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Institute of Economic Research

IRENE Working paper 17-13

If I Do Not Ask for Help, It Does Not Mean I Do Not Need It: Experimental Analysis of Recipients' Procedural Preferences for Redistribution

Serhiy Kandul

Olexandr Nikolaychuk

unine
UNIVERSITÉ DE
NEUCHÂTEL

Institut de
recherches économiques

If I Do not Ask for Help, It Does not Mean I Do not Need It: Experimental Analysis of Recipients' Procedural Preferences for Redistribution

Serhiy Kandul¹ and Olexandr Nikolaychuk

Abstract

The experimental literature on pro-social behavior has been largely focused on settings where the decision of donors is sufficient for an interaction to occur. However, in many real-life applications recipients first have to ask donors for help to initiate the transaction. We suggest that this first move by the recipients might be associated with psychological costs which include shame of not being able to manage on one's own, negative feelings from the loss of respect, or stigmatization from the society. We argue that the reluctance to initiate the transaction is different from the unwillingness to accept help initiated by somebody else and test this preposition in a laboratory experiment. We let participants play a dictator game with two procedures: (1) dictator first chooses a transfer, and the recipient decides to accept or reject it; (2) recipient first decides to ask or not, and if asked the dictator then chooses a transfer. We also let recipients choose in which of the two conditions they want to play and then compare recipients and dictators' behavior within each experimental procedure.

1. Introduction

IRS estimates that in 2015 the amount of the unclaimed tax refunds by American households has reached one billion USD. This means that more than one million families have left their money on the table. Alone the participation in the Earned Income Tax Credit program, EITC, would bring a household additional 5,700 USD per year².

The first explanation of such incomplete take-up is suggested by the revealed preferences approach: for whatever reason, people simply do not want the redistribution of income. Second promising explanation is lack of awareness: should

¹The authors thank German Association of Experimental Economic Research (GfeW) for financing the project.

²See, for example the CNN report here <http://money.cnn.com/2015/03/11/pf/taxes/unclaimed-refunds-irs/>

someone get to know he or she could receive additional couple hundreds dollars per month for free, they would immediately apply for the transfer. Indeed as Bhargava & Manoli (2015) show, only about half of the eligible households were aware of the opportunity to receive EITC benefits.

We suggest that individuals eligible for social benefits do not only care about the outcomes of the redistribution or simply miss the relevant information but also differentiate between the procedures behind the welfare transfers. We argue that they might experience a negative disutility from being forced to actively apply for the transfer. Should they have been offered such help without the need to initiate the transfer themselves, they might have agreed to accept the money. We test this proposition in a dictator game, where the recipients are asked to either actively initiate the transaction or simply accept the monetary gift transferred by another person.

We believe that this psychological mechanism is relevant in many other settings. Imagine a team of workers in a company. A less experienced colleague might shy away from asking a senior team member to help him or her on a task. She might spend hours of trying to figure out how the things work on her own. At the same time she might have nothing against accepting a little guidance initiated by a colleague himself. Imagine a student in the class who did not completely understand the presented material. He or she might feel uncomfortable about raising her hand and asking a question (potentiall revealing her incompetence), although she would not mind a bit more elaboration on the matter discussed.

2. Related literature

The experimental evidence of other-regarding preferences and altruism has been focused on the motivation behind people's giving. The conclusion from this theoretical and experimental studies is that people give since they do not like inequality Fehr & Schmidt (1999), Ockenfels & Bolton (2000), they want to maintain a positive social image like in Andreoni & Bernheim (2009), they want to meet expectations of others in the spirit of guilt-aversion models like in Battigalli & Dufwenberg (2007), they enjoy the mere fact of giving ('warm-glow' models by Andreoni (1990)), they reciprocate kindness and trust of others as in Cox *et al.* (2007), or follow the social norms and cooperate conditionally on others' behavior (Fischbacher *et al.*, 2001).

Although the behavior of givers has been extensively explored and various factors behind their decisions have been suggested, the behavior of *recipients* got much less attention. Apart from ultimatum-game settings where recipients can actively affect the allocation (Guth *et al.* (1982)), or modified dictator games where certain characteristics of the recipients are manipulated (social distance, group membership, income), the role of recipients in such interactions remains rather minimal (see the meta-analysis of dictator games in Engel (2011)). In many experimental settings, the recipients are either passive (dictator-like settings) or active (ultimatum-like settings) *second* movers.

We believe that many real-life scenarios require recipients to actively ask for help. Although recipients do not determine the amount to be distributed, they often have to apply for the transfer. In this sense, they act as a *first* mover. This first step might be associated with psychological costs.

