Econ 219B
Psychology and Economics: Applications
(Lecture 7)

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Outline

1. Social Preferences Wave I: Warm Glow and Charitable Giving
2. Social Preferences Wave II: Inequity Aversion and Reciprocity
3. Workplace Effort: Inequity Aversion
4. Methodology: Field Experiments
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6. Social Pressure I
7. Social Pressure II: Charitable Giving

1 Social Preferences Wave I: Warm Glow and Charitable Giving

- **Andreoni (2004).** Excellent survey of the theory and evidence
- Stylized facts:
  - US Giving large: 1.5 to 2.1 percent GDP
  - Most giving by individuals (Table 1)

Table 1
Sources of Private Philanthropy, 2002

Source of gifts	Billions of dollars	Percent of total
Individuals	183.7	76.3
Foundations	26.9	11.2
Bequests	18.1	7.5
Corporations	12.2	5.1
Total for all Sources	240.9	100

Source: Giving USA, 2003

- – Giving fairly constant over time (Figure 1)

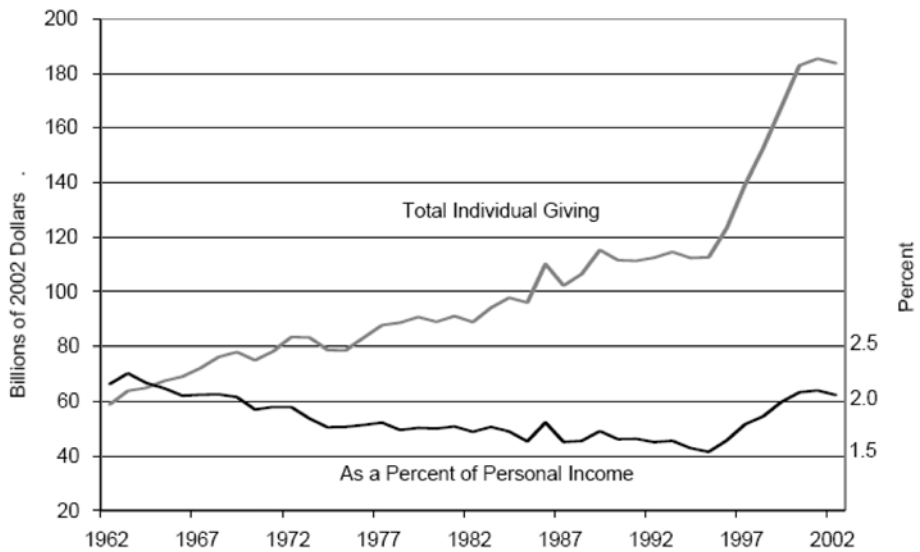


Figure 1: Trends in Individual Giving.
Source: Giving USA 2003.

- Charitable giving important phenomenon – How do we understand it?

- **Model 1.** Pure altruism: Model utility of Self giving g_s

$$u\left(w_s - g_s\right) + \alpha f\left(G_{-s} + g_s\right)$$

where G_{-s} is giving by others, $f\left(\right)$ is production function of charity

- F.o.c.

$$-u'\left(w - g_s^*\right) + \alpha f'\left(G_{-s} + g_s^*\right) = 0$$

- More giving if more altruistic

$$\frac{\partial g_s^*}{\partial \alpha} = -\frac{f'\left(G_{-s} + g_s^*\right)}{u''\left(w - g_s\right) + \alpha f''\left(G_{-s} + g_s^*\right)} > 0$$

- How would giving change if giving by others (or by government) increases?

$$\frac{\partial g_s^*}{\partial G_{-s}} = -\frac{\alpha f''\left(G_{-s} + g_s^*\right)}{u''\left(w - g_s\right) + \alpha f''\left(G_{-s} + g_s^*\right)} \approx -1$$

