

RESEARCH PAPER NO. 1816

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Its Cognitive-Motivational Underpinnings**

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August 2003

RESEARCH PAPER SERIES

STANFORD
GRADUATE SCHOOL OF BUSINESS



**FAIR MARKET IDEOLOGY:
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Forthcoming in B. Staw & R.M. Kramer (Eds.), *Research in Organizational Behavior*.

Acknowledgments: This work was funded in part by the Radcliffe Institute for Advanced Study at Harvard University, the Graduate School of Business at Stanford University, the Graduate School of Business at the University of Chicago, and the Stern School of Business at New York University. We thank Deborah Gruenfeld, Peter Henry, Orsolya Hunyady, Rick Larrick, George Loewenstein, and Michael Morris for helpful advice concerning the planning and implementation of empirical research described here. We are also grateful to Agnish Chakravarti, Kathie Koo, Tibor Palfai, Oliver Sheldon, and Jojanneke van der Toorn for assistance at various stages with data collection, entry, or analysis. Finally, we credit Rod Kramer and Barry Staw with improving the chapter by providing characteristically insightful and constructive feedback.

ABSTRACT

Public opinion research shows that most people espouse egalitarian ideals and acknowledge substantial income inequality in society, but they consistently perceive the economic system to be highly fair and legitimate. In an attempt to better understand this paradox by considering the cognitive and motivational bases of ideological support for the free market system, we draw on and integrate a number of social psychological theories suggesting that people want to believe that the systems and institutions that affect them are fair, legitimate, and justified. We have developed an instrument for measuring *fair market ideology*, and we have found in several samples that its endorsement is associated with self-deception, economic system justification, opposition to equality, power distance orientation, belief in a just world, political conservatism, right-wing authoritarianism, and scandal minimization. We also present evidence that people evince a system-justifying tendency to judge profitable companies to be more ethical than unprofitable companies. In addition, results from an experimental study we conducted in Hungary indicate that support for the free market system is strongest among people who score high in self-deception under conditions of system threat, suggesting the presence of a (nonrational) defensive motivation. Finally, we discuss several organizational and societal implications of the tendency to idealize market mechanisms and to view market-generated outcomes as inherently fair.

I. INSTITUTIONAL PERSISTENCE AS AN IDEOLOGICAL PROCESS

The cultural persistence of existing institutional forms is a topic of recognized importance in organizational sociology (e.g., Hannan & Carroll, 1992; Meyer & Rowan, 1977; Pfeffer, 1981; Van Maanen & Schein, 1979; Zucker, 1977), but it is also a theme that invites social psychological analysis (see also Jost & Major, 2001). Institutional entities like the free market system and specific institutionalized practices—such as raising prices as consumer demand increases and product supply decreases—survive, at least in part, because people accept them as legitimate and therefore protect and sustain them over time. Perceptions of legitimacy, in turn, depend upon ideological factors. One’s ideological beliefs, values, and goals, for example, affect the likelihood of judging existing institutional forms and practices to be fair, legitimate, and just and therefore deserving of continued support (e.g., Jost & Banaji, 1994; Major, 1994; Pratto, Sidanius, Stallworth, & Malle, 1994).

There are also demonstrable links between ideological orientations and preferences for specific justice principles, such as between liberalism and equality on one hand, and conservatism and equity on the other (e.g., Rasinski, 1987; Rasinski & Tourangeau, 1991). With regard to organizational decision-making, managers with politically liberal orientations have been shown to prefer equal across-the-board pay cuts as a cost-cutting measure, whereas managers who adopt authoritarian and economically conservative orientations are more likely to opt for layoffs (Tetlock, 2000).¹ The notion that ideological beliefs are consequential in organizational settings is consistent with the fact that when people intervene in organizations,

¹ There is another, more basic sense in which managerial action is routinely ideological. As Pfeffer (1981) argued: “it is the task of management to provide explanations, rationalization, and legitimation for the activities undertaken in the organization” (p. 4). On this view, managers develop explicit system-justifying ideologies to appease workers, customers, and other important stakeholders and to maintain organizational legitimacy.

they act on the basis of implicit or explicit theories of individual, group, and organizational behavior (Pfeffer, 1981; Salancik & Brindle, 1997; Weick, 1995). Ideologies are complex belief systems that incorporate, among other things, people's theories about human nature, their philosophies concerning the appropriate use of social power, status, and authority, and their moral and pragmatic convictions concerning the maximization of social and economic welfare. Indeed, beliefs and values such as these provide a cognitive and motivational basis for people's enduring commitments to cultural institutions, as well as their active participation in work organizations.

Although ideological belief systems have received scant attention in research on organizational behavior, there is a fairly extensive body of literature in political psychology that addresses the nature of ideology, its antecedents, and its consequences for judgment and behavior (see Jost, Glaser, Kruglanski, & Sulloway, 2003a for a review). In this chapter, we adopt a psychological approach to understanding the bases of ideological support for the free market system. More specifically, we focus on the cognitive and motivational underpinnings of "fair market ideology," defined as the tendency to view market-based processes and outcomes not simply as efficient, but as inherently fair, legitimate, and just (see also Blount, 1995, 2000).²

II. FAIR MARKET IDEOLOGY: A PARADOX

Our interest in analyzing the social psychological bases of fair market ideology arises in part from a desire to understand a paradox brought on by the conjunction of two more or less

² Classic economic theory dictates that when impediments to free trade are removed, the system of market exchange is highly efficient and aids in the creation of wealth. Despite these advantages, economists are usually careful not to claim that there is anything inherently fair, just, or morally legitimate about market procedures and outcomes. In fact, it is rare for economists to even address the "moral standing of the market," as Sen (1985) put it. When buyers and sellers converge on a market-clearing price that is driven by their individual preferences, wealth creation may be maximized, but fairness simply does not enter into the evaluation.

concurrent developments in U.S. society: (a) a relatively steep increase in economic inequality caused by market forces (e.g., Frank & Cook, 1995; Weinberg, 1996), and (b) a strong consensual faith in the legitimacy of the market system (e.g., Gilens, 1999; Shiller, 2000). By almost any metric—including the *gini* index of income concentration—the distribution of wealth in society has grown increasingly skewed in favor of the affluent over the past two decades (e.g., Blinder, 1987; Marshall, 2000; Weinberg, 2002). As of the late 1990s, the richest 1% of Americans controlled almost half of the country's total financial wealth, and the top 20% possessed 94% of the nation's net wealth (Wolff, 1996). Income inequality has also risen steeply within business organizations (e.g., Crystal, 1991). In 1980, for example, C.E.O.'s earned approximately 40 times the salary of the average worker; by 1998, the ratio had risen to more than 400 to 1 (e.g., Cassidy, 1999). More recent estimates place the figure at nearly 500 to 1 (Crystal, 2002).

Did these unprecedented increases in wage dispersion over the last twenty years stimulate widespread perceptions of market unfairness and a spike in labor union involvement in a country that is famous for espousing egalitarian ideals? No, the evidence suggests that it did not. On the contrary, public opinion research indicates that most people continue to perceive the economic system to be highly fair and legitimate—despite growing inequality.

In 1998, the most recent year for which these data are available, the Gallup Organization conducted a national telephone survey of 5,001 adults concerning perceptions of the fairness of the American economic system as a whole. Despite the magnitude of economic inequality that existed both in the sample and the population at large, survey results documented an impressive degree of consensus surrounding belief in the fairness of the economic system (Ludwig, 1999). A relatively strong majority (68%) agreed that “the economic situation in the United States is

basically fair,” and only 29% believed the system to be unfair (see Figure 1). Surprisingly—at least in light of prevailing assumptions in social science concerning self-interest and self-serving patterns of attribution, a majority (52%) of respondents in the lowest S.E.S. group (many with household incomes below \$15,000/year) believed that the system was fair. When asked whether disparities between the rich and the poor in the U.S. are “an acceptable part of our economic system” or “a problem that needs to be fixed,” 45% overall (and 37% of the lowest S.E.S. group) reported that they found the situation to be acceptable. The point to be made here is not that economic self-interest exerts *no* effect on perceptions of fairness. As can be seen in Figure 1, a larger percentage of high-income than low-income respondents agree that the economic system is fair. What is striking, however, is the relatively large number of self-designated “have-nots” who accept the fairness and legitimacy of the economic system.³

A finding reported by Tyler and Lind (2002) suggests that overall perceptions of market fairness are linked more to faith and trust in authorities than to justice-based scrutiny of outcomes. They found in a random-digit telephone survey conducted with a sample of 502 U.S. respondents that people were significantly more likely to agree that, “All things considered, the economic system in the United States is fair” to the extent that they also held favorable attitudes toward Congress and were more in favor of governmental intervention (pp. 53-57). This is somewhat surprising, given that genuine faith in market forces should be associated with the desire for less (not more) governmental intrusion. Thus, the belief in the fairness of market exchange seems to have more to do with general faith in the system than with a specific

³ It is conceivable that recent business scandals involving Enron, Arthur Andersen, Worldcom, and others may have (at least temporarily) caused an increase in generalized perceptions of the fairness of the economic system, although these events seem not to have had much effect on other indicators of economic optimism and consumer confidence (see Investor’s Business Daily/Christian Science Monitor Poll, 2003).

understanding of economic principles.

Social scientists have often puzzled over the popular perception that the American economic system is intrinsically fair, despite widespread awareness of inequality (e.g., Fong, 2001; Gilens, 1999; Hochschild, 1981; Kluegel & Smith, 1986; Lane, 1959; Verba et al., 1987). Such findings are difficult to square with prevailing theories of individual and collective self-interest (see Jost & Banaji, 2004). They also raise problems for many other sociological and psychological theories of injustice and rebellion, most notably social comparison and relative deprivation theories, which predict that recognition of disadvantageous inequality should foster perceptions of unfairness and participation in social change (e.g., Gurr, 1970; Pettigrew, 1967; Tajfel & Turner, 1986; Walker & Smith, 2002).

In seeking to understand how and why people believe so strongly in the fairness of economic institutions that disfavor them, researchers have sometimes revisited Marxian concepts of dominant ideology and false consciousness (e.g., Glazer, 2002; Hochschild, 1981; Jost, 1995; Kluegel & Smith, 1986; Tyler & McGraw, 1986; but see Tyler, 2001, for a different view). To the extent that these largely sociological accounts make substantive contact with psychological themes, they explain rigid adherence to fair market ideology as at least partially due to self-deception and system justification, the latter of which is defined as the social psychological “process by which existing social arrangements are legitimized, even at the expense of personal and group interest” (Jost & Banaji, 1994, p. 2). A number of different but convergent research programs that we see as highly relevant to understanding the cognitive-motivational basis of fair market ideology all lead to the conclusion that people are motivated to believe that the systems and institutions that affect them are fair, legitimate, and justified. This insight moves us somewhat closer to a satisfying psychological analysis of the paradox presented by consensual

endorsement of fair market ideology.