In a broader perspective, our paper falls into the domain of procedural preferences (Sen, 1995, Frey *et al.*, 2004, Frey & Stutzer, 2005). The key general preposition of procedural utility theory is that people derive costs and benefits not only from the outcomes but also from the processes or procedures that produce those outcomes. In this framework, we explore if recipients differentiate between two specific procedures of receiving monetary support: active application vs. passive (dis)approval.

Indirect support for our intuition about disutility behind recipient's asking is provided by dictator experiments with pre-play communication.

In such experiments, recipients can communicate with dictators before the latter transfer them money. Greiner *et al.* (2005) allow for unrestricted one-way communication and observe that only minority of recipients (3 out of 16) conveyed any requests about the pie distribution to the dictators. Yamamori *et al.* (2008) restrict communication to requests over the pie shares finds that a significant minority of subjects, 5 out of 39 (12%) chooses not send any requests. Langenbach (2014) elicit recipients willingness to pay for having the communication opportunity with the dictators. Langenbach find that recipients hardly pay anything to be able 'to talk' with the dictator. All the aforementioned studies suggest recipients' reluctance to beg the dictator for help.

Although pre-play communication provides important insights, the structure of the experiments does not allow to disentangle the motivation of the recipients. Since the dictators are asked to share by the design and know about the possibility of the recipients to communicate, recipients might be willing to use communication opportunity strategically, i.e. to affect dictator's willingness to share.

In contrast to experiments with communication in dictator games, we allow recipients to initiate the transaction without the need to communicate anything to the dictator. Instead, we provide recipients with an opt-out option like in (Lazear *et al.*, 2012). This eliminates any strategic communication between recipients and dictators and erases the question of dictator's possible sensitivity to specific features of the communication (words, numbers, or language style).

Moreover, we are interested to see if this reluctance to initiate the transaction is different from the willingness to accept the transfer. We thus compare the rate of transactions initiated by the recipient with the rate of rejections of transfers initiated by the dictators themselves. To do this, we let recipients reject the unknown transfer from the dictator. In contrast to impunity games like in Gueth & Huck (1997), the unwillingness to initiate the transfer or the decision to reject the transfer, does not affect the pie size., i.e. the transfer is not burnt and the dictator is not punished.

Lastly, to learn whether the reluctance to initiate the transaction is due to social or self- evaluation by the recipients, we manipulate the dictator's information about the recipient's role in initiation the game.

3. Experimental Set-up and Hypotheses

To address our research questions we employ three experimental treatments Table 1 provides an overview.

In all treatments, there are two main stages: income generation stage and the dictator game. Participants receive instructions for the income generation stage and are told that further instructions will be presented after the first part².

In income generation stage, participants earn their endowment through the slider task (Gill & Prowse, 2012). The task is to place as many sliders as possible exactly in the middle of the line within a given time interval. For each correctly placed slider brings one point. Participants work in pairs and are paid based on their relative performance. The participant with the larger number of points, gets a higher income of 10 EUR, the outperformed participant gets a lower endowment of 5 EUR. In case of a tie, the winning participant is chosen randomly. After completion of the task, participants are informed about their relative performance (lower, greater or the same number of points) but not about the exact distance. In the next stage, we refer to participants with 10 EUR as Dictators and to participants with 5 EUR as Recipients.

The idea of a real effort task is two-fold. First, the task increases external validity since in real life income is earned and not granted for free. Second, earning endowments in a fair competition provides an entitlement and thus makes 'begging' more psychologically loaded.

Table 1: Overview of the treatments in the experiment

	Recipient's choice	Information for Dictators
T1: ACCEPT	Accept/Reject	Yes
T2: INITIATE	Initiate DG	Yes
T3: CHOICE	T1,T2 or random	NO

The treatments vary in the dictator game.

In treatment ACCEPT, both participants receive the instructions of the dictator game. Dictators are asked to share any amount between 0 and 5 EUR with the recipient they are matched with. After dictators have made their choice, recipients (without knowing the amount of the transfer) choose to accept or reject the transfer. In case they choose 'reject', the initial transaction is rendered invalid: the participants keep their earnings from stage 1.³

In treatment INITIATE we add a pre-stage: recipients are asked if they want to initiate the dictator game by asking dictator for a transfer. If they choose to opt-in ('ask'), the dictators they are matched with would be asked

²The surprise condition is necessary not to distort the incentives in the real effort task.

