

Direct Effects	Effect	SE	t	*p*
	-.035	.14	-.26	.799

Indirect Effects	Effect	Boot SE	Boot LLCI	Boot ULCI
X → M_1 → M_2 → Y_1	-.12	.047	-.22	-.037

Notes: X = Economic Inequality, M_1 = Perceived Trustworthiness, M_2 = Anticipated Financial Risk, Y = Willingness to Lend

Table H.3. Serial Mediation on Lending Amount (median-dichotomized) (Full Sample)

	Measures											
Antecedents	M_1				M_2				Y			
	B	SE	t	*p*	B	SE	t	*p*	B	SE	z	*p*
Constant	4.19	.10	40.38	< .001	7.40	.26	28.91	< .001	-.85	1.20	-.71	= .478
X	-.47	.15	-3.07	= .002	.24	.14	1.75	= .080	-.63	.30	-2.07	= .038
M_1					-.65	.057	-11.39	< .001	.88	.19	4.71	< .001
M_2									-.47	.14	-3.28	= .001

	Effect	SE	z	*p*
Direct Effects	-.63	.30	-2.07	= .038

	Effect	Boot SE	Boot LLCI	Boot ULCI
Indirect Effects:				
X → M_1 → M_2 → Y	-.14	.075	-.32	-.033

Notes: X = Economic Inequality, M_1 = Perceived Trustworthiness, M_2 = Anticipated Financial Risk, and Y = Lending Amount (median-dichotomized, 0 = less than or equal to the sample median of 891, 1 = greater than the sample median)

Table H.4. Serial Mediation on Lending Amount (continuous) (Full Sample)

	Measures											
Antecedents	M_1				M_2				Y			
	B	SE	t	*p*	B	SE	t	*p*	B	SE	t	*p*
Constant	4.19	.10	40.38	< .001	7.40	.26	28.91	< .001	860.99	374.65	2.30	= .022
X	-.47	.15	-3.07	= .002	.24	.14	1.75	= .080	-159.46	98.03	-1.63	= .105
M_1					-.65	.057	-11.39	< .001	285.83	49.20	5.81	< .001
M_2									-189.22	44.41	-4.26	< .001

	Effect	SE	t	*p*
Direct Effects	-159.46	98.03	-1.63	.105

	Effect	Boot SE	Boot LLCI	Boot ULCI
Indirect Effects				
X → M_1 → M_2 → Y_1	-57.15	25.74	-115.84	-16.00

Notes: X = Economic Inequality, M_1 = Perceived Trustworthiness, M_2 = Anticipated Financial Risk, and Y= Lending Amount (continuous)

Appendix I: Additional Analysis of Study 1 in Essay 2

Despite the moderate correlation between some of the independent variables (Table I.1), VIF suggests that there is no alarming multicollinearity issue (Table I.2). Nevertheless, we also performed stepwise regression to select most relevant features (Hocking 1976). We used both forward selection and backward elimination rules with .15 as the *alpha-to-enter* or *alpha-to-remove* significance level respectively. Under both rules, the *Gini index* was included in the model and a significant predictor (B = 402.19, SE = 58.70, 95% CI = [284.11, 520.28], $p < .001$). Logarithmic median household income (B = 104.88, SE = 18.14, 95% CI = [68.39, 141.36], $p < .001$)[4] and state funding for higher education per full time student or equivalent (FTE) (B = -.0011, SE = .00036, 95% CI = [-.0019, -.00043], $p < .001$) were also significant (Tables I.3 and I.4).

Table I.1. Correlations Matrix of Independent Variables

	Gini	Income	Pop.	Exp.	Funding	Unemp.	Liberals
Gini	1.00						
Income	-.087	1.00					
Pop.	.42**	.10	1.00				
Exp.	.25^{+}	.63***	-.049	1.00			
Funding.	.19	.45**	-.092	.49***	1.00		
Unemp.	.39**	-.18	.21	-.016	.22	1.00	
Liberals	.38**	.61***	.048	.64***	.51***	.0026	1.00

Note: Gini = Gini index**,** Income = Income (Log10), Pop. = Population, Exp. = Expenditures for K12 institutions per pupil, Funding = State funding on higher education per FTE, Unemp. = Unemployment rate, Liberals = Percent of liberals.
*** denotes $p < .001$, ** denotes $p < .01$, * denotes $p < .05$, $^{+}$ denotes $p < .10$.

[4] We used logarithmic transformation of median household income as Walasek and Brown (2015) to correct skewness.

Table I.2. OLS Regression Results and VIF

	B	Std err.	*β*	*p*	VIF
Intercept	-464.24	158.16		= .005	
Gini	356.24	89.50	.59	< .001	2.44
Income	74.47	28.78	.44	= .013	3.19
Pop.	1.22e-07	2.05e-07	.072	= .555	1.64
Exp.	.00024	.00040	.088	= .547	2.32
Funding	-.0011	.00041	-.33	= .010	1.72
Unemp.	-1.20	1.14	-.12	= .298	1.37
Liberals	.18	.21	.13	= .392	2.70

Note: Gini = Gini index**,** Income = Income (Log10), Pop. = Population, Exp. = Expenditures for K12 institutions per pupil, Funding = State funding on higher education per FTE, Unemp. = Unemployment rate, Liberals = Percent of liberals.