III. COGNITIVE-MOTIVATIONAL UNDERPINNINGS OF FAIR MARKET IDEOLOGY: A THEORETICAL INTEGRATION

In this section, we review and integrate several social psychological contributions that pertain either directly or indirectly to the cognitive-motivational bases of fair market ideology. These include research programs on the belief in a just world (Lerner & Miller, 1978), the illusion of control and unrealistic optimism (Taylor & Brown, 1988), economic system justification (Jost & Thompson, 2000), and political conservatism as motivated social cognition (Jost et al., 2003a). These accounts differ from one another in important ways, but taken together they suggest that beliefs concerning the inherent fairness of the economic system may involve elements of self-deception, system justification, and ideological socialization.

The Belief in a Just World

According to Lerner and Miller's (1978) formulation of just world theory, there is a universal human need to believe that outcomes are fair and just and that people "get what they deserve and deserve what they get." The basic argument is that living in an unpredictable, uncontrollable, and capriciously unjust world would be unbearably threatening, and so we cling defensively to the illusion that the world is a just place (Lerner, 1980). When people are confronted with cases of injustice, the belief in a just world is threatened, and people seek to restore it through conscious and nonconscious means (e.g., Hafer, 2000; Kay & Jost, 2003).

Several instruments have been developed for measuring individual differences in the tendency to believe in a just world (BJW), both in relation to one's own outcomes and to the outcomes of others in general (e.g., Lipkus, Dalbert, & Siegler, 1996; Rubin & Peplau, 1973). Research has established that people who score high on BJW are more likely than others to trust

existing institutions and authorities and to derogate victims and members of underprivileged groups (e.g., Olson & Hafer, 2001; Rubin & Peplau, 1975).⁴ Although just world theory has not been applied previously to the perception of economic systems *per se*, it has been used to understand psychological responses to economic inequality. Specifically, people who lack the opportunity for prosocial helping and people who score high on BJW scales tend to blame the poor and credit the rich for their respective fates (e.g., Furnham & Procter, 1989). In the research we have conducted, we expected that individual differences in the motivation to believe in a just world would be associated with the tendency to believe that market-based outcomes and procedures are inherently fair and legitimate. That is, higher BJW scores should predict endorsement of fair market ideology.

Illusion of Control, Unrealistic Optimism, and Self-Deception

In considering potential arguments for the inherent fairness of economic markets, Sen (1985, p. 3) discussed Friedman and Friedman's (1980) "claim that the market makes people 'free to choose,' a freedom that might be seen to be valuable in itself (whether or not it also helps in other ways, such as the protection of the interests of the consumers)." Sen noted that, "If that freedom is shown to be 'illusory,' then the case for the market mechanism would be dis-established" (p. 5). In commenting on "market mystification," Ollman (1998) similarly underscored the importance of the lay belief that: "despite all the competition and individual decisions involved in buying and selling, a surprising equilibrium gets reached, so that the

⁴ An unresolved theoretical issue is whether the belief in a just world is motivated by a deep-seated, genuine commitment to the cause of justice (Dalbert, 2001), or whether it is better conceptualized as a defensive form of justification on behalf of the system (Jost & Hunyady, 2002). The fact that scores on the belief in a just world scale correlate negatively (rather than positively) with political involvement, social activism, and support for affirmative action seems more consistent with the latter interpretation than the former (e.g., Nosworthy, Lea, & Lindsay, 1995; Rubin & Peplau, 1973). Our investigation of scandal minimization also addresses this general issue in relation to fair market ideology.

market not only appears to be just—because no one interferes with our choices—it also appears to work” (p. 84). Thus, the notion (illusory or otherwise) that the free market presents individuals with the opportunity to control their own fates seems to play some role in perceptions of economic fairness.

Research in social psychology suggests that people greatly value individual freedom of choice (Brehm & Brehm, 1981), that the perception of control is crucial to fairness judgments (Lind & Tyler, 1988), and that people often exaggerate the extent to which they have control over randomly determined outcomes (Langer, 1975). There is also evidence that people prefer to accept personal responsibility for unfavorable outcomes than to acknowledge that some events are beyond their personal control (e.g., Lerner, 1980; Miller & Porter, 1983). Kluegel and Smith (1986, pp. 13-14), too, have argued that the “illusion of control” supports the ideological belief that economic inequality is fair and legitimate.

It has also been suggested that poor people might embrace fair market ideology in part because they are unrealistically optimistic about the future and expect to become rich one day (Candiotti, 1998). As a general rule, people do tend to overestimate the extent to which good things are likely to happen to them and to underestimate the extent to which bad things are likely to happen to them (e.g., Weinstein, 1980). More than half a century ago, Katona (1951) observed that approximately twice as many people expected that good (vs. bad) economic times were coming, and although perceptions may fluctuate with objective economic circumstances to some degree, the tendency to see the economy through rose-colored glasses is relatively robust. For instance, the economic optimism index fell below 50% in only 1 of the 30 months between February 2001 and July 2003, despite major corporate scandals and severe economic downturns during this time period (see Investor’s Business Daily/Christian Science Monitor, 2003).

Unrealistic optimism in the economic domain seems to be especially common among less educated respondents (Robison, 2003) and may contribute to the phenomenon of investor overconfidence (Shiller, 2000). Taylor and Brown (1988) argued that both the illusion of control and unrealistic optimism are “positive illusions,” that is, adaptive forms of self-deception that facilitate coping with environmental stress and uncertainty.⁵ Paulhus (1984) has developed a scale for measuring “self-deceptive enhancement,” which gauges the individual propensity to embrace positive illusions. If support for fair market ideology is indeed related to the illusion of control, unrealistic optimism, and other positive illusions, then we would expect that its endorsement would be positively correlated with self-deception. Such a demonstration would be particularly novel because of the fact that general beliefs concerning the legitimacy of the economic system are quite removed from the specific kinds of self-related beliefs typically investigated by self-deception researchers.

System Justification Theory

Jost and Banaji’s (1994, 2004) system justification theory integrates previous research and further elaborates on the theme that people are motivated to perceive existing social, economic, and political arrangements as inherently fair, legitimate, and justifiable. Research examining the theory has demonstrated, among other things, that people tend to rationalize the status quo by enhancing the subjective value of anticipated outcomes, even if they were initially defined as unattractive (Kay, Jimenez, & Jost, 2002). Other studies have shown that people develop and use stereotypes to justify inequality in organizations and in society (e.g., Baron & Pfeffer, 1994; Jost & Major, 2001; Operario & Fiske, 2001) and misremember arbitrary reasons given for the existence of inequality among groups as increasingly legitimate over time (Haines

⁵ Dalbert (2001) has also interpreted the belief in a just world as a positive illusion, further tightening theoretical connections among constructs of self-deception and justice perceptions.

& Jost, 2000). System-justifying tendencies are conservative in their consequences and may stem, at least partially, from epistemic and existential needs to manage uncertainty and threat (e.g., Jost et al. 2003a; Kramer, 2001; Lind & van den Bos, 2002).

Jost and Thompson (2000) developed an Economic System Justification (ESJ) Scale to measure individual differences in the propensity to defend and justify the existing economic system, with its attendant degree of inequality. Items from the ESJ scale are listed in Table 1. Jost and Thompson found that ESJ scores correlated with ideological “opposition to equality” (see also Kluegel & Smith, 1986). Because it stresses the acceptance of disadvantageous as well as advantageous inequality, ESJ is similar to Hofstede’s (1997) more general (and notoriously difficult to measure) construct of “power distance,” defined as “the extent to which inequality among persons ... is viewed as a natural (and even desirable) aspect of the social order” (Brockner et al., 2001, p. 302). Research has demonstrated that for members of advantaged groups (such as European Americans) higher ESJ scores tend to be associated with increased self-esteem and ingroup favoritism, whereas for members of disadvantaged groups (such as African Americans) stronger endorsement of ESJ is associated with decreased self-esteem and increased outgroup favoritism (see Jost & Hunyady, 2002 for a review). This work underscores the fact that people sometimes engage in system justification even at the expense of individual and group self-interest (Jost, 1995; Jost & Burgess, 2000; Jost, Pelham, & Carvallo, 2002), suggesting that a broader notion of rationalization and self-deception (i.e., broader than mere self-enhancement) is necessary to understand ideological beliefs. In fact, Jost, Pelham, Sheldon, and Sullivan (2003c) found that low-income respondents were even *more* likely than high-income respondents to believe that large differences in pay are necessary to “get people to work hard” and “as an incentive for individual effort.” The obtained pattern of results is illustrated in

Figure 2.

According to system justification theory, threats to the legitimacy or stability of the system—as long as they fall short of toppling and replacing the status quo—should evoke defensive ideological responses, leading people to be even more motivated to justify the existing system (see Jost & Hunyady, 2002). We would therefore hypothesize that people will show increased support for fair market ideology following a perceived threat to the social system. To the extent that defensive responses should be especially likely among people who score high on self-deception, we would further predict an interaction between system threat and self-deception.

Political Conservatism as Motivated Social Cognition

In seeking to understand why most Americans fail to perceive inequality as unfair or illegitimate—that is, to understand “why the dog doesn’t bark”—Hochschild (1981) pointed to political orientation. Subsequent research by Verba et al. (1987) confirmed that politically conservative individuals, groups, and party members in Japan, Sweden, and the U.S. were more likely than liberals to believe that the economic status quo is fair and that inequality is an acceptable outcome. For these and other reasons described below, we hypothesized that political conservatism and right-wing authoritarianism would be significant attitudinal predictors of the degree of endorsement of fair market ideology.

Most definitions of political conservatism stress resistance to change and acceptance of inequality (i.e., social differentiation) as core ideological components (e.g., Huntington, 1957; Kerlinger, 1984; Muller, 2001). Defined in this way, conservatism is a prototypical system-justifying ideology, in that it preserves the status quo and provides intellectual and moral justification for maintaining inequality in society. On the assumption that political conservatism could be analyzed as a case of motivated social cognition, Jost et al. (2003a) reviewed theory and

research linking a host of psychological variables to endorsement of political conservatism. These variables were selected on the basis of numerous theories of ideological functioning, including theories of right-wing authoritarianism (Adorno, Frenkel-Brunswik, Levinson, & Sanford, 1950; Altemeyer, 1996); dogmatism and closed-mindedness (Rokeach, 1960); conservatism as uncertainty avoidance (Wilson, 1973); terror management (Pyszczynski, Greenberg, & Solomon, 1997); and system justification (Jost & Banaji, 1994).