- Prediction of strong crowd out of giving
  - If government spends on income of needy group, corresponding almost one-on-one decrease in giving
  - Evidence of crowding out: Limited crowd-out
- Problem (ii): Model predicts giving to one highest-value charity—Instead we observe dispersion across charities
- Problem (iii): In-person or phone requests for giving raise much more than impersonal requests (mail)

- **Andreoni (1994)**: Warm-Glow or Impure altruism.
  - Utility

$$u\left(w_s - g_s\right) + v\left(g_s\right)$$

  - Agent gets warm glow utility $v\left(g_s\right)$ directly from giving
  - Utility $v\left(g_s\right)$ sharply concave
- Predicts:
  - Possibly no crowd-out
  - Small giving to several charities if $v\left(g\right)$ is charity specific
  - Glow can be higher for in-person requests

2 Social Preferences Wave II: Inequity Aversion and Reciprocity

- **Charness-Rabin (QJE, 2002)**
- Simplified model of preferences of s (self) when interacting with o (other):

$$\begin{aligned}(1-\rho)x_s + \rho x_o \text{ if } x_s &> x_o \\ (1-\sigma)x_s + \sigma x_o \text{ if } x_s &< x_o.\end{aligned}$$

- Captures:
  - selfishness ($\rho = \sigma = 0$)
  - baseline altruism (if $\rho = \sigma > 0$)
  - full altruism ($\rho = \sigma = 1/2$)
  - differentially so if ahead or behind ($\rho > \sigma$)
  - inequity aversion (**Fehr-Schmidt QJE, 1999,** $\rho > 0 > \sigma$)

- Dictator Game. Have \$10 and have to decide how to share
- **Forsythe et al. (GEB, 1994)**: sixty percent of subjects transfers a positive amount.
- Transfer \$5 if

$$\begin{aligned} \rho 5 + (1-\rho)5 &= 5 \geq \rho 0 + (1-\rho)10 \text{ –>} \rho \geq 1/2 \text{ and} \\ \sigma 5 + (1-\sigma)5 &\geq \sigma 10 + (1-\sigma)0 \text{ –> } \sigma \leq 1/2 \end{aligned}$$

- Transfer \$5 if

$$\begin{aligned} \rho &\geq .5 \text{ –> Prefer giving \$5 to giving \$0} \\ .5 &\geq \sigma \text{ –> Prefer giving \$5 to giving \$10} \end{aligned}$$

- Dictator game behavior consistent with inequity aversion
- Number of other experiments also consistent (including gift exchange)

- Taking this to field data? Hard
- Issue 1:
  - Person s with disposable income M_s meets needy person o with income $M_o < M_s$
  - Person s decides on donation D
  - Assume parameters $\rho \geq .5 \geq \sigma$
  - This implies $\pi_s^* = \pi_s^*$ –> $M_o - D^* = M_s + D^*$ –> $D^* = (M_s - M_o)/2$
  - Wealthy person transfers half of wealth difference!
  - Clearly counterfactual

- Issue 2.
  - Lab: n subjects, with n small
  - Field: Millions of needy people. Public good problem
- Issue 3.
  - Lab: Forced interaction.
  - Field: Sorting – can get around, or look for, occasions to give

- In addition to payoff-based social preferences, intentions likely to matter
  - ρ and σ higher when s treated nicely by o
  - Model intentions of o
  - Positive reciprocity: Respond to being treated nicely
  - Negative reciprocity: Respond to being treated unfairly
  - More evidence of the latter in lab experiments

3 Workplace Effort: Inequity Aversion

- **Social Comparisons in the Workplace**
  - Workers compare to co-workers
  - Get some utility from being paid more than others
  - Get high disutility from being paid less then others (inequity aversion)
  - –> Wage compression
- Is there evidence of this?