Table I.3. Stepwise Regression Results (using *forward selection* rule)

	B	Std err.	*p*
Intercept	-627.55	94.52	< .001
Gini	402.19	58.70	< .001
Income	104.88	18.14	< .001
Funding	-.0011	.00036	= .002

Note: Gini = Gini index**,** Income = Income (Log10), Funding = State funding on higher education per FTE

Table I.4. Stepwise Regression Results (*backward elimination* rule)

	B	Std err.	*p*
Intercept	-627.55	94.52	< .001
Gini	402.19	58.70	< .001
Income	104.88	18.14	< .001
Funding	-.0011	.00036	= .002

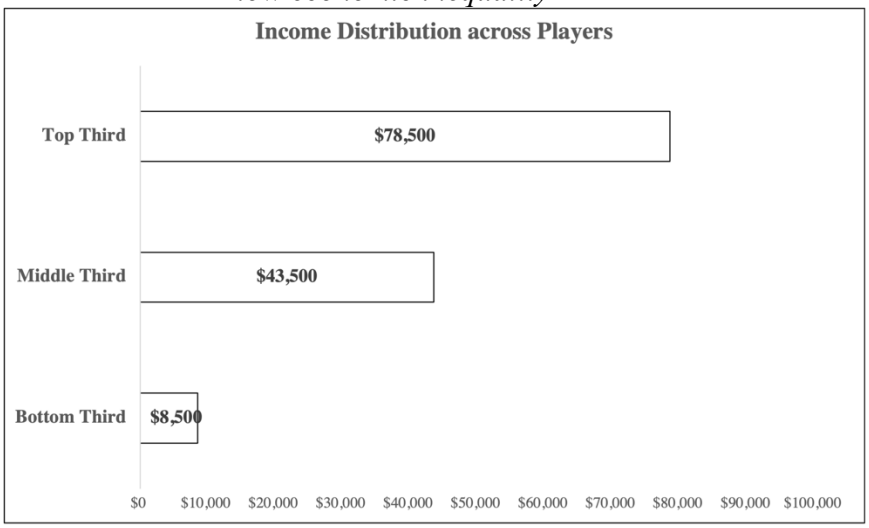
Note: Gini = Gini index**,** Income = Income (Log10), Funding = State funding on higher education per FTE,

Appendix J: Manipulation of Economic Inequality in Essay 2

Figures J.1 and J.2 present the income distribution employed to manipulate economic inequality in the experimental studies. The main text provides a comprehensive description of the manipulation procedure and the manipulation check questions. Manipulation check results of all experiments are summarized in Table J.1.

Figure J.1. Income Distribution across Players

the *low economic inequality* condition



the *high economic inequality* condition

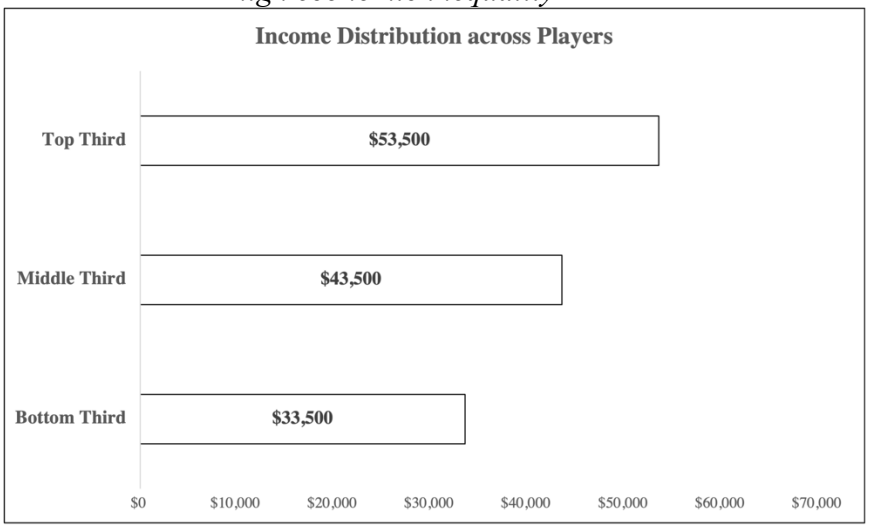
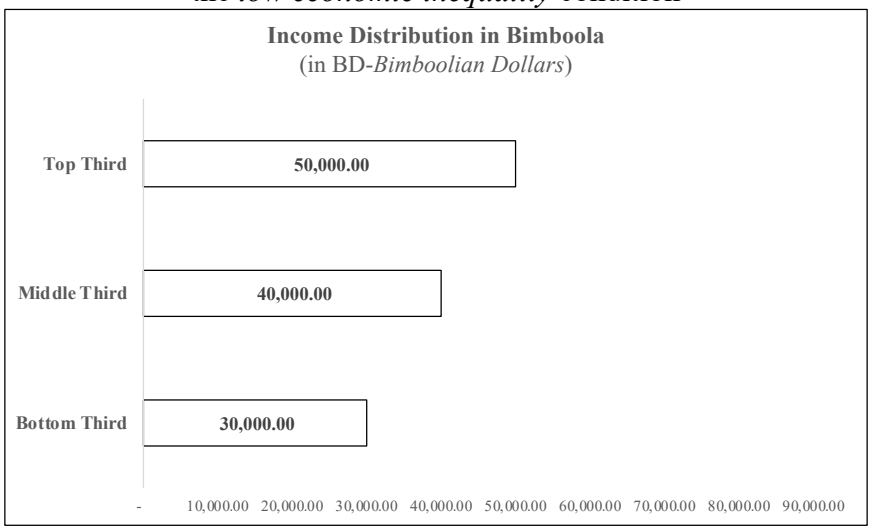


Figure J.2. Income Distribution in Bimboola (Studies 4 and 5)