Jost et al. (2003a) conducted a meta-analysis of studies conducted between 1958-2002 involving 88 different research samples and 22,818 individual cases. The original studies were carried out in 12 different countries: USA, England, New Zealand, Australia, Poland, Sweden, Germany, Scotland, Israel, Italy, Canada, and South Africa. This corpus of research made it possible to quantitatively assess the strength of hypothesized relations between conservatism and nine specific variables related to epistemic and existential functioning, namely: intolerance of ambiguity; openness to experience; fear of threat and loss; self-esteem; uncertainty avoidance; personal needs for order, structure, and closure; integrative complexity; system instability; and fear of death.

Results of the meta-analysis indicated that all nine of the hypothesized cognitive-motivational variables were indeed significantly related to political conservatism and the holding of right-wing ideological orientations, although the effect sizes for the different variables ranged considerably (see Figure 3). The two largest effect sizes were obtained for fear of death (and mortality salience) and system threat (and instability). Moderate effect sizes were also obtained for intolerance of ambiguity, openness to experience, uncertainty avoidance, and personal needs to achieve order, structure, and closure. The weakest effect sizes were obtained for integrative complexity, fear of threat and loss, and self-esteem.

Evidence from the meta-analysis supported the notion that there is a consistent “match” between epistemic and existential needs to manage uncertainty and threat and the specific contents of conservative ideologies (see also Jost, Glaser, Kruglanski, & Sulloway, 2003*b*). This match had been suggested not only by Adorno et al. (1950), but also by Rokeach (1960), who argued that, “If a person’s underlying motivations are served by forming a closed belief system, then it is more likely that his motivations can also be served by embracing an ideology that is blatantly anti-equalitarian. If this is so, it would account for the somewhat greater affinity we have observed between authoritarian belief structure and conservatism than between the same belief structure and liberalism” (p. 127). After 50 years of cumulative research, the evidence consistently indicates that there are, indeed, a number of cognitive and motivational differences between proponents of conservative vs. liberal ideologies, including ideologies pertaining to perceptions of the economic system. To the extent that conservatism is a belief system that provides justifications for economic inequality under capitalism, it should also be associated with endorsement of fair market ideology.

Summary of Theoretical Propositions

In our research, we have sought to investigate the prevalence of fair market ideology and its cognitive and motivational underpinnings. We enumerate several propositions below that summarize and integrate our theoretical arguments. These may be stated as follows:

1. *Ceteris paribus*, people living under a free market system will tend to believe that common business practices and market-driven procedures and outcomes are fair, ethical, and legitimate; that is, in general people will endorse a fair market ideology.⁶

2. People who score high on each of the following cognitive, motivational, and

⁶ We also considered the possibility that this tendency would be particularly pronounced for people pursuing business careers.

ideological variables will endorse fair market ideology more strongly than will people who score low on each of these variables:

- (a) Belief in a Just World (BJW)
- (b) Economic System Justification (ESJ)
- (c) Opposition to Equality (OEQ)
- (d) Power Distance
- (e) Self-Deception
- (f) Political Conservatism (vs. Liberalism)
- (g) Right-Wing Authoritarianism (RWA)

3. To the extent that people endorse fair market ideology, they will also be more likely to minimize ethical concerns in response to scandals.

4. *Ceteris paribus*, business people will be motivated to believe that profitable companies are ethical companies.

5. In general, people will show increased support for the economic system following a threat to the legitimacy of the system, especially when they are relatively high in self-deception.

IV. EMPIRICAL EVIDENCE BEARING ON THE COGNITIVE-MOTIVATIONAL UNDERPINNINGS OF FAIR MARKET IDEOLOGY

In this section, we summarize several related research programs bearing on the above propositions. First, we describe the development and validation of an instrument for measuring the tendency to assume that market-driven procedures and outcomes are fair. In doing so, we investigate strengths of association between scores on the fair market ideology scale and measures of belief in a just world, economic system justification, opposition to equality, power distance, political conservatism, right-wing authoritarianism, self-deception, and scandal

minimization. Second, we relay the results of an experimental study designed to assess the system-justifying tendency for people to assume that profitable companies are more ethical than unprofitable companies. Third, we summarize data from an experimental investigation pertaining to ideological support for the free market system and its relation to self-deception and system threat in the context of the transition from socialism to capitalism in Hungary.

The Development of a Fair Market Ideology (FMI) Scale

In order to demonstrate that a tendency exists to believe that the existing free market system is fair, ethical, and legitimate and to measure individual differences in this tendency, we developed a 25-item Fair Market Ideology (FMI) Scale. The first 15 items tap perceptions that the free market system is fair on largely procedural grounds; the last 10 items focus on the perceived fairness of market-driven outcomes. A complete list of the FMI items is presented in Table 2, along with scaling and scoring instructions. For the 25-item version of the scale, reliability is very good, with α 's ranging from .83 to .88. We have found that using a smaller subset of the scale items (either 6- or 15-item versions) is acceptable in terms of reliability (α 's ranging from .61 to .78), and obviously more efficient with regard to time and space savings during data collection.

To date, we have administered either long or short versions of the FMI scale to six different respondent samples from 2000-2003. Sample and scale descriptive statistics, including scale reliabilities, are presented in the top panel of Table 3. Sample 1 was comprised of 89 weekend (part-time) MBA students (aged 28-40) from the University of Chicago. They completed the 25-item version of the FMI Scale, along with 15 items from Jost and Thompson's (2000) Economic System Justification (ESJ) Scale, omitting the 2 items that explicitly mentioned "fairness" ($\alpha = .69$; see items listed in Table 1), and a single-item measure of political orientation

in which participants were asked to locate themselves on a scale ranging from 1 (“Extremely Liberal”) to 10 (“Extremely Conservative”). The same materials were administered to Sample 2, which consisted of 100 2nd year (full-time) MBA students who were taking a negotiations course at the University of Chicago ($\alpha = .75$ for the ESJ Scale). Mean scores on items 1-15 (procedural/systemic fairness) were found to correlate very highly with overall scores on the 25-item scale in Sample 1 ($r = .86$) and Sample 2 ($r = .92$). The two subscales (procedural/systemic and outcome fairness) were also reasonably strongly intercorrelated for Sample 1 ($r = .48$) and Sample 2 ($r = .65$).

Sample 3 was comprised of 92 1st year (full-time) MBA students from the University of Chicago. They completed the first 15-items of the FMI Scale (i.e., the procedural/systemic subscale), as well as the single-item measure of political orientation. In addition, Sample 3 filled out items adapted from Lipkus et al.’s (1996) Belief in a Just World (BJW) Scale, which distinguishes between BJW in relation to self ($\alpha = .85$) and to others in general ($\alpha = .78$) and Paulhus’ (1984) Self-Deceptive Enhancement (SDE) 20-item Scale ($\alpha = .64$). A subset of participants from Sample 3 ($n = 42$) also completed 9 items from the outcome fairness subscale (items 16-22 and 24-25) five weeks later. Scores on the procedural/systemic subscale at time 1 did correlate with scores on the outcome fairness subscale at time 2, $r = .39, p < .02$.

Sample 4, which included 357 1st year (full-time) MBA students from Stanford University, also completed the 15-item version of the FMI Scale. In addition, Sample 4 filled out the SDE scale ($\alpha = .67$) and a 6-item scale designed to measure the construct of “Power Distance,” including the following items: (1) “Inequality in society should be minimized,” (2) “There should be an order of inequality in this world in which everybody has a rightful place: high and low are protected by this order,” (3) “Power holders are entitled to privileges,” (4)

“Other people are a potential threat to one’s power and can rarely be trusted,” (5) “The way to change a social system is to redistribute power,” and (6) “A few people should be independent; most should be dependent.” It seems that our attempt to come with a highly reliable measure of power distance fared no better than the attempts made by our predecessors (e.g., Brockner et al., 2001; Hofstede, 1997). The α coefficient for this scale (.46) was the lowest of all the scales we administered.

Sample 5 consisted of 108 Boston University undergraduate students who completed a shortened 6-item version of the FMI scale (items # 1, 2, 6, 10, 12, and 14). These items were selected because they had correlated especially well with overall FMI scores from the 25-item scale in previous samples. In addition, participants completed a two-item measure of political orientation, the self-deception scale, all 17 items from the ESJ scale, 7 items measuring “Opposition to Equality” (OEQ) that were taken from Kluegel and Smith (1986, pp. 106-7), and 20 items from Altemeyer’s (1996) “Right-Wing Authoritarianism” (RWA) Scale.

Sample 6 was comprised of 115 adults recruited for mass-testing sessions on the campus of Stanford University. Most (but not all) participants were undergraduate students. In addition to a single-item measure of political orientation, participants completed the 6-item version of the FMI scale. We also constructed and administered a questionnaire for measuring scandal minimization in relation to two core events that had been in the news at the time of the data collection: (a) alleged ethical violations and accounting irregularities at the Enron Corporation under the leadership of Kenneth Lay, and (b) the reluctance of the Bush-Cheney administration to share documents with the public concerning meetings with Enron executives and other campaign contributors. For each of these two events, participants were asked: (1) “How concerned or unconcerned are you about alleged ethical violations at Enron/the privacy

maintained by the Bush-Cheney administration?” Responses were given on a scale ranging from 0 (“Not at all concerned”) to 9 (“Extremely concerned”) and reverse-scored prior to averaging. (2) “How fair or unfair do you think the actions of Enron officials/the Bush-Cheney administration were?” Responses were given on a scale ranging from 0 (“Extremely unfair”) to 9 (“Extremely fair”). (3) “How justifiable or unjustifiable do you think the actions of Enron officials/the Bush-Cheney administration were?” Responses were given on a scale ranging from 0 (“Extremely unjustifiable”) to 9 (“Extremely justifiable”). An overall index of scandal minimization was calculated for each participant by averaging across responses to the three items (unconcerned, fair, and justifiable) perceived in relation to each of the two core events ($\alpha = .77$).

