

## **Recovering Social Preferences: A Combined Survey and Field experiment**

### **I. Principal investigators (PIs)**

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### **II. Aims and objectives**

We propose to conduct an experiment to collect a rich set of information about other-regarding decisions – how participants divide a sum of money between themselves and others – from the large and diverse sample of the American Life Panel (ALP). The experiment will provide a positive account of social, or distributional, preferences that govern sharing behavior in a rich choice environment that allows for a general characterization of the patterns of individual decisions. Social preferences are important inputs into any broader measure of social welfare and enter every realm of individual decision-making. Obvious examples include taxation, redistribution and charitable giving, among others. In all of these cases, understanding behavior requires understanding the social preferences that lie behind it, which is the goal of our research agenda utilizing the ALP.

### **III. Research methods**

In brief, our proposed research design involves two types of data collection. First, we propose to use a graphical interface that we have developed in earlier work to conduct dictator games with an ALP subsample that reflects the broad diversity of ALP's participants. To our knowledge, this would be the first attempt to collect measures of individual social preferences in a diverse and representative adult population outside the university laboratory. Running the social preference experiments in the ALP would allow us to explore the differences in social preferences across a heterogeneous sample of adults, and to look at the correlations between individual decision-making parameters (selfishness; preferences for equality versus efficiency) and various outcomes (support for democrats vs. republicans, support for social insurance, giving to charity) that we would expect the lab measures to predict.

Second, we propose to measure social preferences in the vulnerable population cohort, and in particular to examine how financial hardship affects giving behavior. In prior work [1], we have found that subjects who played our dictator games during the Great Recession were less generous, and more focused on efficiency, relative to subjects who participated in otherwise identical experiments during the boom that preceded it. The great benefit of the ALP vulnerable population is that we could examine how individuals' giving decisions are affected by financial hardship by exploiting variation in the timing of government assistance funds. Thus, for example, we could compare the dictator behavior of subjects that participated in our experiment shortly before the disbursement of assistance versus those randomly assigned to participate in the experiment after funds were received. Further, to the extent that we confronted the same subject with dictator decisions on multiple occasions, we could while simultaneously collect novel data on the stability of individual social preferences over time.

These two proposals build on a body of theoretical work, and take advantage of experimental platforms that we have already developed in earlier research. In order to provide a more complete accounting of social preferences, we have developed experimental techniques that allow us to measure in the same experiment both the level of innate selfishness and the willingness to tradeoff equality and

efficiency. This latter component is of particular interest since it is likely to predict support for redistributive tax policies, charitable giving, etc. Further, our graphical approach makes it possible to generate many observations per subject over a wide range of choices, which is essential to producing reliable estimates of social preferences (and indeed is critical to assess whether subjects' choices are anything other than completely random).

With the interface we have developed, subjects see on a computer screen a sequence of standard consumer decision problems: selection of a bundle of commodities from a standard budget set. Subjects choose allocations through a simple "point-and-click." This intuitive and user-friendly interface allows for the quick and efficient elicitation of many decisions per subject under a wide range of choice scenarios. Our previous work, [2] and [3], has demonstrated the feasibility of this interface in the laboratory and, more recently, in the web-based CentERpanel survey in other decision-making contexts, focused on risk preferences.

The CentERpanel study [4] provides proof of concept. It demonstrates the feasibility of implementing our experimental protocol through a web-based survey on a large scale. Given the similarities between the two programs, we hope that it will be relatively straightforward to adapt our experimental apparatus and methods of analysis to the ALP. Further, once our platform has been developed for the ALP, the same experimental method can be applied to many types of individual choice problems. The project thus has the potential to establish a new template for elicitation of personal and social preferences in the ALP.

#### **IV. Relevance for equitable growth**

Many complex social and economic behaviors invoke distributional preferences. Obvious examples include charitable giving, negotiations, cooperation, taxation, neighborhood effects, social learning, social capital, development, and globalization, among others. In all of these cases, understanding behavior requires understanding the distributional preferences that lie behind it. A theoretical and empirical analysis of these preferences therefore has implications not just for economic policy but also for policy in a host of other areas. This project seeks to analyze distributional preferences in strategic and non-strategic economic and social settings. The goal is to identify the impact of distributional preferences on the efficiency and dynamics of social and economic behavior.

#### **V. References**

- [1] Fisman, R., P. Jakiela & S. Kariv (2012) "How Did the Great Recession Impact Social Preferences?"
- [2] Choi S., R. Fisman, D. Gale & S. Kariv (2007) "Consistency and Heterogeneity of Individual Behavior under Uncertainty." *American Economic Review*, 97, pp. 1921-1938.
- [3] Fisman R., S. Kariv & D. Markovits (2007) "Individual Preferences for Giving." *American Economic Review*, 97, pp. 1858-1876.
- [4] Choi S., S. Kariv, W. Müller & D. Silverman (2011) "Who Is (More) Rational?" Revise and resubmit *American Economic Review*.