the *low economic inequality* condition



the *high economic inequality* condition

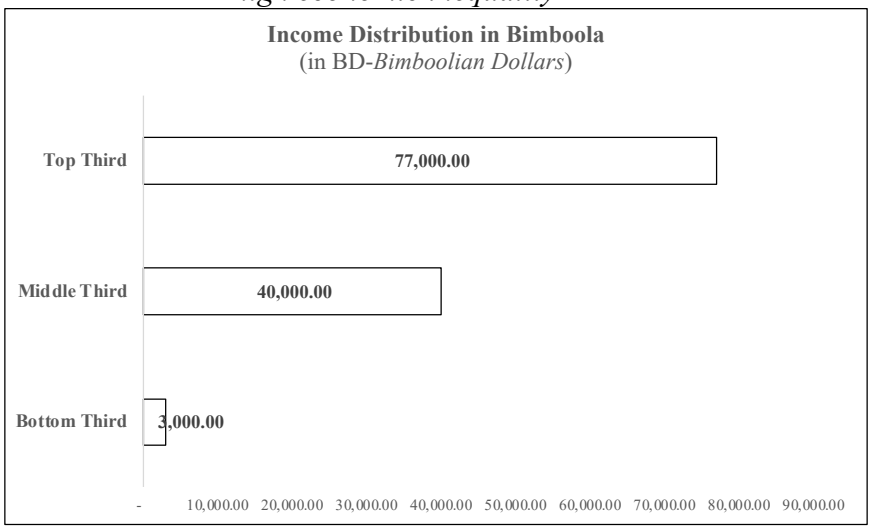


Table J.1. The Summary of Manipulation Check Results

Study	Reliability *Cronbach's* α	Economic Inequality: Low (code = 0) M	Low SD	High (code= 1) M	High SD	Test Statistics	*p*-value	Effect Size
2a	.77	4.66	.88	6.02	.88	t(199) = 10.96	< .001	$d = 1.55$
2b	.76	4.85	.93	6.36	.82	t(106) = 9.00	< .001	$d = 1.74$
2c	.76	4.85	.95	6.09	.91	F(1, 297) = 133.47	< .001	$\eta^2 = .310$
4	--	3.27	1.51	6.05	1.25	t(296.81) = 17.52	< .001	$d = 2.00$
5	--	3.64	1.47	5.83	1.19	t(186.54) = 11.59	< .001	$d = 1.65$

Appendix K: Mediation Analyses in Essay 2

Table K.1. Mediation on College Decision (binary) in Study 2a

	Measures							
Antecedents	M				Y			
	B	SE	t	*p*	B	SE	z	*p*
Constant	24.72	1.91	12.95	< .001	-1.44	.33	-4.38	< .001
X	13.59	2.71	5.02	< .001	.039	.34	.11	= .910
M					.062	.012	5.20	< .001

	Effect	SE	t	*p*
Direct Effects	.039	.34	.11	.910

	Effect	Boot SE	Boot LLCI	Boot ULCI
Indirect Effects:				
X → M → Y	-.12	25.74	-115.84	-.037

Notes: X = Economic Inequality, M = Perceived Education Premium, and Y = College Decision (binary, 0 = not to attend, 1 = attend)

Table K.2. Mediation on College Decision (binary) in Study 2b (Sub Sample: N = 108)

	Measures							
Antecedents	M				Y			
	B	SE	t	*p*	B	SE	z	*p*
Constant	27.43	2.78	9.85	< .001	-.86	.43	-2.00	=.046
X	8.81	3.83	2.30	= .023	.90	.46	1.96	= .050
M					.038	.014	2.84	= .005

	Effect	SE	t	*p*
Direct Effects	.90	.46	1.96	.050

	Effect	Boot SE	Boot LLCI	Boot ULCI
Indirect Effects:				
X → M → Y	.34	.29	.020	1.12

Notes: X = Economic Inequality, M = Perceived Education Premium, and Y = College Decision (binary, 0 = not to attend, 1 = attend)

Table K.3. Mediation on College Decision (binary) in Study 2b (Full Sample: N = 116)

	Measures							
Antecedents	M				Y			
	B	SE	t	*p*	B	SE	z	*p*
Constant	27.60	2.72	10.15	< .001	-.88	.42	-2.10	= .036
X	9.58	3.75	2.56	= .012	.67	.44	1.51	= .132
M					.042	.014	3.12	= .002

	Effect	SE	t	*p*
Direct Effects	.67	.44	1.51	= .132

	Effect	Boot SE	Boot LLCI	Boot ULCI
Indirect Effects:				
X → M → Y	.40	.31	.050	1.23

Notes: X = Economic Inequality, M = Perceived Education Premium, and Y = College Decision (binary, 0 = not to attend, 1 = attend)

Table K.4. Mediation on Choice of Major (binary) in Study 5

	Measures							
Antecedents	M				Y			
	B	SE	t	*p*	B	SE	z	*p*
Constant	33.56	2.30	14.61	< .001	3.17	.30	10.59	< .001
X	12.35	3.22	3.84	< .001	.54	.30	1.81	= .073
M					.016	.014	2.84	= .016

	Effect	SE	t	*p*
Direct Effects	.54	.30	1.81	.073

	Effect	Boot SE	Boot LLCI	Boot ULCI
Indirect Effects:				
X → M → Y	.19	.10	.023	.42

Notes: X = Economic Inequality, M = Perceived Difference in Education Premium between Majors, and Y = Choice of Major (1 = definitely the major with the highest personal interests but moderate pay, 7 = definitely the major with the highest pay but moderate personal interests)

Appendix L: Additional Analysis of Studies 2a-c

Studies 2a

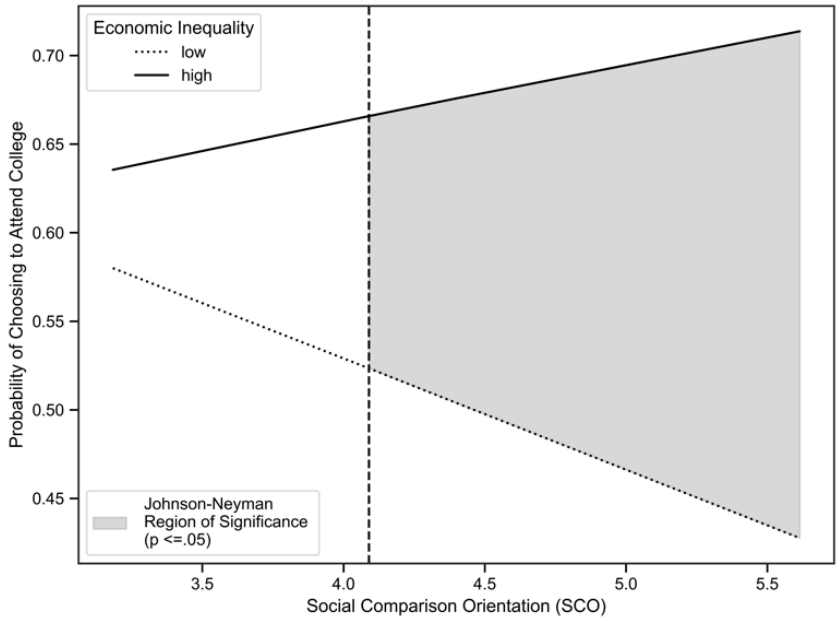
The Role of SCO. Social comparison orientation (SCO) refers to the "individual difference in inclination to compare "one's accomplishments, one's situation, and one's experiences with those of others" (Buunk and Gibbons 2006, p. 16). We hypothesize that it can moderate the effect of economic inequality on college decision. Specifically, people with a higher SCO are inclined to perceive elevated needs in response to escalating economic inequality, driven by their propensity to engage in self-comparisons with the wealthier segments, which serve as prominent reference points (Goya-Tocchetto and Payne 2022). As economic inequality amplifies the perceived income difference between college and high school graduates, people with greater SCO would be more drawn to the heightened education premium. Consequently, in facing of a rising economic inequality, they might be more willing to choose college, which promises a higher earning potential, thereby satisfying their elevated perceived needs, than their counterparts with lower SCO. To summarize, we predict that economic inequality may have a more pronounced impact on college decision for people with greater SCO because SCO may amplify the influence of the heightened perceived educational premium on individuals' interest in attending college.