Social Psychological Predictors of Fair Market Ideology

Based on several social psychological theories, we anticipated that people (especially those pursuing business careers) would generally endorse fair market ideology by assuming that common business practices and market-driven procedures and outcomes are fair, ethical, and legitimate (Proposition 1). This expectation was supported in all four tests involving MBA samples—regardless of whether students were surveyed at the beginning, middle, or end of their graduate training programs. As can be seen in Table 3, mean FMI scores for Samples 1-4 were significantly greater than zero at the $p < .001$ level. Despite the fact that neoclassical economic theory disavows any necessary connection between the free market as an efficient means for exchanging goods and services and procedural or distributive justice, MBA students tended to believe that market-based exchanges are inherently fair (see also Blount, 2000). This belief was not shared by either of the non-MBA samples. Mean FMI scores for Sample 5 did not differ from zero, and mean FMI scores for Sample 6 differed from zero in the negative direction: These participants endorsed an ideology in which the free market system was perceived as significantly

unfair.⁷

In terms of nonrational social psychological predictors of the degree of endorsement of fair market ideology across people in general, we hypothesized that FMI scores would be associated with each of the following variables: belief in a just world, economic system justification, opposition to equality, power distance orientation, self-deception, political conservatism, and right-wing authoritarianism (Propositions 2 [a]-[g]). Correlational results for all 6 samples are summarized in Table 3. Political conservatism predicted FMI scores in all 5 of the samples in which it was measured, with r s ranging from .25 to .40. Economic system justification scores predicted FMI scores in all 3 of the samples in which it was measured, with r s ranging from .36 to .49. Self-deception, too, predicted FMI scores in all 3 of the samples in which it was measured, with r s ranging from .20 to .33. Belief in a just world scores correlated with FMI scores in Sample 3, with slightly (but nonsignificantly) stronger correlations obtained for personal (or self-related) BJW, $r(92) = .25$, than for global (or other-related) BJW, $r(92) = .18$. Other attitudinal predictors of FMI scores included power distance, $r(357) = .19$ (although this result should be interpreted with caution, given the low reliability of the power distance scale); opposition to equality, $r(108) = .29$; and right-wing authoritarianism, $r(108) = .27$. Thus, Propositions 2 (a)-(g) each received at least some empirical support.

Only one of the samples contained a sufficient number of variables in the same study to allow for an adequate comparison of the relative strengths of the various predictors, controlling for one another. A simultaneous regression was conducted on the data for Sample 5. Results indicated that the strongest unique predictors were self-deception, $\beta = .31$, $t(102) = 3.59$, $p <$

⁷ The expression of “unfair market ideology” is interesting in its own right and reminds one of the *New Yorker* cartoon in which one worker says to another, “There it is again—the invisible hand of the marketplace giving me the finger!”

.001, and economic system justification, $\beta = .24$, $t(102) = 2.08$, $p < .05$. After controlling for these variables, none of the remaining variables (conservatism, opposition to equality, or right-wing authoritarianism) retained statistical significance.

The fact that the hypothesized correlations attained statistical significance suggests that our measure of fair market ideology possesses convergent validity. That is, participants' scores on both short and long forms of our scale were indeed predicted by other variables that were theorized to be conceptually related. At the same time, none of the relations were so strong as to suggest conceptual redundancy between fair market ideology and constructs previously investigated by other researchers. Most zero-order correlations were moderate in magnitude (ranging from .18 to .49 overall).

We also predicted that people who are especially likely to endorse fair market ideology would be more likely to minimize ethical concerns in response to scandals (Proposition 3). This was investigated in the context of reactions to the Enron scandal and to alleged conflicts of interest involving the Bush/Cheney administration. As can be seen in Table 3, FMI scores in Sample 6 significantly predicted the tendency to engage in scandal minimization, $r(115) = .36$, $p < .001$. The positive association between FMI and scandal minimization was weaker in magnitude but retained significance after controlling for political conservatism, partial $r(112) = .23$, $p < .02$. These findings suggest that believing in the inherent fairness of the free market system has less to do with genuine fairness concerns than it does with defending existing institutions and authorities, including both corporate and political actors.

Ethical Inferences Derived from Profitability Information: An Experimental Study

On the assumption that fair market ideology would be relatively common and manifold in its consequences for judgment, we hypothesized that people would also be motivated to believe

that profitable companies are ethical companies (Proposition 4), insofar as such a link would imply that the free market system produces not only efficient outcomes but also morally just outcomes. We conducted an experimental study to investigate this possibility, which is consistent with some formulations of just world theory, especially the notion that people would derogate losers and lionize winners (e.g. Lerner & Miller, 1978). Data concerning the alleged magnitude (large vs. small) and direction of profitability (gain vs. loss) of named and unnamed companies were presented to 343 MBA students. Ratings of the fairness and ethicality of those companies were obtained, and we looked for evidence bearing on the rationalization hypothesis that profitable (gaining) companies would be seen as more ethical than losing companies, especially when gains (vs. losses) were large in magnitude.

In order to manipulate perceived company performance, research participants were presented with data allegedly showing the 1-year and 5-year profitability of 12 different companies. Specifically, participants were given information for each company about annual growth rate in earnings per share, relative to the average growth rate of earnings per share for all companies listed in the S & P 500. Positive percentages were said to indicate that the company had outperformed the market average, and negative percentages were said to indicate that the company had underperformed the market average. Three companies on the list were presented as having posted relatively large losses (averaging -13% over the previous year and the previous 5 years), and three other companies were described as having posted relatively small losses (averaging -4% over the previous year and the previous 5 years). Three more companies were presented as having posted relatively small gains (averaging 4% over the previous year and the previous 5 years), and three others were described as having achieved relatively large gains (averaging 13% over the previous year and the previous 5 years). Companies from each of these

four categories were interspersed throughout the list to avoid suspicion and to minimize experimental demand characteristics.

Because we were interested in potential differences between abstract vs. concrete judgments of ethicality in relation to profitability as well as the malleability of ethicality judgments of specific companies, we also manipulated whether companies were named or unnamed. That is, half of the participants read data and made judgments about hypothetical or unnamed companies (Company A, B, C, D, etc.), and the other half read and made judgments about actual companies (Woolworth, Gillette, Toys R Us, Caterpillar, etc.).⁸ Thus, the final experimental design was a 2 (Hypothetical vs. Real Company Names) x 2 (Company Profit vs. Loss) x 2 (Large vs. Small Magnitude of Change) mixed factorial design, with the last two factors manipulated in a within-subjects fashion.

For each of the 12 companies (hypothetical or real), participants were asked for their “beliefs and perceptions about how ethical this company is in terms of general business practices, fair employee treatment, responsibility to consumers, and environmental consideration.” Responses were given on 9-point scales ranging from 1 (“Not at all ethical”) to 9 (“Extremely ethical”). Mean ratings of ethicality as a function of whether companies were seen as posting gains or losses and whether those gains or losses were large or small are graphed in Figures 4 and 5 for named and unnamed companies, respectively.

A mixed model analysis of variance revealed that several main and interaction effects attained statistical significance. A huge main effect of performance indicated that, as hypothesized, companies that were believed to be profitable were judged to be more ethical ($M =$

⁸ To minimize the direct influence of specific company reputations on ethicality judgments, the same company names were presented to some participants as profitable and to other participants as losing earnings. We collapsed across this counterbalancing order prior to conducting statistical analyses.

5.49) than were companies that were believed to be losing earnings ($M = 4.93$), $F(1, 328) = 53.81$, $p < .001$. A main effect of magnitude indicated that companies with small changes from the status quo (whether losses or gains) were judged to be more ethical ($M = 5.34$) than were companies with larger changes from the status quo ($M = 5.08$), $F(1, 328) = 23.04$, $p < .001$.

A two-way interaction involving company performance and magnitude was observed, $F(1, 328) = 10.97$, $p < .001$. Companies posting large losses were judged to be significantly less ethical ($M = 4.72$) than companies posting smaller losses ($M = 5.13$), according to a paired samples test, $t(333) = 6.05$, $p < .001$. Companies posting large and small gains, however, were seen as equally ethical ($M_s = 5.44$ and 5.53 , respectively), $t(334) = 1.33$, $p = .19$. Thus, participants might have assumed that large losses resulted from companies' having been caught engaging in unethical behavior, but participants did not generally appear to assume that large gains were ill gotten.

An interaction involving company performance and name type was also observed, $F(1, 328) = 16.33$, $p < .001$). Companies posting losses were judged to be significantly less ethical when hypothetical names were used ($M = 4.71$) than when actual company names were used ($M = 5.13$), according to an independent samples pairwise comparison, $t(330) = 3.05$, $p < .01$. Companies posting gains, however, were seen as equally ethical whether hypothetical ($M = 5.57$) or actual company names were used ($M = 5.40$), $t(331) = 1.34$, $p = .18$.

Finally, the analysis yielded a three-way interaction involving company performance, magnitude, and name type, $F(1, 328) = 9.93$, $p < .002$). For purposes of interpretation, we conducted separate 2 (Profit vs. Loss) x 2 (Large vs. Small) repeated measures analyses of variance on ratings of actual vs. hypothetical company names. When actual company names were used, participants exhibited two main effect tendencies to rate profitable companies as more

ethical than losing companies, $F(1, 171) = 12.93, p < .001$, and to rate companies with smaller changes from the status quo as more ethical than companies with larger changes (whether gains or losses), $F(1, 171) = 34.82, p < .001$ (see means in Figure 4). No interaction between performance and magnitude was observed. When hypothetical company names were used, however, the analysis yielded a main effect tendency to again rate profitable companies as more ethical than losing companies, $F(1, 157) = 38.51, p < .001$, as well as a two-way interaction effect indicating that this tendency was more pronounced when the magnitude of profits and losses was large rather than small, $F(1, 157) = 14.66, p < .001$ (see means in Figure 5).

For both abstract ratings of unnamed companies and specific ratings of named companies, therefore, we found evidence that people tended to rate companies as more ethical when they were perceived as gaining earnings per share than when they were perceived as losing earnings per share. This supports the rationalization hypothesis that people would seek to legitimize market-based outcomes by drawing (unwarranted) ethical inferences about corporations on the basis of their profitability information (Proposition 4). These inferences were more pronounced when gains and losses were larger rather than smaller, but only when hypothetical company names were used. When actual company names were used, we also found that people judged companies with smaller deviations from the status quo to be more ethical than companies with larger deviations from the status quo (in either direction). This finding is consistent with the notion (expressed also in Proposition 1) that, as part and parcel of fair market ideology, people tend to believe that common business practices and outcomes are more fair, ethical, and legitimate than are uncommon business practices and outcomes. Having demonstrated reasonably consistent support for various manifestations of fair market ideology among different samples in the U.S., we turned our attention in the final study to an investigation

of attitudes toward the free market in Hungary.