- **Card-Mas-Moretti-Saez (AER 2012)**
  - Study of job satisfaction for UC employees
  - Examine the impact of salary comparisons
- UC is ideal setting:
  - Salaries are public
  - But not as easy to access
  - Sacramento Bee posted them online
- Design:
  - Email survey to staff at various University of California Campuses
  - Field experiment on content of survey

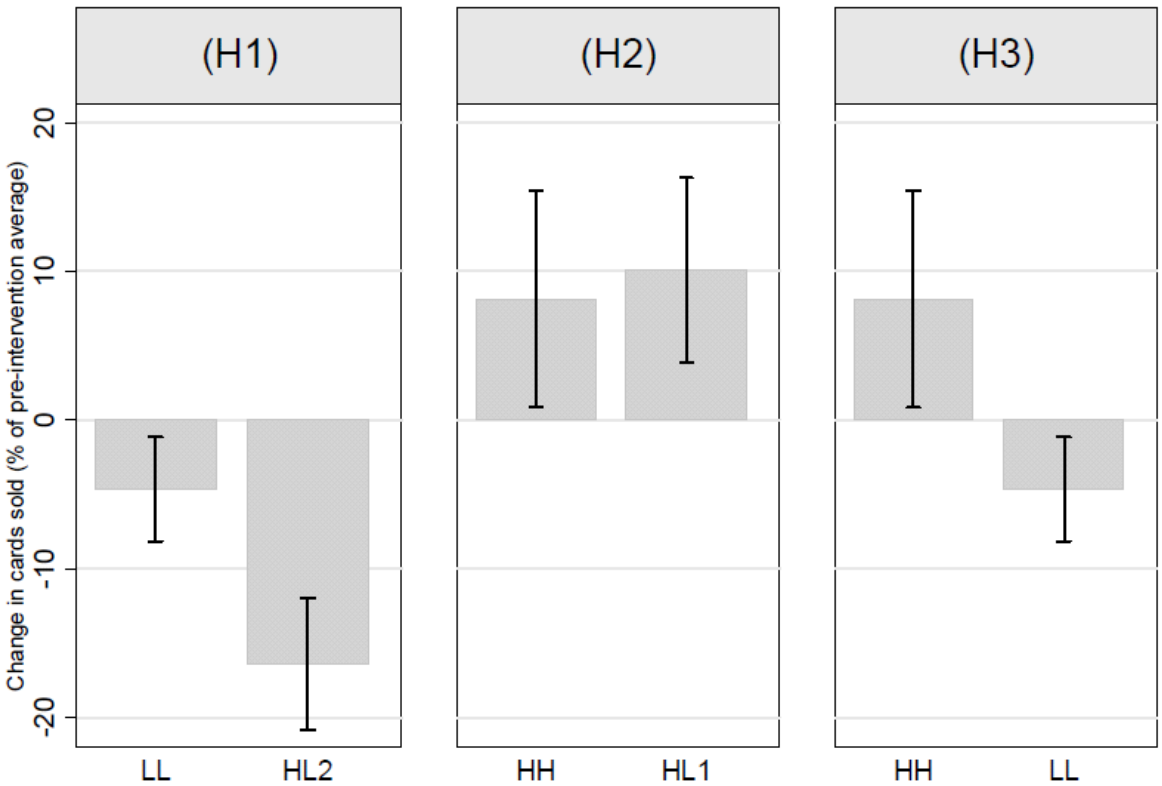
- Mention to some, but not others, the website of the Sacramento Bee: "*Are you aware of the web site created by the Sacramento Bee newspaper that lists salaries for all State of California employees? (The website is located at www.sacbee.com/statepay, or can be found by entering the following keywords in a search engine: Sacramento Bee salary database).*"
- Counting on human curiosity for first stage...
- Follow-up survey to measure job satisfaction and interest in moving to other job
- Impact on stated job satisfaction and reported intention to look for new job