Measure of SCO. We measured (SCO) using the 11-item scale developed by Gibbons and Buunk (1999) in the demographic information section at the end of study. Participants complete the scale on a seven-point Likert scale (Cronbach's $\alpha = .91$; $M = 4.40$, $SD = 1.22$).

Results and Discussion. To test the moderating role of SCO, we regressed the college decision (coded as 0 = choose not to attend college, 1 = choose to attend college) on SCO (mean-centered) and economic inequality (recoded as low = -1 and high = 1), as well as the interaction

between the two. The results revealed that the interaction between economic inequality and SCO on college decision only showed a trend towards significance (B = .40, SE= .24, 95 % CI = [-.083, .88], p = .104). The Johnson-Neyman analyses (Figure L.1) showed that economic inequality significantly increased participants' likelihood of choosing to attend college when they had strong SCO (scoring 4.09 or higher; 62% of participants fell within the significance region). This effect disappeared among participants with weak SCO (scoring lower than 4.09).

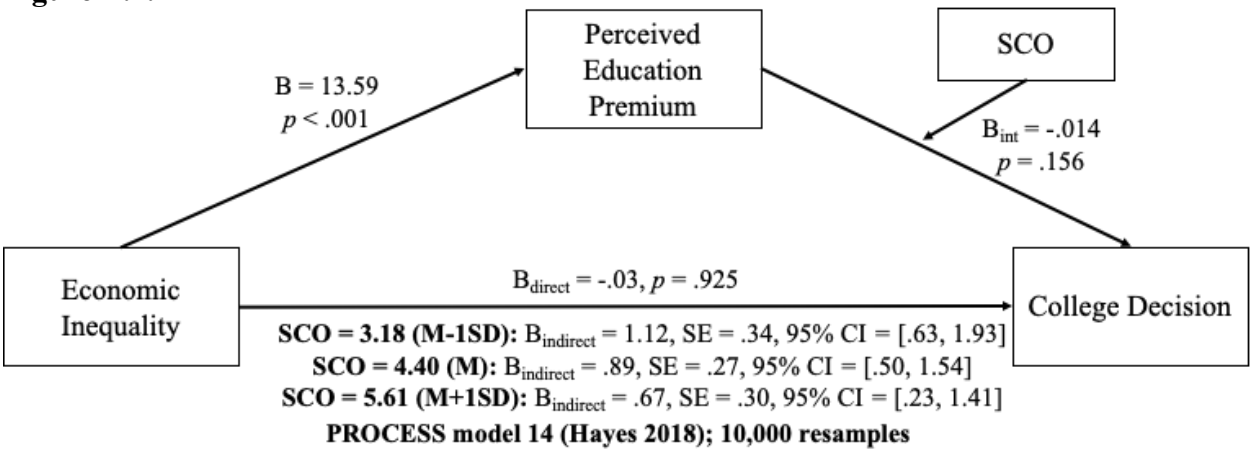
Figure L.1. The Moderating Role of SCO



Next, we conducted a mediated moderation analysis using PROCESS model 14 (Hayes 2018) with 10,000 resamples to test the proposed mechanism. We specified that SCO moderated the path from perceived education premium of college (i.e., mediator) to college decision. The results showed that the proposed mediated moderation model was not significant (index = -.19, SE = .14, 95% CI = [-.49, 084]) (Figure L.2). Interestingly, the indirect effect of economic inequality on college decision through perceived education premium was attenuated as SCO increased, which was not anticipated. These findings suggest that SCO possibly moderate the

effect of economic inequality on college decision through other underlying mechanisms, which require exploration in future research.

Figure L.2. The Mediated Moderation Model



Study 2b

We conducted the analysis on the full sample (N = 116; 48.3% male, M_{age} = 40.76) with the same methods employed in the focal analysis. The manipulation of the economic inequality (Cronbach's α = .76) was effective (M_{low} = 4.83, SD = .92 vs. M_{high} = 6.33, SD = .85; t(114) = 9.06, p < .001). As hypothesized, a greater proportion of participants in the *high-inequality* condition (P = 77.00%) chose to attend college than their counterparts in the *low-inequality* condition (P = 55.00%; χ^2 (N = 116) = 6.56, p = .010, ω = .24). Economic inequality also increased participants' perceived education premium (M_{low} = 27.60, SD = 22.34 vs. M_{high} = 37.18, SD = 17.98; F(1,114) = 6.53, p = .012, η^2 = .054). Next, we employed the PROCESS model 4 as in the focal analysis, which reaffirmed the mediating role of perceived education premium of college in the effect of economic inequality on college decision (B = .40, SE = .31, 95% CI = [.050, 1.23]; Table K.3 in Appendix K). Furthermore, despite economic inequality promoted status aspirations (B = 1.88, SE = .72, Wald χ^2 (N = 116) = 5.53, p = .019) and monetary needs (M_{low} = 78.09, SD = 41.27 vs. M_{high} = 85.63, SD = 39.72; F(1,114) = 3.86, p

= .052, η^2 = .033), neither of these two actors affected college decision ($B_{\text{monetary needs}}$ = .004, SE = .005, Wald χ^2 (N = 116) = .67, p = .413; $B_{\text{status aspirations}}$ = .39, SE = .62, Wald χ^2 (N = 116) = .39, p = .535), once again ruling out them as the alternative explanations.