Free Market Ideology in Hungary as a Function of Self-Deception and System Threat

For much of the second half of the 20th century, most Central and Eastern European countries operated under centralized state planning systems associated with socialist and/or communist governments. Hungary, like neighboring countries such as Poland and the Czech Republic, experienced a relatively abrupt transition from socialism to capitalism beginning around 1989, providing a useful context for investigating the social psychological shift of allegiances from one system to another (e.g., Csepeli, Örkény, Székelyi, 2000; Hunyady, 1998; Stark, 1996). Because today's Hungarian adults (especially older adults) have lived under two very different social and political systems, they have been exposed to ideological justifications for communism and capitalism. We were intrigued by the opportunity to expand our research agenda by examining the cognitive-motivational bases of Hungarians' attitudes toward the free-market economic system.

Because of their relatively recent history, we expected that it would be possible to alter Hungarian respondents' degree of support for the current economic system by inducing threats either to the legitimacy of the current status quo or to the relatively recent system that preceded it. Specifically, we had proposed that people would show increased support for the free market system following a threat to that system, especially to the extent that they are relatively high in self-deception (Proposition 5).

To assess this hypothesis, we conducted an experimental study in which participants were exposed either to a threat to the socialist system or a threat to the free market system or to a control condition with no system threat. In addition, we measured participants' levels of self-deception. Research participants were 242 adult students (108 men, 134 women, ranging in age

from 18-30) majoring in law, engineering, medicine, sciences, forestry, or the humanities who were interviewed confidentially in the cities of Budapest ($n = 121$) or Szeged ($n = 121$) in early 2001. Trained interviewers read the questions aloud and recorded participants' responses.

Embedded in the context of the survey was an experimental manipulation of system threat. In one condition, participants ($n = 82$) were exposed to a brief passage that posed an ideological threat directed at the former socialist system. More specifically, they read a Hungarian translation of the following statement:

Many people believe that the socialism of the Kádár era (prior to the reforms of 1989) was immoral and dishonest, and they cannot understand why anyone would ever support it. Specifically, *some people believe that the lack of freedom and opportunity under socialism cannot be defended or justified in any way.*

In a second condition, participants ($n = 80$) were exposed to a threat directed at the newer free market system. This passage was as follows:

Many people believe that the market economy of today (following the reforms of 1989) is immoral and corrupt, and they cannot understand why anyone would ever support it. Specifically, *some people believe that the lack of equality and justice under a free market system cannot be defended or justified in any way.*

As part of the cover story used in both experimental conditions, participants were given the opportunity to provide a few reactions to these statements. A control condition was also included in which participants ($n = 80$) were not presented with any system-threatening message. Following the experimental manipulation of system threat, participants' degree of ideological support for the free market system was measured using an 8-item scale; items are listed in Table 4 ($\alpha = .66$). We also administered a Hungarian translation of Paulhus' (1984) 20-item Self-

Deceptive Enhancement (SDE) Scale, so that we could compare the responses to system threat of people who scored high vs. low in self-deception.⁹

A regression analysis was conducted to assess the effects of system threat (a categorical variable) and self-deception (as a continuous variable) on support for the free market system. For ease of illustration and interpretation, we have graphed means in Figure 6 as a function of experimental condition and whether participants were high or low in self-deception on the basis of a median split, but the continuous variables was used for significance-testing. The analysis yielded a main effect of self-deception, $\beta = .66$, $t(238) = 3.99$, $p < .001$, indicating that people who scored higher on SDE were more likely to express support for the capitalist status quo (and to reject the former socialist system) than were participants who scored lower on SDE; the marginal means for this comparison, based on a median split, were 8.43 and 8.93, respectively. There was also a two-way interaction between self-deception and system threat condition, $\beta = -.47$, $t(238) = 2.86$, $p < .005$. As can be seen in Figure 6, both types of system threat led high SDE (but not low SDE) participants to show enhanced support for the free market system, relative to the control condition. Results therefore supported Hypothesis 5. People who scored higher in self-deception defended the status quo from attack by countering the threat to the free market system, but they showed assimilation (rather than contrast) to the anti-socialist message, expressing increased support for the free market system in this condition as well. It is at least conceivable that older generations of Hungarians (many of whom were supporters of the socialist system) might have responded differently.

These findings again suggest that a broader conceptualization of self-deception and rationalization is needed to understand cases that go beyond mere self-enhancement, as

⁹ No reliable effects of experimental condition were obtained on SDE scores.

suggested also by Kay et al. (2002). Self-deception seems to be more closely related to the ideological defense of the status quo and to the holding of specific political and economic attitudes than previous research on self-deception would have predicted (e.g., Paulhus, 1984; Taylor & Brown, 1988). In addition, our findings suggest that there is a motivational (or “hot”) component to “cold” beliefs concerning the appropriateness and justness of existing economic institutions. Endorsement of free market ideology in Hungary (as well as in the United States) has a nonrational component that is empirically linked to defensive motivational responses. At this point, however, it is difficult to say whether self-deception and system threat predict support for the free market system in particular or support for the status quo in general (i.e., either a centralized or market economy). Future research in countries with active socialist systems is needed to distinguish between these two possibilities (see also Jost et al., 2003*a*, 2003*b*).

V. IMPLICATIONS FOR ORGANIZATIONAL DECISION-MAKING AND BEHAVIOR

Although economists would not claim that markets are inherently fair, just, or morally legitimate, we have found substantial evidence that ordinary actors, especially those who are seeking careers in business, do see fairness as a property of the free market system. We have summarized research from a wide range of sources demonstrating that people living under market economies tend to believe that market-based processes and outcomes are inherently fair and just. Our survey and experimental studies address the prevalence of fair market ideology as well as its cognitive-motivational basis. People who are especially prone to endorse fair market ideology are also more likely to believe in a just world, engage in self-deception, accept power distance, endorse economic system justification, oppose equality, and to be politically conservative and even authoritarian. We have also shown that business school students (at least before the recent rash of corporate scandals) judged profitable companies to be more ethical than

unprofitable companies, presumably because of the system-justifying assumption that the market rewards ethical behavior and punishes unethical behavior. In the context of a transitional economic system in Hungary, we have also demonstrated in an experimental study that ideological support for the free market is increased when self-deception is high and the legitimacy of the system is threatened.

We turn now to a consideration of the implications of these findings for work organizations. An implicit but important distinction that we make is between market or market-based mechanisms of individual and corporate decision-making, resource allocation, etc. on one hand and the *moral* attributes that people frequently associate with these mechanisms on the other. From a purely economic point of view, it is a fallacy to believe that market mechanisms are themselves imbued with fairness or morality, simply because they operate in the context of market exchange (Blount, 1995, 2000). In the remainder of this chapter, we consider, somewhat speculatively, three potentially deleterious organizational consequences of adhering to fair market ideology. Specifically, we address the possibilities that endorsement of fair market ideology will exacerbate tendencies to: (a) encourage competitive, self-interested behavior while hindering the operation and development of alternative ideological schemes, including those that emphasize cooperation and investment in the public interest; (b) justify market-based decision logics even when there are problems, errors, or shortcomings associated with the application of such logics; and (c) assume that market-driven outcomes are necessarily positive and attribute poor outcomes to individual managers rather than to environmental or systemic factors, thereby delaying the implementation of structural changes to the status quo.

Fair Market Ideology Encourages Competitive Self-Interest and Discourages Cooperation and Public Investment

The belief that free markets are inherently fair is widely held in the Western world and has been making incursions into other regions, as our Hungarian study demonstrates. Market-based systems now enjoy the kind of taken-for-granted legitimacy that is described by institutional theories of cultural persistence (e.g., Zucker, 1977). As a result of the increasing dominance of fair market ideology, other ways of reasoning, other logical schemes, and other values are unlikely to be seriously considered, even if they would be preferable on moral grounds (e.g., Sen, 1985). The debate over health care in the United States provides a vivid illustration. The prevailing assumption is that health care needs will be met through market mechanisms, as employers choose to offer health insurance in order to recruit and retain their personnel. Skeptics note that market mechanisms in the absence of governmental intervention have thus far contributed to the rising numbers of uninsured people, even among those who are employed. The current Bush administration is seeking to change Medicare and prescription drug benefit plans to make them more responsive to market forces, which may well result in substantially higher cost burdens faced by the elderly and other groups that are in need of regular medication. Conspicuously absent from this debate are alternative ideas about public commitment to providing health care for all citizens and the fairness and necessity of need-based allocation systems, in large part because fair market ideology dominates public policy discussions.

These trends are consistent with the observations made by a number of prominent scholars over the past 20 years that neoclassical economics, with its assumption of universal self-interest, encourages and legitimates competitive, self-interested behavior and discourages other conceptions of moral obligation (e.g., Etzioni, 1988a; Frank, 1988; Frank & Cook, 1995;

Fukuyama, 1995). Psychological evidence indicates that the framing of a situation does have dramatic effects on the degree to which competitive versus cooperative behavior is elicited (e.g., Allison, Beggan, & Midgley, 1996; Larrick & Blount, 1997). Even more specifically, studies of resource dilemmas show that market and business frames cue more selfish behavior than do other decision frames (Blount White, 1994; Pillutla & Chen, 1999; Tenbrunsel & Messick, 1999). Fair market ideology provides a powerful rationale for acting in a competitive, self-interested manner and for eschewing cooperative behavior and investment in public resources. Selfishness, according to the ideology, is not only rational; because it conforms to the underlying assumptions of a market-based system, it is actually fair!

Fair Market Ideology Justifies Over-Reliance on Market-Based Decision Logics

March (1995) argued that managers and other decision-makers approach complex decisions by asking: “What kind of situation is this? What are the appropriate rules to apply?” Answers to these questions, which depend upon contextual features present in the situation, prescribe a set of rules for how each kind of decision “should” be handled (see also Messick, 1999; Pillutla & Chen, 1999). In business settings, it is reasonable to assume that situational cues will often trigger a market context (Tenbrunsel & Messick, 1999), especially among people who are likely to idealize the market system and to embrace fair market ideology. Modal responses are likely to include: “Let the market decide—it knows best!” and “We’re willing to pay market value.” These ways of framing the decision imply that the value of a service, product, or a person can be captured perfectly (and fairly) through the process of market-based exchange. Of course, this is not always the case, and market reactions are often seriously flawed.

