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Challenging the Pareto Principle in Risky Social Situations *

The normative strength of Pareto Principle - favoring outcome distributions that are preferred by all members of society - may be challenged if preferences are stated before the resolution of uncertainty. In such cases, inequality can arise ex post, and an outsider may therefore intervene and preclude an ex-ante choice even if it is mutually preferred by all members of society and carries no externalities to outsiders. We conduct experiments with members of the general public, testing whether they adhere to the Pareto Principle in these situations. Indeed, they often overrule other people's preferences for taking on societal risks, in about 60% of cases. Variations in treatments confirm that ex-post considerations and concerns about inequality are strong drivers of Pareto violations. The results are quite stable across populations in the US and Norway, and across sub-samples with different political views.

* (joint with Alexander W. Cappelen and Bertil Tunogdden)