Table 4: Effect of Information Treatment on Measures of Job Satisfaction

	Satisfaction Index (10 point scale)			Reports Very likely to Look for New Job (Yes = 1)			Dissatisfied and Likely Looking for a New Job (Yes = 1)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Treated individual	-2.0	–	–	1.0	–	–	2.0	–	–
	(2.2)			(1.2)			(1.1)		
I. Treated individual with earnings ≤ median pay in unit	–	-6.3	–	–	4.3	–	–	5.2	–
		(2.9)			(1.8)			(1.8)	
II. Treated individual with earnings > median pay in unit	–	2.0	2.2	–	-2.0	-2.0	–	-0.9	-0.9
		(2.6)	(2.6)		(1.6)	(1.6)		(1.3)	(1.3)
II-I	–	8.3	–	–	-6.3	–	–	-6.1	–
		(3.5)			(2.4)			(2.1)	
Treated × earnings in first quartile in pay unit	–	–	-15.0	–	–	8.0	–	–	8.1
			(4.0)			(2.6)			(2.4)
Treated × earnings in second quartile in pay unit	–	–	1.9	–	–	0.8	–	–	2.5
			(3.9)			(2.5)			(2.3)
P-value for exclusion of treatment effects	0.36	0.05	0.00	0.85	0.03	0.01	0.08	0.01	0.00
Mean of the dependent variable in the control group [standard deviation]		274.2			21.9			12.9	
		[66.1]			[41.4]			[33.5]	

Notes: All models are estimated by OLS. All coefficients and means are multiplied by one hundred. Standard errors, clustered by campus/department, are in parentheses (818 clusters for all models). "Earnings" refers to total UC payments in 2007. Pay unit refers to the respondent's department or administrative unit. Median pay is computed seperately for faculty and staff. The satisfaction index is the average of responses for the questions: "How satisfied are you with your wage/salary on this job?", "How satisfied are you with your job?", and "Do you agree or disagree that your wage is set fairly in relation to others in your department/unit?". Responses to each of these questions are on a 1-4 scale and are ordered so that higher values indicate greater satisfaction. The variable "Dissatisfied and Likely Looking for a New Job" is 1 if the respondent is below the median value of the satisfaction index and reports being "very likely" to make an effort to find a new job. See text and Appendix Table A3 for further details on the construction of the dependent variables. In addition to the explanatory variables presented in the table, all models include controls for campus × (staff/faculty), a cubic in earnings, and main effects. The sample size is 6,411.

- **Cohn, Fehr, Herrmann, Schneider (JEEA 2014)**
  - Workers hired in pairs to sell cards
  - On second work day, pay randomly made different
  - 25% pay cut for both workers, or only one worker
  - Effect on effort



(error bars represent standard error of the mean; spare workers excluded)

- Notice: Return to gift echange next lecture

4 Methodology: Field Experiments

- Field Experiments combine advantages of field studies and natural experiments:
  - Field setting (External Validity)
  - Randomization (Internal Validity)
- Common in Development, Public, Psychology and Economics, Labor
- Uncommon in IO (except for Demand estimation), Corporate Finance, Asset Pricing, Macro
- Difficulties: large sample (costly) and getting approval for implementation

- Definition 1. Card, DellaVigna, and Malmendier (*JEP* 2011) '*Randomized allocation to treatment and control groups for study purposes in a field setting*'
  - Excludes studies with no randomization (Bandiera et al., 2005 and on)
  - Includes social experiments run by the government
  - Includes experiments run by firms (Ausubel, 1999)
  - Excludes incidental randomization (i.e., lottery winnings, or Vietnam draft number)

- Definition 2. Harrison and List (*JEL* 2004): Broader definition, does not emphasize randomized allocation
  - But then how to separate from natural experiments?
  - Emphasis on laboratory versus field: 4 groups
    1. *(Conventional) Laboratory Experiment*
    2. *Artefactual Laboratory Experiment.* This is laboratory experiment in the field (i.e., on non-students)
    3. *Framed Field Experiment.* Experiment in the field with natural setting, but people aware of experimental treatments
    4. *Natural Field Experiment.* Experiment in the field, subjects unaware of manipulations