To take one example, companies’ stock prices often rise after the announcement of layoffs and other restructuring moves, but there is little or no evidence that layoffs help

companies' performance in the long run and there is substantial evidence that layoffs can adversely affect companies, particularly when they are handled without special attention to issues of substantive fairness (e.g., Folger & Skarlicki, 2001). Similarly, stock prices typically drop when a company's workers are successfully unionized, and they rise when a company decertifies collective bargaining organizations, but the evidence suggests that unionization is unrelated to profitability and other measures of economic performance (e.g., Freeman & Medoff, 1984). And because of time and energy constraints, it is often difficult to obtain an accurate picture of market price ranges, especially in labor markets. The belief that a true (and fair) market price exists may lead people to engage in satisficing (rather than optimizing) strategies and to overweight a single reference price as representative of market conditions (Babcock, Wang, & Loewenstein, 1996; Blount, Thomas-Hunt & Neale, 1996). Adopting an ideology in which the market is idealized can cause managers to misapply market-based decision logics and to feel justified using faulty approximations of "market value," often using these approximations as standards of fairness, which they certainly are not.

Fair Market Ideology Exacerbates Attributional Errors and Leads to System Undercorrection

To the extent that fair market ideology is both a cause and a consequence of unrealistic optimism and a general tendency to idealize the free market system, people who embrace it are likely to hold highly favorable economic expectations (e.g., GDP will grow, stock prices will increase, and we will all get wealthier), and they are not likely to anticipate market-based losses. When such losses inevitably do occur, they will evoke strong negative reactions, particularly among adherents to fair market ideology, and they will lead to attributions of blame and perhaps even suspicions of individual (not systemic) impropriety. Ideological factors might therefore exacerbate common attributional biases in organizations, including the tendency to blame

managers—rather than underlying market dynamics—for poor corporate performance, and the tendency to praise managers for strong performance (Heath, Larrick, & Klayman, 1998).

Attributional biases in favor of individual rather than systemic causes could result in disproportionately large (and therefore unfair) punishments such as job loss when results fall below expectations as well as extravagantly large bonuses and other disproportionate individual rewards when results exceed expectations.

Faith in the inherent justice of market forces and the tendency to blame individuals for bad news could also lead people to deny the existence of corruption in the system and to avoid taking corrective action. In commenting on the public's apparent willingness to overlook relatively strong evidence of business scandals in recent years, including market manipulation in the California energy industry, Krugman (2002) marveled at the degree to which the system has managed to escape blame: "Maybe our national faith in free markets is so strong that people just don't want to talk about a case in which markets went spectacularly bad. But I'm still puzzled by the lack of attention, not just to the disaster, but to hints of a cover-up. After all, this was the most spectacular abuse of market power since the days of the robber barons—and the feds did nothing to stop it." Shiller (2000), too, has suggested that public faith in the goodness of corporations and business people may be excessive and may contribute to "irrational exuberance" in the economic domain. Fair market ideology might therefore lead people to minimize systemic problems and to delay the necessary implementation of structural changes to the status quo.

VI. CONCLUDING REMARKS

To the limited extent that fairness considerations have entered into theories of economics, the role of fairness has been conceptualized mainly as a "constraint on profit-seeking"

(Kahneman, Knetsch, & Thaler, 1986). It has been used to explain, for example, why employers typically fail to cut wages during periods of high unemployment and why suppliers rarely take advantage of their monopolistic power in pricing popular entertainment and sporting events (e.g., Akerlof, 1970; Okun, 1981; Solow, 1980). Economic actors, from this perspective, frequently eschew potentially lucrative opportunities in order to avoid the perception that they are acting unfairly. The point vividly made by Kahneman et al.'s (1986) now infamous "snow shovel problem" is that customers (and other constituencies) are highly sensitive to perceived injustice, and their sensitivity inhibits the operation of market forces (see also Bazerman & Neale, 1995; Bies, Tripp, & Neale, 1993; Loewenstein, Thompson, & Bazerman, 1989; Rabin, 1993).

Much as the expression of doubt can emerge only in a larger context of belief, our view is that specific complaints about injustice occur in relation to a background in which most aspects of market exchange are perceived as fair and legitimate. By calling attention to perceptions of unfairness in economic exchange (the figure), previous researchers have implicitly moved us closer to appreciating how much is taken for granted as fair (the ground). In this chapter, we have focused our attention on cognitive-motivational bases of the tendency to assume that the free market system yields inherently fair outcomes. Our goal, it should now be clear, is not to contradict the notion that people are concerned about potential unfairness, but rather to initiate a figure-ground reversal in addressing issues of fairness in relation to market mechanisms.

Focusing on the extent to which the economic system enjoys relatively widespread legitimacy enables an even greater appreciation of the power of the status quo to affect fairness judgments.¹⁰ Most theoretical explanations for status quo biases have stressed purely cognitive

¹⁰ In research described in this chapter, we have shown that small changes (and no changes) away from a neutrally defined reference point (i.e., the status quo) are judged to be fairer than larger changes (see also Azzi & Jost, 1997). Ariely, Loewenstein, and Prelec (2003) have

factors, as suggested by Kahneman and Tversky's (1979) prospect theory. Etzioni (1988*b*) has observed critically that "these approaches do not deal with the intrusion of emotions and values into inferences and decision-making; indeed they explicitly reject these factors" (p. 168). Future studies are needed to clarify the role (if any) of emotions and values in specific cases of anchoring on the status quo. Our research program has addressed the question of what leads people to support the status quo in a much broader, institutional sense. Results thus far suggest that belief in the fairness of existing economic markets and market mechanisms is indeed linked to self-deception, political ideology, and other defensive motivational responses.

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similarly demonstrated that in the absence of objective informational standards, people are willing to pay higher prices (and accept stiffer penalties) to the extent that these outcomes are consistent with previously established anchors—even when those anchors were established arbitrarily.

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Table 1: Items from the Economic System Justification (ESJ) Scale

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1. If people work hard, they almost always get what they want.
 2. The existence of widespread economic differences does not mean that they are inevitable (R).
 3. Laws of nature are responsible for differences in wealth in society.
 4. It is virtually impossible to eliminate poverty.
 5. There are many reasons to think that the economic system is unfair (R).
 6. Poor people are not essentially different from rich people (R).
 7. Most people who don't get ahead in our society should not blame the system; they have only themselves to blame.
 8. Equal distribution of resources is a possibility for our society (R).
 9. Social class differences reflect differences in the natural order of things.
 10. Economic differences in the society reflect an illegitimate distribution of resources (R).
 11. There will always be poor people, because there will never be enough jobs for everybody.
 12. Equal distribution of resources is unnatural.
 13. Economic positions are legitimate reflections of people's achievements.
 14. If people wanted to change the economic system to make things equal, they could (R).
 15. It is unfair to have an economic system that produces extreme wealth and extreme poverty at the same time (R).
 16. There is no point in trying to make incomes more equal.
 17. There are no inherent differences between rich and poor; it is purely a matter of the circumstances into which you were born (R).

Note: These items were taken from Jost and Thompson's (2000) Economic System Justification Scale and used in the present research. Because items 5 and 15 from the original scale explicitly addressed fairness issues, they were omitted ... Responses were given on 9-point scales ranging from 1 ("Strongly Disagree") to 9 ("Strongly Agree"). Items followed by "(R)" were reverse-scored prior to data coding and analyses.

Table 2: Items from the Fair Market Ideology (FMI) Scale

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1. The free market system is a fair system.
 2. Common or “normal” business practices must be fair, or they would not survive.
 3. In many markets, there is no such thing as a true “fair” market price (R).
 4. Ethical businesses are *not* as profitable as unethical businesses (R).
 5. The most fair economic system is a market system in which everyone is allowed to independently pursue their own economic interests.
 6. Acting in response to market forces is *not* always a fair way to conduct business (R).
 7. The free market system is an efficient system.
 8. The free market system has nothing to do with fairness (R).
 9. Acting in response to market forces is an ethical way to conduct business.
 10. In free market systems, people tend to get the outcomes that they deserve.
 11. The fairest outcomes result from transactions in which the buyers pay the “fair” market price.
 12. Profitable businesses tend to be more morally responsible than unprofitable businesses.
 13. Regulated trade is fair trade (R).
 14. Economic markets do *not* fairly reward people (R).
 15. Whatever price a buyer and seller agree to trade at is a fair price.
 16. When a company raises the prices that it charges its customers for its goods, because management has obtained market research which suggests that its customers are willing to pay more, it is ...
 17. When a professional athlete receives a raise because a raise has been received by another league player of comparable ability, but none the other team members receive comparable

raises, it is ...

18. The fact that scarce goods tend to cost more in a free market system is...
19. When a company downsizes in order to reduce its costs to be more competitive with rival companies, it is ...
20. When concessions at airports and concerts charge higher prices for beverages because they know that their customers have no alternatives, it is ...
21. The fact that wealthier people live in bigger homes and better neighborhoods than poorer people who cannot afford to pay the same prices is ...
22. When a company lays off higher-cost employees in the U.S. and replaces them with lower wage workers in a foreign country in order to make higher profits, it is ...
23. The fact that housing prices in Palo Alto, California are four to six times those for comparable houses in Chicago is ...
24. The fact that more educated employees tend to earn higher wages than less-educated employees is ...
25. The fact that some working families can afford to hire more household help than others is ...

Note: Items 1-15 emphasize issues of procedural or systemic fairness. Responses were given on 11-point scales ranging from -5 (“Completely Disagree”) to 5 (“Completely Agree”). Items followed by “(R)” were reverse-scored prior to data coding and analyses. Items 16-25 emphasize issues of outcome fairness. Responses were given on 11-point scales ranging from -5 (“Completely Unfair”) to 5 (“Completely Fair”).

Table 3: Fair Market Ideology: Scale Reliabilities and Correlations with Other Variables

	<u>Sample 1</u>	<u>Sample 2</u>	<u>Sample 3</u>	<u>Sample 4</u>	<u>Sample 5</u>	<u>Sample 6</u>
	(<i>n</i> = 89)	(<i>n</i> = 100)	(<i>n</i> = 92)	(<i>n</i> = 357)	(<i>n</i> = 108)	(<i>n</i> = 115)
<u>Fair Market Ideology (FMI) Scale</u>						
Coefficient α	.83	.88	.68	.78	.61	.78
No. of items	25	25	15	15	6	6
Mean	2.23***	1.77***	1.09***	.70***	-.04	-.65***
SD	.99	1.20	1.15	1.27	1.27	1.75
<u>Correlations between FMI Scores and Other Variables</u>						
Conservatism	.26*	.40***	.37***		.25**	.39***
ESJ	.44***	.49***			.36***	
Self-deception			.24*	.20***	.33***	
BJW (self)			.25*			
BJW (others)			.18+			
Power distance				.19***		
OEQ					.29**	
RWA					.27**	
Scandal minimization						.36***

Note: Significance levels (asterisks) for mean FMI scores refer to statistical differences from zero, as indicated by one-sample *t*-tests. Correlations are bivariate Pearson *r*s. Missing numbers indicate that information was not available for that sample. ESJ = Economic System Justification; BJW = Belief in a Just World; OEQ = Opposition to Equality; RWA = Right-Wing Authoritarianism.