³This feature keeps our setting efficiency-neutral and distinguishes the treatment from so-called impunity games, where the choice of the responder reduces his own pay-off (See Gueth & Huck (1997))

to share an amount between 0 and 5 EUR. If they choose to opt-out ('do not ask'), no dictator game will be played, the participants keep their earnings from the real-effort task. Dictators are informed about the recipient's choice.

In treatment CHOICE, participants are presented both treatments: ACCEPT ('Condition 1') and INITIATE ('Condition 2'). Recipients are then allowed to choose the condition to be applied for their pair. They could choose between Condition 1, Condition 2 or random allocation. Dictators are not informed about the recipient choice (thus they do not know whether the condition was assigned random or not). The experiment proceeded according to the rules of the respective treatment.

The CHOICE treatment allows us to elicit recipients' preferences over the procedures of the redistribution without forcing them to choose between the conditions (they can always choose a random draw). Moreover, we do not inform the dictators about the recipient choice to limit the possibility of its strategic use (not to affect the amount transferred).

To make sure that the difference in rejection vs. game initiation rates is not driven by the differences in expectations about dictator's transfer, we elicit unincentivized beliefs: after recipients have made their choice we ask them to guess dictator's transfer.

The experiment ends with a small questionnaire that measures people's propensity to experience guilt and shame (a subscale of GASP by Cohen *et al.* (2011)).

We hypothesize that:

Hypothesis 1. *Non-trivial fraction of recipients will choose not to initiate the transfer from the dictator.*

We also believe that such reluctance to ask the donor (if any) does not necessarily imply unwillingness for an interaction to occur. To draw this distinction we want to compare the setting where recipients do not have to actively initiate the dictator game but can simply accept/reject the transfer of the donor.

In this regard, we expect that:

Hypothesis 2. *Reluctance to initiate the transaction is higher than the willingness to reject the transfer.*

Lastly, we expect that given the opportunity to choose the procedure, significant fraction of recipients would shy away from the procedure which calls them to initiate the transfer.

Hypothesis 3. *In treatment CHOICE, significant fraction of recipients avoid the INITIATE condition.*

4. Results

We ran 12 experimental sessions in the laboratory of University of Jena in September/October 2017. In total, 188 participants took part in the experiment.

We first compare the recipient’s choices across the experimental treatments.

Recipients’ choices

In treatment ACCEPT, all the recipients (30 out of 30) have chosen to accept the transfer. In treatment INITIATE, vast majority of the recipients (36 out of 38) have chosen to ask for a transfer, and only about 5% (2 out of 38) have chosen not to initiate the DG. Interestingly, in explaining their choices, participants who did not want to initiate the transfer referred to “dishonorable behavior, begging”, i.e. explicitly told they experienced disutility from being forced to ask.

These results partially confirm our Hypothesis 3: some participants choose not to initiate the transaction. However, Hypothesis 3 is not corroborated: there is no difference between the fractions of ‘asking’ vs. ‘accepting’ participants.

Remember, however, that not asking in INITIATE treatment guaranteed no possibility for the dictator to send anything to the recipient. The situation was different in treatment CHOICE where choosing a different procedure did not exclude the possibility of sharing. In this treatment, about 19% (5 out of 26) recipients have chosen the ACCEPT condition, another 23% (6 out of 26) opted for random allocation, and 53% (14 out of 26) have chosen INITIATE treatment. When given an opportunity to choose the redistribution procedure, only about a half of the recipients explicitly go for ‘begging’. These results support Hypothesis 3: significant minority of recipients shy away from initiating the transfer.

Importantly, all the recipients who chose ACCEPT treatment (and those who decided for a random allocation), accepted the transfer. This in an indication that not asking does not necessarily imply unwillingness to accept help initiated by somebody else.

Similarly to the INITIATE treatment, recipients in the CHOICE treatment who decided in favour of ACCEPT procedure, spoke about their dislike of ‘begging’ or putting pressure on their counterpart to share.