Study 2c

While the manipulation of *income difference* had a considerably small main effect on perceived economic inequality ($M_{\text{fixed-difference}}$ = 5.58, SD = 1.08 vs. $M_{\text{no-information}}$ = 5.32, SD = 1.14*;* F(1, 297) = 4.89, p = .028, η^2 = .016), compared to the manipulation of economic inequality (η^2 = .310), we conducted *post hoc* analyses to investigate this unexpected main effect. We proposed two synergistic mechanisms that potentially underlie this effect.

First, in the absence of precise information of the average annual income difference between college graduates and high school graduates, people tend to estimate a lower education premium of college than the fixed income difference of $33,792. For example, in Studies 2a and 2b where this information was not provided, the mean estimated education premium of college across the economic inequality conditions was 31.48 (SD = 20.31) and 32.64 (SD = 20.64) thousand dollars, both falling below $33,792. Therefore, participants in the *no information* condition, where this information was also not provided, were likely to make a similar estimation as their counterparts in Studies 2a and 2b. Meanwhile, people tend to equate education with income, as elaborated in the *Conceptual Framework* section. This may lead them to estimate the economic inequality based on their estimated income difference between the better and less educated individuals (i.e., education premium). As a result, participants in the *no information* condition, who estimated a smaller education premium, were prone to perceive less economic inequality than their counterparts in the *fixed difference* condition, where a higher education premium was specified.

The simple effect analyses investigating the effect of income difference on perceived economic inequality (i.e., the manipulation check) provided additional support for our proposition. The simple effect was significant only in the *low economic inequality* condition ($M_{fixed\text{-}difference}$ = 5.03, SD = .96 vs. $M_{no\text{-}information}$ = 4.68, SD = .91; F(1, 297) = 5.43, p = .020, η^2 = .018). In this context, participants tended to estimate an education premium of college that, on average, was smaller than the specified income difference (i.e., $33,792), mirroring their counterparts in Studies 2a (i.e., $22,720) and 2b (i.e., $27,600). Conversely, it was not significant in the *high economic inequality* condition ($M_{fixed\text{-}difference}$ = 6.15, SD = .89 vs. $M_{no\text{-}information}$ = 6.02, SD = .94; F(1, 297) = .67, p = .413, η^2 = .002). In this scenario, participants were inclined to estimate an education premium of college that, on average, was greater than $33,792, mirroring their counterparts in Studies 2a (i.e., $38,310) and 2b (i.e., $37,180).

Appendix M: Additional Analyses of Studies 3a and 3b

Additional Age Groups

In addition to the focal age groups, we conducted additional analyses on the entire population, allowing us to distinguish between the attainment of a bachelor's degree and that of a professional or graduate degree. These analyses also allowed us to differentiate between college enrollment and graduate school enrollment. While not all age groups in the population are actively involved in higher education, this doesn't necessarily raise significant concern. The variation in educational attainment and school enrollment primarily results from the age groups actively pursuing higher education. Furthermore, we conducted an additional analysis on the age group between 18 and 24, specifically examining their attainment of some college or an associate degree because we acknowledge that not everyone may complete their college education by the age of 24. We employed the fixed-effects Generalized Linear Model (GLM) models as in Studies 3a and 3b.

In line with the findings from our focal analysis, these additional analyses demonstrated a significant positive association between the *Gini index* and each of these dependent variables. The three county-level covariates were also significant. The comprehensive results are presented in in Table M.1.

Table M.1. Education Attainment and School Enrollment in Other Age Groups

	B	**Robust std. error**	**z**	***p***
		Attainment		
		bachelor's degree, over 25 years		
Intercept	-18.11	.21	-84.80	< .001
Gini	5.30	.10	53.37	< .001
Income (Log10)	3.09	.038	82.10	< .001
Population	1.37e-08	3.29e-09	4.17	< .001
Unemployment rate	-.062	.0023	-20.11	< .001

Attainment professional or graduate degree, over 25 years				
Intercept	-20.01	.32	-61.64	< .001
Gini	8.72	.18	49.78	< .001
Income (Log10)	3.09	.055	55.69	< .001
Population	-3.64e-08	4.67e-09	-7.80	< .001
Unemployment rate	-.073	.0032	-22.75	< .001
Attainment some college or associate degree, 18-24 years				
Intercept	1.46	.37	3.95	< .001
Gini	3.10	.17	18.29	< .001
Income (Log10)	-.56	.065	-8.53	< .001
Population	-5.24e-08	6.36e-09	-8.23	< .001
Unemployment rate	-.051	.0042	-12.21	< .001
Enrollment college, over 3 years				
Intercept	3.01	.41	7.40	< .001
Gini	5.68	.20	28.00	< .001
Income (Log10)	-1.30	.074	-17.68	= .002
Population	-7.99e-08	9.39e-09	-8.51	< .001
Unemployment rate	-.083	.0044	-18.79	< .001
Enrollment graduate or professional school, over 3 years				
Intercept	-11.85	.44	-12.71	< .001
Gini	8.64	.21	41.87	< .001
Income (Log10)	1.19	.079	14.93	< .001
Population	3.64e-06	7.34e-09	4.96	< .001
Unemployment rate	-.086	.0050	-17.24	< .001

Notes: The estimates for fixed state and year effects are not reported in this table, which can be accessed at https://researchbox.org/2321&PEER_REVIEW_passcode=QHWUDQ.