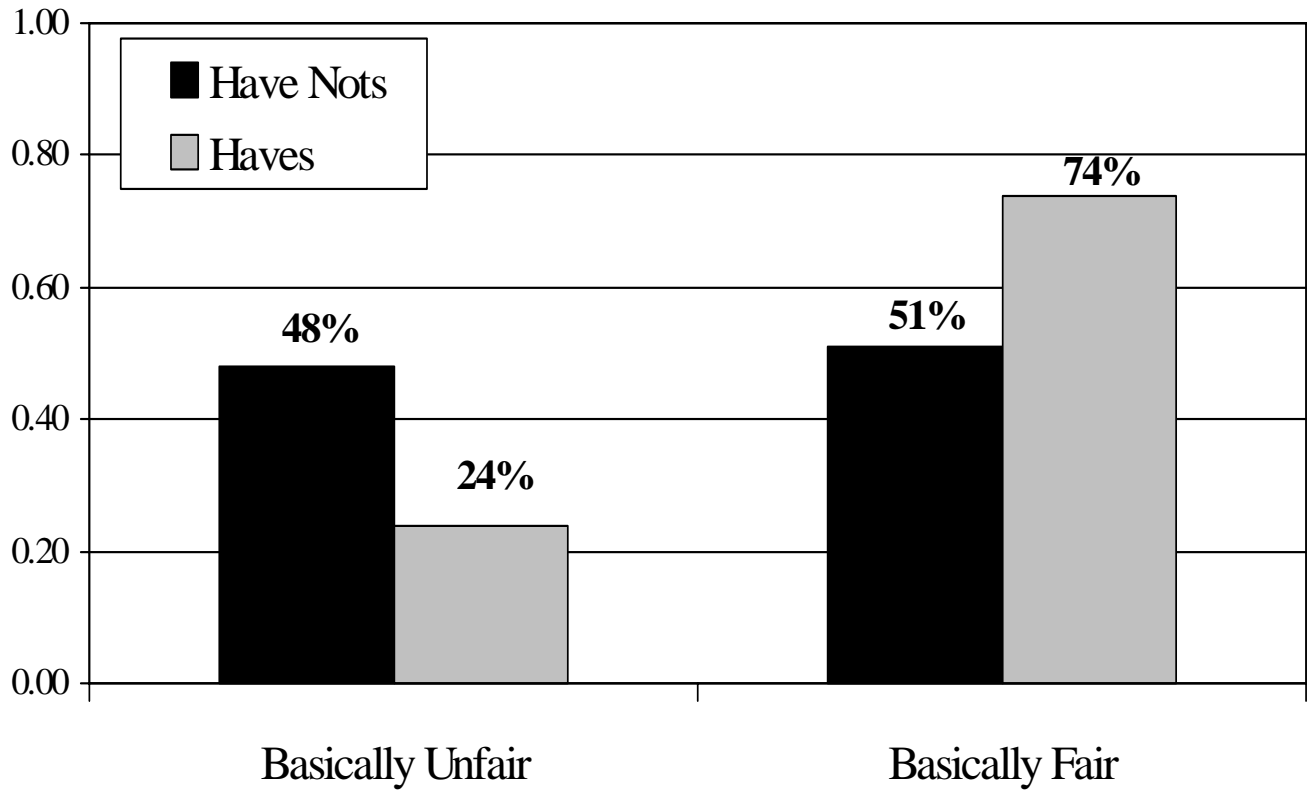
+ $p < .10$ * $p < .05$ ** $p < .01$ *** $p < .001$

Table 4: Items from the Free Market Ideology Scale Used in Hungarian Research

1. There is greater social and political freedom to express ideas under the era of this free market economy.
 2. A socialist system guarantees an acceptable living standard by providing economic security to its citizens (R).
 3. There is a greater danger of corruption and exploitation in a market economy (R).
 4. There is less freedom because of the strong ideological and political pressures exerted by a socialist system.
 5. A market economy leads to increased poverty and a lack of social security for its citizens (R).
 6. Socialism leads to a lowered personal ambition and a lack of work motivation.
 7. The economic opportunities under a free-market system are superior to those under other types of systems.
 8. Under socialism, it is possible for more people from the lower classes to gain respect and social mobility through talent and education (R).
-

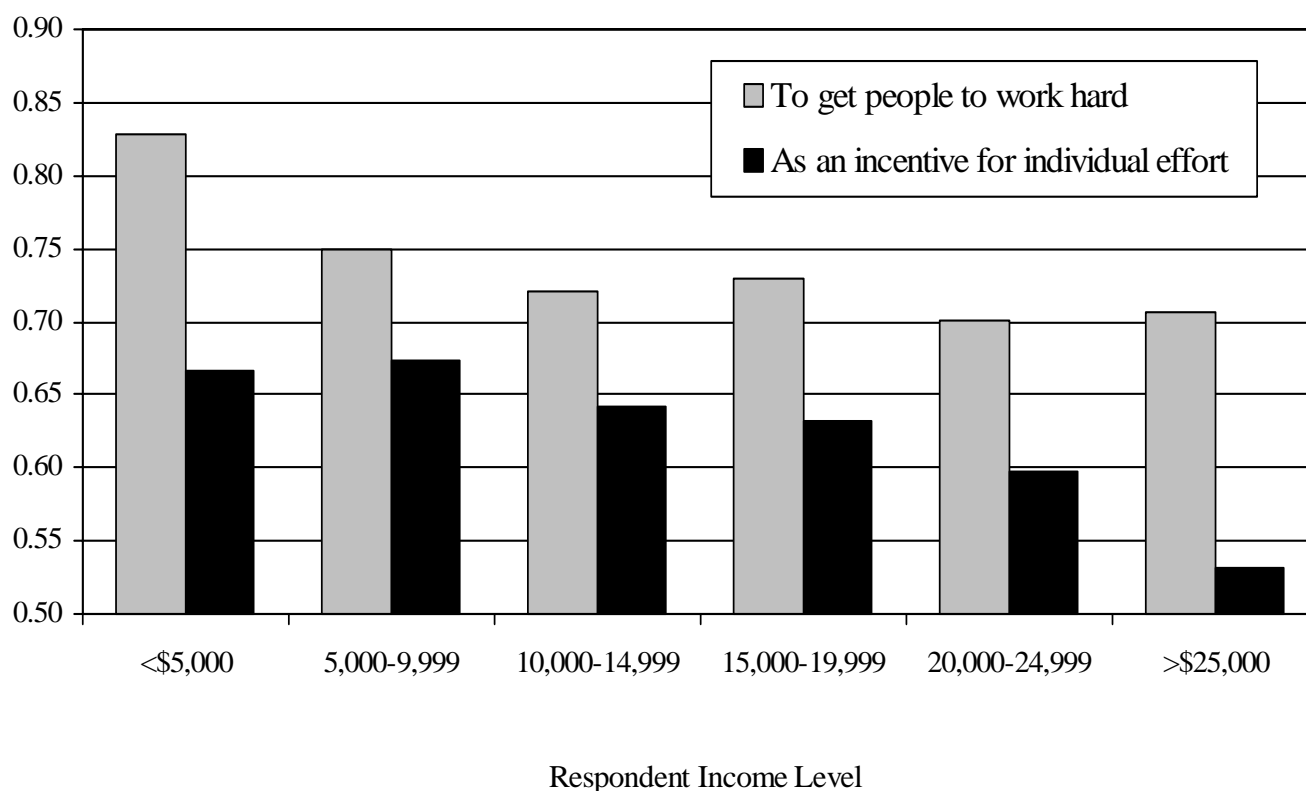
Note: Interview respondents completed a Hungarian translation of this scale, indicating their strength of agreement or disagreement on a scale ranging from 1 (“Strongly Disagree”) to 15 (“Strongly Agree”). Items followed by “(R)” were reverse-scored prior to data coding and analyses. Thus, higher mean scores indicate stronger support for free market ideology.

Figure 1: Percent Believing that the U.S. Economic System is “Basically Fair” vs. “Basically Unfair” (as a Function of Respondent Classification)



