Ran Abramitzky Works on Redistribution and Compensation Research

Assistant professor in the Department of Economics at Stanford University, Ran Abramitzky is working on a project dealing with what limits the capacity of society to redistribute and what determines the structure of compensation in organizations striving for income equality.

Economic theory predicts that when all individuals are paid equal amounts, individuals won’t work hard and, if membership is voluntary, more productive individuals are more likely to exit and less productive individuals are more likely to enter.

Yet, unlike many other communes in history, the Israeli kibbutzim, which are communities based on the principle of income equality, have persisted successfully for most of the 20th century. The kibbutz movement forms one of the largest communal movements in history, consisting today of 120,000 members living in 268 kibbutzim. Indeed, kibbutzim and their persistence have often been argued to provide a counter example for economics and have been used to provoke economists. Recently, however, many kibbutzim shifted away from equal sharing by introducing various degrees of reforms, allowing economists to test the forces behind these reforms.

Abramitzky’s research delves into the puzzle introduced by kibbutzim by analyzing the factors that allow kibbutzim to coexist with a capitalist society and by evaluating the role of economic factors in organizations often claimed to be driven by ideology. Specifically, his research addresses these issues through investigating the economic and sociological forces underlying the persistence of the kibbutzim.

To make this possible he assembled a new dataset with information on kibbutzim as well as information on individuals exiting and entering kibbutzim.

Abramitzky is an Israeli citizen who earned his BA in economics and business administration from Hebrew University in Israel. He then went on get his MA in economics from Northwestern University, as well as his PhD.

His current research suggests that whereas social sanctions are useful in alleviating the potential problem of shirking on the job, negative selection is a real concern facing kibbutzim and it is a key determinant of the degree of equality in kibbutzim.

Some of the key findings in this research include the following: productive individuals are the most likely to exit kibbutzim and a kibbutz’s wealth serves as a lock-in device that increases the value of staying; higher kibbutz wealth reduces exit rates and supports a high degree of income equality in kibbutzim; ideology contributes to income equality (i.e., kibbutzim with a higher degree of socialist ideology, as reflected in affiliation to a socialist movement and percentage of voting to socialist parties, are more likely to maintain a higher degree of equality); less productive individuals are more likely to enter kibbutzim and this is why kibbutzim impose restrictions on entry.

Using simple economic modeling, Abramitzky shows that these findings are consistent with an economic view of the kibbutz as providing members with insurance when participation is voluntary, which has to be taken into account by kibbutzim.

More generally, these findings contribute to an understanding of how mobility limits the capacity of states and local government to redistribute – and to an understanding of the determinants of the sharing rule in other types of organizations, such as professional...
partnerships, cooperatives, and labor-managed firms. The findings also provide empirical support for a well-known and much-disputed hypothesis in labor economics, according to which positive self-selection of migrants is expected when the place of origin has a more equal earnings distribution than the destination — whereas a negative self-selection is expected when the place of origin has a more unequal earnings distribution.

In ongoing research, Abramitzky tests the incentives to have children under equal sharing. These days, fertility in many European countries is below replacement, causing the populations to decrease. A key concern thus is to design programs to encourage people to have more children. The traditional egalitarian kibbutz provided strong incentives to have many children, as kibbutz members only paid an equal share of the total costs of raising children because the cost of raising children was not borne solely by the parents but was spread across all members of the community. Kibbutzim, thus, provide an upper bound on programs designed to encourage fertility. His current research compares fertility in kibbutzim with the rest of Israel and also tests whether fertility declined more in kibbutzim that shifted away from equal sharing.

Moreover, equal sharing is expected to discourage individuals' investment in human capital, because there are no returns to schooling under equal sharing. He compares the human capital in kibbutzim to that of the general population in the period from the early 1960s until today and also tests whether high school students were more likely to take school seriously and to invest in their human capital when their kibbutzim shifted away from equal sharing.

Finally, one may wonder whether kibbutzim will persist into the future. There is no obvious answer to this question. On the one hand, his work demonstrates the limits of equality and the role of negative selection and economic incentives. At the same time, the recent shift away from equal sharing, the key principle of kibbutzim for many years, illustrates that kibbutzim are flexible and willing to adapt themselves to a changing environment. This flexibility — in contrast to the rigidity of other communes with radical belief systems placing them at the margin of society and those that have dissolved in response to changes — may allow the kibbutzim to continue to survive, even if in an altered form.

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