Five-year Estimates

Due to the unavailability of one-year estimated ACS data for a majority of counties with populations fewer than 65,000 (U.S. Bureau of Census 2020), our focal analysis, which relied on one-year estimated education attainment and school enrollment data, might be susceptible to selection bias. Although we directly controlled for population in the focal analysis, to further mitigate this concern, we collected five-year estimated data for both education attainment and school enrollment, each consisting of 31,395 observations respectively from 3,141 unique counties across 51 states of the United States (including Washington DC). Five counties in Alaska, South Dakota and Texas had missing years ($N_{missing_total} = 15$), however, we included

these counties while omitting the corresponding missing years due to the extremely small proportion of missing data (less than .05%). As in Study 3a and 3b, we performed the same analysis using the fixed-effects GLM models.

The analyses conducted using five-year estimated data revealed a significant positive association between the *Gini index* and each of these dependent variables. These results were consistent with those obtained using the one-year estimate data, demonstrating the robustness of our findings. The three county-level covariates were also significant. The comprehensive results are presented in Tables M.2 and M.3.

Table M.2. GLM on Five-year Estimated Education Attainment

	B	**Robust std. error**	**z**	***p***
Attainment bachelor's degree or higher, 18-24 years				
Intercept	-18.94	.35	-53.38	< .001
Gini	4.57	.17	26.48	< .001
Income (Log10)	3.10	.064	48.67	< .001
Population	1.58e-07	1.55e-08	10.21	< .001
Unemployment rate	-.046	.0031	-14.93	< .001
Age group: 25 to 34 years				
Intercept	-21.08	.24	-87.75	< .001
Gini	5.90	.13	45.71	< .001
Income (Log10)	3.78	.044	85.33	< .001
Population	1.80e-07	1.87e-08	9.66	< .001
Unemployment rate	-.049	.0020	-25.14	< .001
Attainment bachelor's degree, over 25 years				
Intercept	-18.41	.14	-134.62	< .001
Gini	4.29	.072	60.02	< .001
Income (Log10)	.49	.0045	126.11	< .001
Population	7.89 e-08	9.02 e-09	8.75	< .001
Unemployment rate	-.028	.0011	-25.08	< .001
Attainment professional or graduate degree, over 25 years				
Intercept	-21.86	.20	-110.90	< .001
Gini	7.05	.11	62.24	< .001
Income (Log10)	3.53	.037	96.31	< .001
Population	5. 77e-08	8.46e-09	6.82	< .001
Unemployment rate	-.026	.0016	-16.62	< .001

Attainment				
some college or associate degree, 18-24 years				
Intercept	-4.92	.21	-23.78	< .001
Gini	2.79	.11	24.48	< .001
Income (Log10)	.76	.038	20.30	< .001
Population	3.82e-08	7.36e-09	5.19	< .001
Unemployment rate	-.032	.0018	-18.06	< .001

Notes: The estimates for fixed state and year effects are not reported in this table, which can be accessed at https://researchbox.org/2321&PEER_REVIEW_passcode=QHWUDQ.

Table M.3. GLM on Five-year Estimated Education Enrollment

	B	**Robust std. error**	**z**	***p***
Enrollment				
college or graduate school, 18-24 years				
Intercept	-11.04	.29	-38.01	< .001
Gini	6.27	.17	37.19	< .001
Income (Log10)	1.71	.053	32.58	< .001
Population	1.24e-07	1.63e-08	7.62	< .001
Unemployment rate	-.042	.0024	-17.33	< .001
Enrollment				
college, over 3 years				
Intercept	-5.52	.23	-23.58	< .001
Gini	5.09	.15	34.98	< .001
Income (Log10)	.46	.043	10.68	< .001
Population	-5.31e-08	9.15e-09	5.80	< .001
Unemployment rate	-.040	.0021	-19.04	< .001
Enrollment				
graduate or professional school, over 3 years				
Intercept	-15.52	.27		< .001
Gini	6.17	.16	39.47	< .001
Income (Log10)	2.06	.051	40.81	< .001
Population	1.40e-07	1.49e-08	9.40	< .001
Unemployment rate	-.033	.0024	-13.90	< .001

Notes: The estimates for fixed state and year effects are not reported in this table, which can be accessed at https://researchbox.org/2321&PEER_REVIEW_passcode=QHWUDQ.

OLS Estimates

Despite education attainment and school enrollment being measured by proportions, we employed fixed-effects Ordinary Least Squares (OLS) model as a robustness check. Particularly, we regressed both one-year estimated and five-year estimated data for all focal and additional age groups on the Gini index, county-level covariates, and the dummy-coded states and years.

Consistent with the results obtained from GLM model, the *Gini index* had a significant positive association with each of these dependent variables, once again demonstrating the

robustness of the observed relationship between economic inequality and college decision. The three county-level covariates were also significant. The comprehensive results are presented from Tables M.4 to M.7.

Table M.4. OLS Regression on One-year Estimated Education Attainment

	B	Std err.	*β*	*p*
Attainment				
bachelor's degree or higher, 18-24 years				
Intercept	-1.70	.033		< .001
Gini	.74	.015	.45	< .001
Income (Log10)	.31	.0060	.61	< .001
Population	5.27e-09	7.79e-09	.06	< .001
Unemployment rate	-.0027	.00030	-.14	< .001
bachelor's degree or higher, 25 to 34 years				
Intercept	-4.43	.064		< .001
Gini	2.00	.030	.52	< .001
Income (Log10)	.83	.012	.70	< .001
Population	9.45e-09	1.55e-09	.04	< .001
Unemployment rate	-.011	.00058	-.24	< .001
Attainment				
bachelor's degree, over 25 years				
Intercept	-2.49	.025		< .001
Gini	.86	.012	.48	< .001
Income (Log10)	.49	.0045	.89	< .001
Population	5.79e-10	6.03e-10	.0056	=.337
Unemployment rate	-.0047	.00023	-.22	< .001
Attainment				
professional or graduate degree, over 25 years				
Intercept	-2.00	.024		< .001
Gini	.98	.011	.63	< .001
Income (Log10)	.36	.0044	.75	< .001
Population	5. 69e-09	5.85e-10	-.064	< .001
Unemployment rate	-.0043	.00022	-.23	< .001
Attainment				
some college or associate degree, 18-24 years				
Intercept	.85	.079		< .001
Gini	.76	.038	.26	< .001
Income (Log10)	-1.35	.014	-.15	< .001
Population	-1.30e-08	1.92e-09	-.08	< .001
Unemployment rate	-.012	.00072	-.35	< .001

Notes: The estimates for fixed state and year effects are not reported in this table, which can be accessed at https://researchbox.org/2321&PEER_REVIEW_passcode=QHWUDQ.