- What to do if planning a field experiment?
- **Advice 1.** Read how-to manuals and previous field experiments: **Duflo-Glennerster-Kremer (NBER, 2006)**
  - * Great discussion of practical issues: Compliance, Sample Size,...
    * Discussion of statistical issue, such as power tests
    * Targeted toward development

- **Advice 2.** Choose what type of Experiment
  - *Large-Scale Experiment.* Example: Bandiera et al. (2005)
    - More common in Development
    - Convince company or organization (World Bank, Government)
    - Need substantial funding
    - Example among students:
      - Damon Jones: field experiment on tax preparers
      - However (also Damon): H&R Block experiment fell through after 1-year plans
      - Safeway (research center at Stanford, Kristin Kiesel in charge)

- *Small-Scale Experiment.* Example: Falk (2008)
  - More common in Psychology and Economics
  - Need to convince non-profit or small company
  - Limited funds needed – often company will pay
  - Example among students:
    - Dan Acland: projection bias and gym attendance
    - Vinci Chow: commitment devices for on-line computer game play
    - Pete Fishman: small video store randomized advertising

- **Advice 3.** Need two components:
  1. Interesting economic setting:
     - Charity, Gym, Village in Kenya
     - Does Video Games matter? Yes, increasingly so
  2. Economic model to test
     - Examples: Self-control, reciprocity, incentives
     - Avoid pure data-finding experiments
     - Insurance. If you can, pick a case where 'either' result is interesting
     - Best scenario: Do a field experiment tied to a model to infer parameters

- **Advice 4.** Keep in mind three key issues
  - *Power calculations.* Will your sample size be enough?
    - Crucial to do ex ante to avoid wasting time and money
    - Simple case:
      - Assume outcome binary variable, dep.variable is share p doing 1 (Ex: giving to charity, taking up comm. device)
      - Standard error will be $\sqrt{p(1-p)/n}$
      - Example: $p = .5$, s.e. is .05 with $n = 100$, .025 with $n = 400$
  - *Pilots.* So many things can go wrong – try to do small pilot
    - Use to spot problems in implementation
    - Do not overinfer results from pilot (sample too small)

- *Human Subjects* approval
  - At Berkeley, takes about 2 months
  - More about this later

- **Advice 5.** Do a lot of work before going to the field!
  - Power studies – YES
  - But also: *Model*
    - To the extent possible, write down model
    - Do Monte Carlo of data
    - Estimate model on Monte Carlo data
    - Which parameters are identified?
    - Use that to refine design
    - Gift exchange design (DLMR above): one year before going to the field
  - Also, *Registration*

- **Advice 6.** Other practical issues:
  - Keep in mind *implementation* of randomization
    - Example: Cross Designs hard to implement correctly
    - Example: **Green-Gerber (APSR, 2001)** on voter turnout:
      - cross-randomize phone calls, mailings, in-person visits
      - Hard to implement –> Lead to loss of randomization
    - OK if just computerized implementation (ex: loan offers)
  - Monitor what happens in the field *continuously*
  - Build in *data redundancy* to catch errors or implementation problems
    - 'Did you see a flyer on the door?' in DellaVigna-List-Malmendier (2009)

- **Advice 7.** Start looking soon for funding. Some options:
  - * Russel Sage Small Grant Program: $7,500 (two to three months wait, once-in-career) (http://www.russellsage.org/research/behavioral-economics)
    * RSF-Sloan group on Behavioral Household finance: $10,000 awards for research (ie, Justin Gallagher)
    * NSF dissertation improvement grant website (http://www.nsf.gov/funding/pgm_summ.jsp?pims_id=13453)
    * IBER: $1,000 administered quickly (one week or so)
    * Look at CVs of assistant professors in your field or job market students (Jonas' advice)
    * Ask your advisor –> May know of some funding sources