Transfers and beliefs

High fraction of recipients who initiate the transfer seems to be driven by their expectations. Participants on average expected to get 1.03, 1.04, and 0.94 EUR from their dictators in ACCEPT, INITIATE, and CHOICE respectively. Interestingly, however, that dictators do not meet these high expectations of the recipients. The average transfers across treatments: 0.87, 0.56, 0.41 EUR. It seems that the recipients are overly optimistic about the effect of asking on sharing. In INITIATE and CHOICE, but not in ACCEPT, recipients’ beliefs are significantly higher than the actual transfers received from the dictators

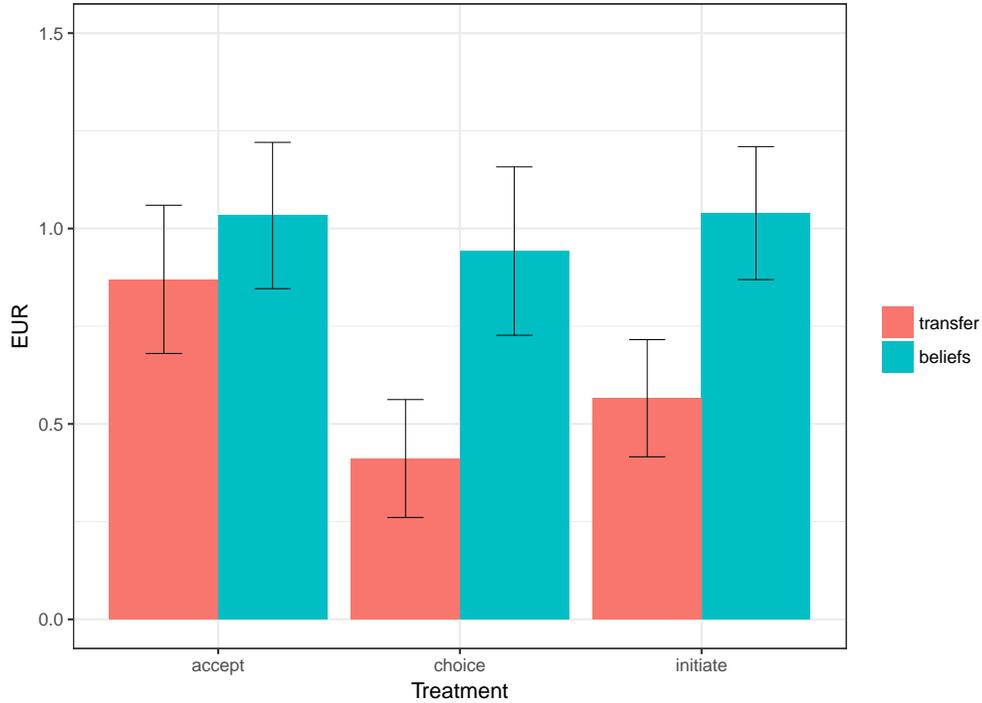


Figure 1: Average actual and expected transfer across treatments (*SE as error bars)

($p=0.04$, 0.05 , and 0.54 respectively, See Figure 4).

These findings resonate with the results from dictator games with communication, where many recipients request a lot but get punished for their 'greediness' by a lower transfer.

One possible explanation of the overly optimistic beliefs in our experiment are different fairness perceptions of the endowment allocations in the real-effort task. While dictators often refer to 'fair competition' and the 'earned endowment', recipients argue about 'bad luck' or 'equal efforts'.

5. Conclusion and Discussion

We tested experimentally whether recipients differentiate between two experimental procedures:

- initiate the transfer from a dictator by asking for a transfer;
- accept or reject the transfer initiated by the dictator.

We find that majority of participants are not affected by an experimental procedure. They try to maximize their payment and use all the available possibilities

for that: in treatment ACCEPT they accept the transfer from the dictator, in treatment INITIATE they ask dictators to share.

We do observe, however, that some recipients dislike being forced to ask for the transfer. In their explanations they write: 'I am an athlete and I know to admit my losses. Asking now whether the winner shares something is below my dignity', 'Moreover, asking for money under this experimental condition resembles unworthy begging'; 'Condition 2 seems to me as if I was begging. That is why I have chosen Condition 1'.

The majority of recipients who ask for a transfer seem to behave according to the rule 'fragen kostet nichts (asking costs me nothing)'. Some of them indicated that asking establishes a personal relationship or it is 'polite' to first ask if the dictator wants to share.

Potential reason of little reluctance to initiate the transfer is the recipients' perception of the real-effort task. Loosing on a task and subsequent asking for help seem not to be perceived as shameful. Many recipients (but not the dictators) referred to a task as measuring the precision or some technical skills. Probably, a more shameful task like an intelligence test would make recipients feel inferior and thus less entitled for dictator's money. Another important feature of the experiment is the anonymity condition: since the recipients were unidentifiable, asking did not entail shaming or stigmatization from others but was rather targeting the self-image of the recipients. Lastly, in our experiment recipients were uncertain about the amount of transfer they might potentially get. It would be interesting to remove this uncertainty, and compare the amounts the recipients are willing to accept and to ask for.

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