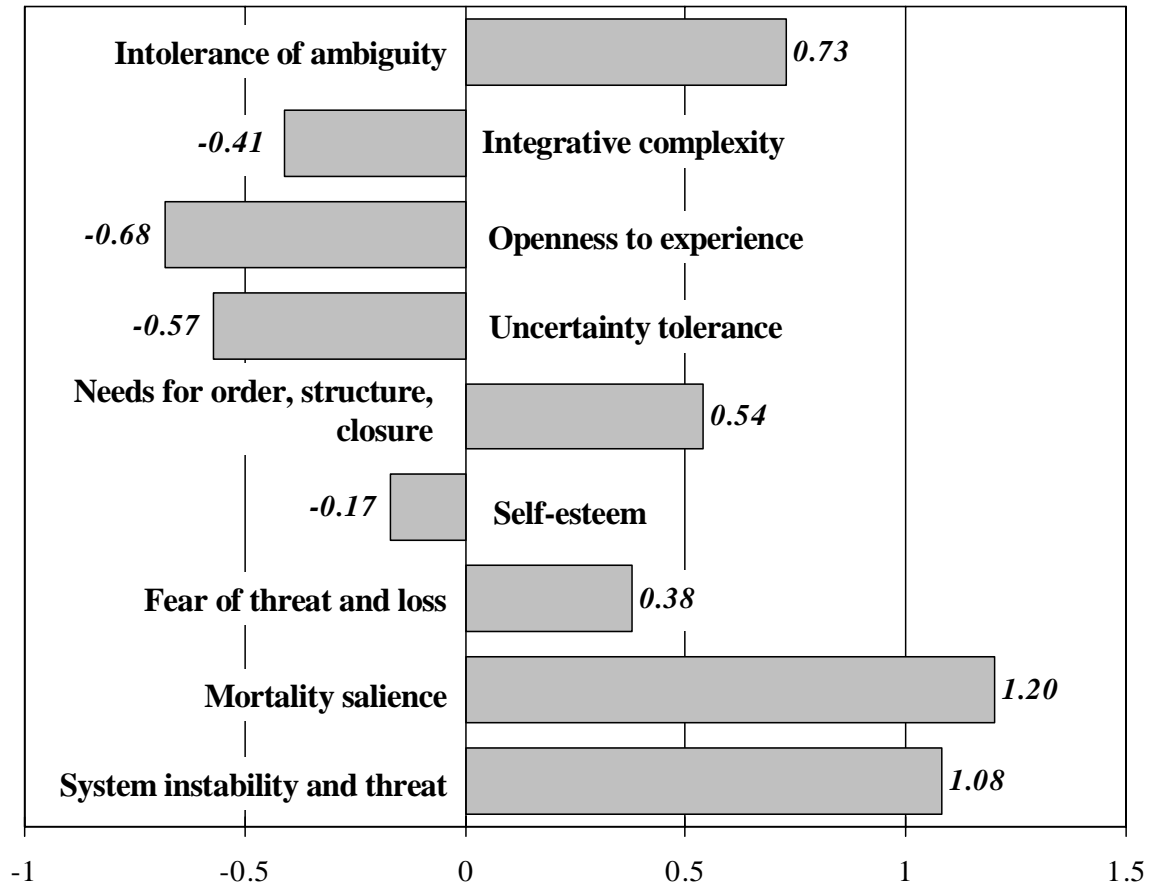
Note: These data are based on responses ($N = 5,001$) to the 1998 Gallup Poll “Have and Have-Nots: Perceptions of Fairness and Opportunity” and reported by Ludwig (1999). “Haves” and “Have Nots” are self-designated classifications.

Figure 2: Percent Agreeing that Large Differences in Income are Legitimate and Necessary (as a Function of Respondent Income)



Note: These data are based on responses ($N = 2,567$) to the General Social Survey (GSS) between 1983 and 1991 and reported by Jost, Pelham, Sheldon, and Sullivan (2003*b*, Study 3). Values are combined percentages of respondents who believed that differences in pay were either “absolutely necessary” or “probably necessary” to “get people to work hard” and as “an incentive for individual effort.” Income was measured in terms of (self-reported) pre-tax family household income. For both items, regression analyses yielded negative linear effects of family income on the belief that income inequality is legitimate and necessary ($p < .01$).

Figure 3: Cognitive and Motivational Bases of Political Conservatism



Note: Entries are effect sizes (Cohen's *ds*) for the relation between each cognitive-motivational variable and political conservatism, as reported in a meta-analysis conducted by Jost, Glaser, Kruglanski, and Sulloway (2003a). All effect sizes attained conventional levels of statistical significance ($p < .001$).

Figure 4: Ratings of Ethicality as a Function of Company Performance (Profit vs. Loss) and Magnitude of Changes (Large vs. Small) When Actual Company Names Were Used

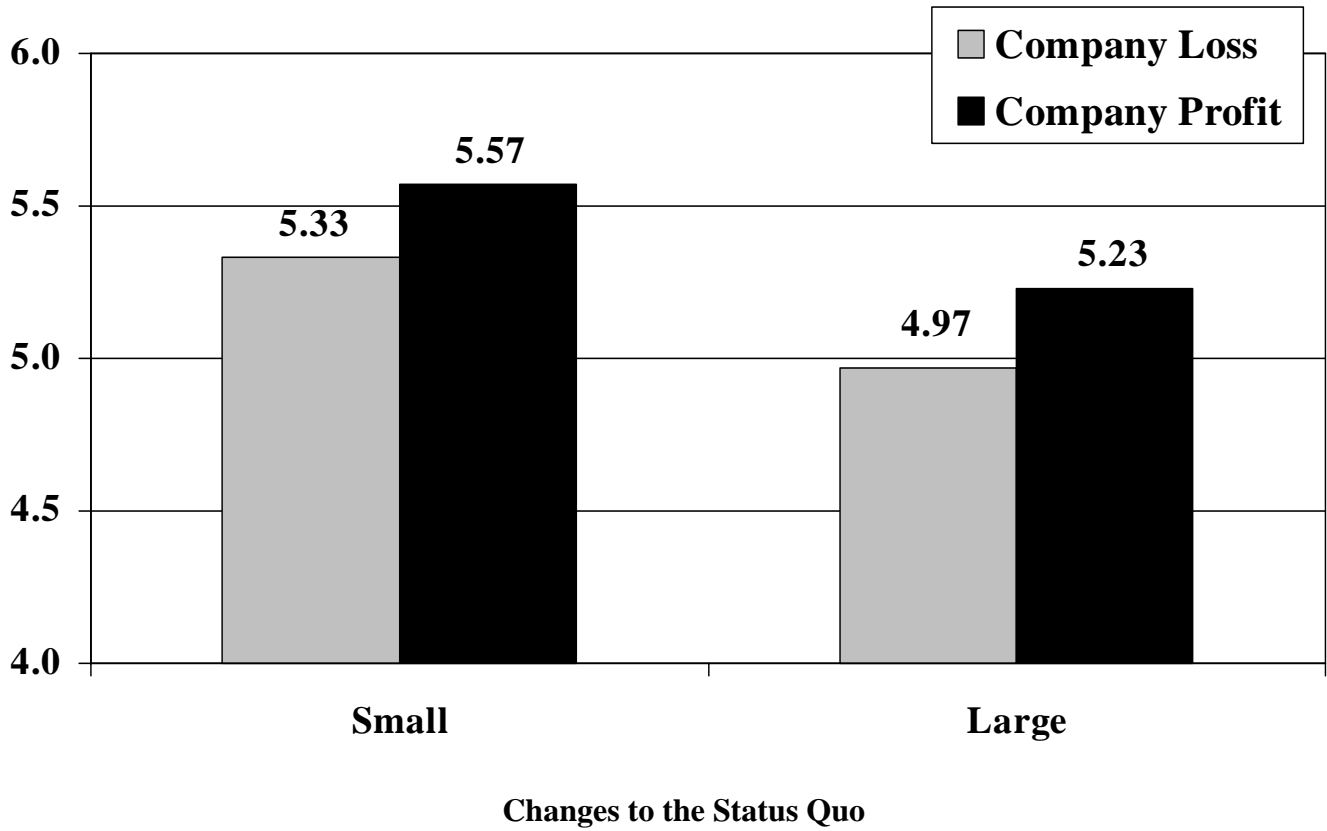


Figure 5: Ratings of Ethicality as a Function of Company Performance (Profit vs. Loss) and Magnitude of Changes (Large vs. Small) When Hypothetical Company Names Were Used

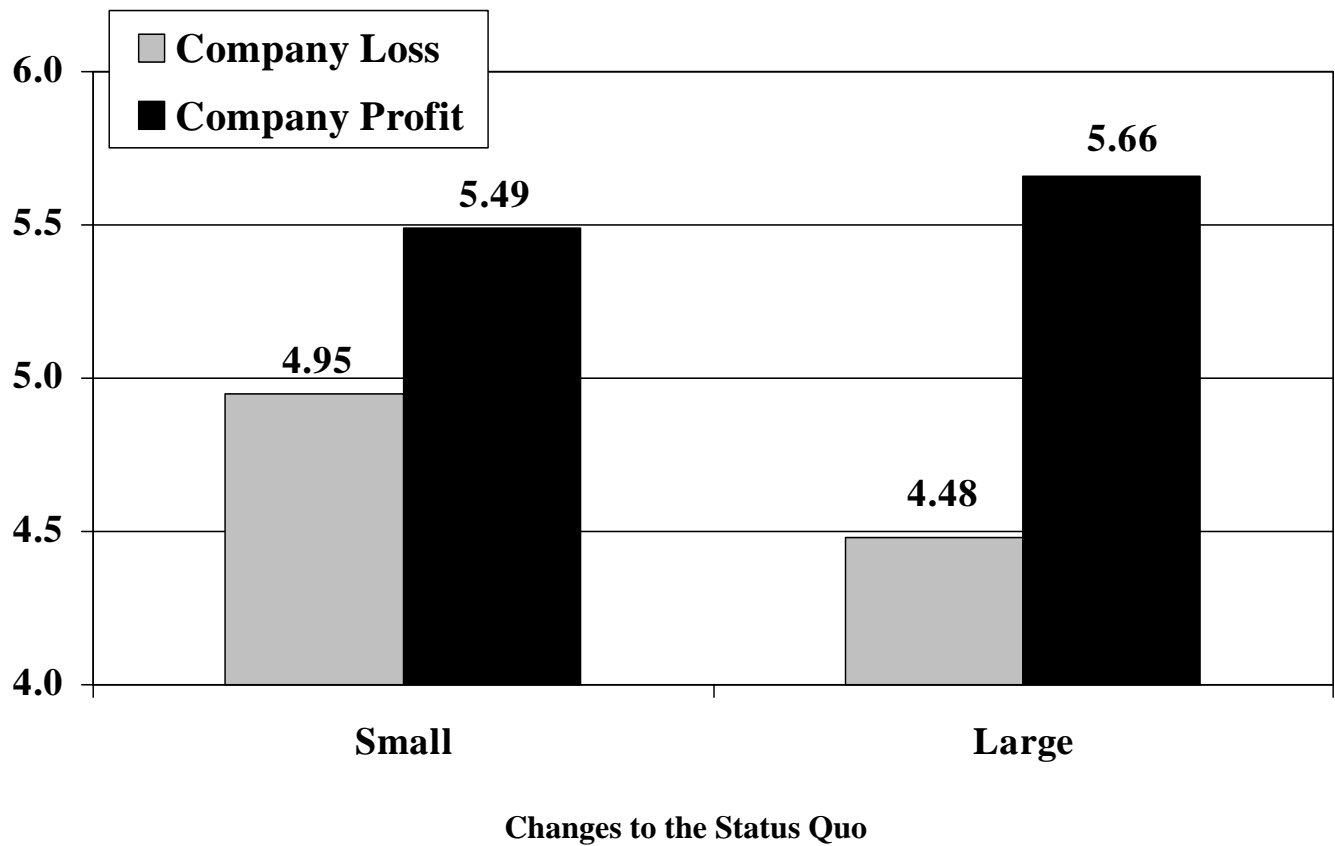


Figure 6: Support for Free Market Ideology in Hungary as a Function of System Threat and Self-Deception