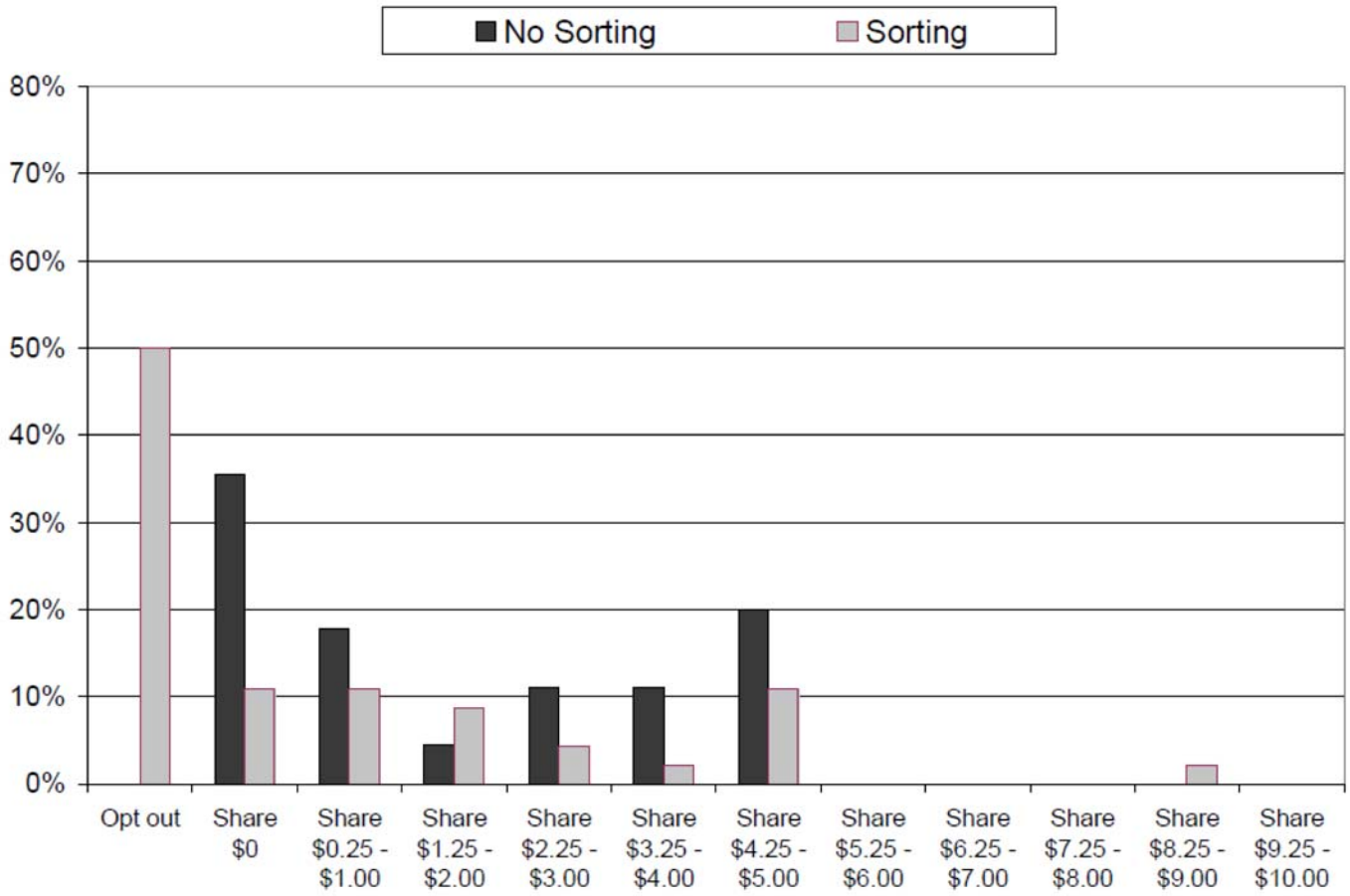
5 Social Preferences Wave III: Social Pressure and Signalling