Table M.5. OLS Regression on Five-year Estimated Education Attainment

	B	Std err.	*β*	*p*
Attainment bachelor's degree or higher, 18-24 years				
Intercept	-1.00	.017		< .001
Gini	.30	.0080	.22	< .001
Income (Log10)	.20	.0032	.45	< .001
Population	1.68e-08	7.91e-10	.11	< .001
Unemployment rate	-.0015	.00015	-.09	< .001
bachelor's degree or higher, 25 to 34 years				
Intercept	-3.24	.031		< .001
Gini	1.03	.015	.34	< .001
Income (Log10)	.66	.0059	.65	< .001
Population	4.17e-08	1.47e-09	.12	< .001
Unemployment rate	-.0059	.00026	-.16	< .001
Attainment bachelor's degree, over 25 years				
Intercept	-1.91	.013		< .001
Gini	.54	.0063	.36	< .001
Income (Log10)	.39	.0025	.78	< .001
Population	1.48e-08	6.28e-10	.086	<.337
Unemployment rate	-.0022	.00011	-.12	< .001
Attainment professional or graduate degree, over 25 years				
Intercept	-1.37	.011		< .001
Gini	.52	.0053	.63	< .001
Income (Log10)	.26	.0021	.75	< .001
Population	8. 93e-09	5.22e-10	.064	< .001
Unemployment rate	-.0012	.000093	-.23	< .001
Attainment some college or associate degree, 18-24 years				
Intercept	-.68	.045		< .001
Gini	.66	.021	.21	< .001
Income (Log10)	.18	.0084	.17	< .001
Population	9.72e-09	2.10e-09	.027	< .001
Unemployment rate	-.0073	.00037	-.19	< .001

Notes: The estimates for fixed state and year effects are not reported in this table, which can be accessed at https://researchbox.org/2321&PEER_REVIEW_passcode=QHWUDQ.

Table M.6. OLS Regression on One-year Estimated Education Enrollment

	B	Std err.	*β*	*p*
Enrollment: college or graduate school, 18 to 24 years				
Intercept	-.56	.11		< .001
Gini	1.91	.050	.46	< .001
Income (Log10)	.060	.019	.046	= .002
Population	-1.81e-08	2.53e-09	-.077	< .001
Unemployment rate	-.019	.00096	-.38	< .001
Enrollment college, over 3 years				
Intercept	.90	.068		< .001
Gini	1.03	.032	.38	< .001
Income (Log10)	-.22	.012	-.26	< .001
Population	-1.49e-08	1.64e-09	-.097	< .001
Unemployment rate	-.014	.00061	-.43	< .001
Enrollment graduate or professional school, over 3 years				
Intercept	-.46	.018		< .001
Gini	.43	.0087	.54	< .001
Income (Log10)	.070	.0033	.28	= .004
Population	1.26e-09	4.42e-07	.027	< .001
Unemployment rate	-.0026	.00017	-.27	< .001

Notes: The estimates for fixed state and year effects are not reported in this table, which can be accessed at https://researchbox.org/2321&PEER_REVIEW_passcode=QHWUDQ..

Table M.7. OLS Regression on Five-year Estimated Education Enrollment

	B	Std err.	*β*	*p*
Enrollment: college or graduate school, 18 to 24 years				
Intercept	-1.87	.056		< .001
Gini	1.31	.026	.31	< .001
Income (Log10)	.37	.011	.27	= .002
Population	3.18e-08	2.62e-09	.067	< .001
Unemployment rate	-.008	.00047	-.16	< .001
Enrollment college, over 3 years				
Intercept	-.44	.035		< .001
Gini	.76	.017	.29	< .001
Income (Log10)	.074	.0066	.089	< .001
Population	1.20e-08	1.63e-09	.042	< .001
Unemployment rate	-.0056	.00029	-.18	< .001
Enrollment graduate or professional school, over 3 years				
Intercept	-.37	.0075		< .001
Gini	.20	.0036	.34	< .001
Income (Log10)	.069	.0014	.36	< .001
Population	8.74e-09	3.52e-10	.13	< .001
Unemployment rate	-.00087	.000063	-.12	< .001

Notes: The estimates for fixed state and year effects are not reported in this table, which can be accessed at https://researchbox.org/2321&PEER_REVIEW_passcode=QHWUDQ.

Table M.8. Descriptive Statistics of the Independent Variables

	Mean	Std err.	Min	Max
One-year Estimates				
Gini	.45	.033	.33	.60
Income	55,953.78	14,818.58	28,772.00	142,299.00
Income(Log10)	4.73	.11	4.46	5.15
Population	324,473	571,217	60,699	10,105,720
Unemployment rate	6.20	2.72	1.60	29.40
Five-year Estimates				
Gini	.44	.036	.20	.71
Income	47,732.26	12,858.82	18,972.00	142,299.00
Income(Log10)	4.66	.11	4.28	5.15
Population	100,283	320,883	41	10,105,720
Unemployment rate	6.28	2.94	.80	29.40

Table M.9. Descriptive Statistics of the Dependent Variables of Education Attainment

	Mean	Std err.	Min	Max
One-year Estimates				
Bachelor's or higher degree, 18-24 years	.090	.054	0	.60
Bachelor's or higher degree, 25-34 years	.30	.13	.019	.86
Bachelor's degree, over 25 years	.18	.059	.04	.41
Graduate or professional degree, over 25 years	.11	.05	.015	.41
Some college or associated degree, 18-24 years	.44	.097	.11	.82
Five-year Estimates				
Bachelor's or higher degree, 18-24 years	.062	.049	0	.75
Bachelor's or higher degree, 25-34 years	.21	.11	0	.84
Bachelor's degree, over 25 years	.13	.055	0	.48
Graduate or professional degree, over 25 years	.070	.041	0	.46
Some college or associated degree, 18-24 years	.39	.12	0	1

Table M.10 Descriptive Statistics of the Dependent Variables of School Enrollment

	Mean	Std. err.	Min	Max
One-year Estimates				
College or graduate school, 18-24 years	.41	.14	.069	.90
College, over 3 years	.23	.088	.067	.67
Graduate or professional school, over 3 years	.046	.026	0	.26
Five-year Estimates				
College or graduate school, 18-24 years	.30	.15	0	1
College, over 3 years	.18	.09	0	.86
Graduate or professional school, over 3 years	.039	.021	0	.25

Appendix N: Additional Study on Choice of Major

The Moderating Role of Aspirations. People have a spectrum of long-term goals, or aspirations, which can be classified two overarching categories: intrinsic and extrinsic. Intrinsic aspirations encompass three domains—self-acceptance or personal growth, affiliation or relationships, and community feeling, while extrinsic aspirations encompass another three domains—financial success or wealth, social recognition or fame and an appealing appearance or image (Kasser and Ryan 1996). In addition, the relative centrality of these intrinsic and extrinsic aspirations varies across individuals (Kasser and Ryan 1993, 1996). In light of this, we propose that this relative aspirational centrality, whether one leans towards extrinsic or intrinsic goals, would affect people's tradeoff between intrinsic and extrinsic motivations when choosing college majors. We propose a high centrality of extrinsic aspirations would drive people to consistently opt for the majors with greater external rewards (e.g., earning potential) over those with more internal drives (e.g., personal alignment) irrespective of the level of economic inequality. Conversely, a high centrality of intrinsic aspirations would lead people to consistently favor the majors that aligns more closely with their personal interests over those offering higher pay despite the rising economic inequality. In other words, we hypothesize that the impact of economic inequality on choice of major would be more pronounced for people who consider intrinsic and extrinsic aspirations equally important than for their counterparts who prioritize either one or the other as their central life aspiration.

Participants and Procedure. Two hundred and fifty-three participants recruited through Cloud Research (51.8% male, M_{age} = 41.89) completed this study for monetary compensation. The study employed one-factor (economic inequality: low vs. high) between-subject design, and participants were randomly assigned to one of the two conditions.

The procedure was identical to Study 5, with the inclusion of a scale at the end of the survey. Particularly, participants indicated perceived importance of 12 different aspirations from six domains in their lives (shortened from Kasser and Ryan 1996). These aspirations were grouped into three intrinsic and three extrinsic aspiration domains, where each domain consisted of three specific aspirations. Table N.1 reports the 12 aspirations and the corresponding aspiration domains. The 12 aspirations were fully randomized, with participants assessing the importance of one aspiration at a time. Next, we computed a score to measure *relative aspirational centrality*. This score was obtained by calculating the absolute value of the difference between the average of the six extrinsic aspirations (Cronbach's $\alpha = .85$; $M = 3.38$, $SD = 1.30$) and the average of the six intrinsic aspirations (Cronbach's $\alpha = .78$; $M = 5.69$, $SD = .96$). Therefore, participants with a higher score prioritized either extrinsic or intrinsic aspirations, while those with a lower score considered both aspirations equally important.

Table N.1. The Measure of Aspirations

	Aspiration Category [a]	Aspiration
Extrinsic Aspiration	Financial success	To be financially successful.
		To be rich.
	Social recognition	To be admired by many people.
		To be famous.
	Appealing appearance	To have people comment often about how attractive I look.
		To have an image that others find appealing.
Intrinsic Aspiration	Self-acceptance	To grow and learn new things.
		At the end of my life, to be able to look back on my life as meaningful and complete.
	Affiliation	To share my life with someone I love.
		To have deep enduring relationships.
	Community Feeling	To work to make the world a better place.
		To help others improve their lives.

Note: The description of each aspiration category refers to Table 1 in Kasser and Ryan (1996).

Results and Discussion

The manipulation of economic inequality was effective (M_{high} = 5.71, SD = 1.44; M_{low} = 3.38, SD = 1.44*;* t(250) = 12.88, $p < .001$; one participant did not complete the manipulation check). To investigate the proposed moderation, we regressed choice of major on relative aspirational centrality (mean-centered) and economic inequality (recoded as low = -1, high = 1), as well as the interaction between the two. First, we replicated the main effect of economic inequality on choice of major (B = .75, SE = .25, 95% CI = [.25, .1.25], $p = .003$). However, the interaction between economic inequality and relative aspirational centrality was not significant (B = .042, SE = .19, 95% CI = [-.32, .41], $p = .820$). These results did not support the proposed moderating role of relative aspirational centrality. To disentangle the influence of each aspiration, we conducted two separate regressions. Specifically, we regressed the choice of major on the average of extrinsic and intrinsic aspirations, economic inequality, and their respective interactions. Consistent with our theorization, we observed that participants with stronger extrinsic aspiration (B = .44, SE = .099*,* 95% CI = [-.58, -.028], $p = .0311$) or with a weaker intrinsic aspiration (B = -.30, SE = .14*,* 95% CI = [.25, .64], $p < .001$) were significantly more likely to choose a major with higher earning potential but lower personal interests over one that aligned more closely to their interest but offered less pay.

Finally, we employed PROCESS Model 4 with 10,000 resamples (Hayes 2018), including economic inequality as the independent variable, choice of major as the dependent variable, and perceived education premium between majors as the mediator. As in Study 5, we again found a significant indirect effect of perceived education premium between majors with (B = .37, SE = .13, 95% CI = [.12, .62]) or without (B = .46, SE = .13, 95% CI = [.21, .71]) controlling for relative aspirational centrality. These findings are in line with the results of Studies 4 and 5, thereby further supporting H_3 and H_4.

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