- Last 15 years: Evidence to suggest that altruism/warm glow/inequity aversion/reciprocity only part of story
- Dictator games with sorting (**Dana, Cain, and Dawes, 2007**; **Lazear, Malmendier, and Weber, AEJ Applied 2012**):
  - Subject can play dictator game ($10 to share)
  - OR can sort out and have privately $10
- Predictions of models of altruism/warm glow/inequity aversion/reciprocity:
  - Individuals who offer 0 still would offer 0 or sort out

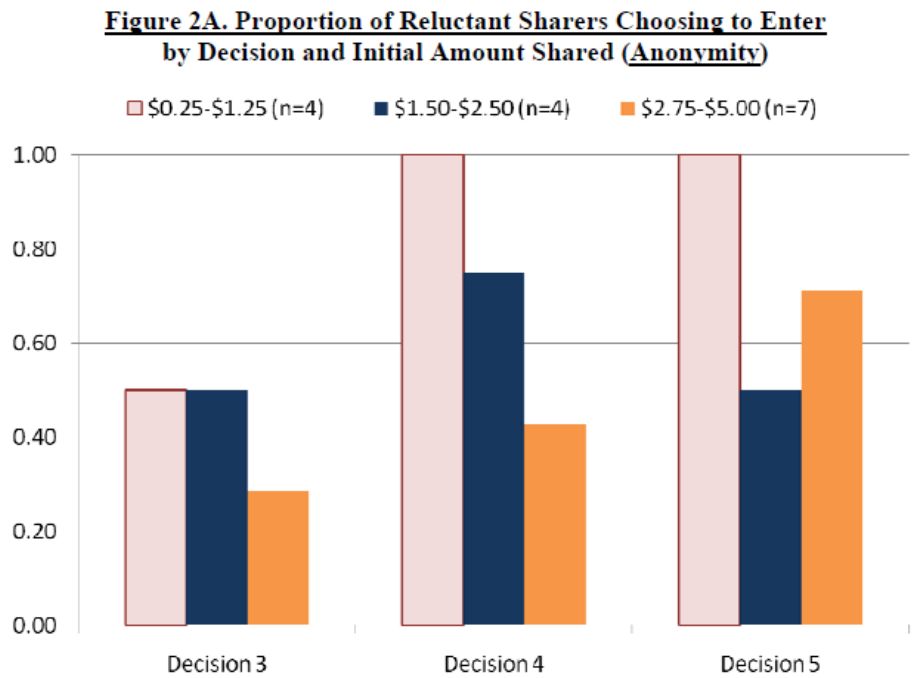
  - Individuals who give to other would stay in and give

- Results? From Lazear, Malmendier, and Weber (2012)

Figure 1A. Distributions of Amounts Shared
(Experiment 1, Berkeley)



- – More than half of positive givers sort out instead!
  - – Need to increase dictator game payout to $12 (Decision 5) to lure givers back



- Further evidence: Dictator games with moral wriggle room (Dana, Weber,

and Kuang, 2007)

- Avoid (free) information to justify not sharing

- Evidence from charitable giving
- **Landry et al. (QJE, 2006)**
  - Door-to-door fund-raising as opposed to mailer
  - Test different form of solicitation
    - Seed Money or not
    - Lottery or not
  - Examines also features of solicitor
- Main finding: Female attractiveness matters, male attractiveness does not

TABLE IV

DICHOTOMOUS CONTRIBUTION DECISION AND SOLICITOR CHARA

	Model A	Model B	Model C	Model D	Model E
Overall constant—VCM is baseline	0.27**	0.28**	0.25**	0.27**	0.26**
	(0.03)	(0.08)	(0.07)	(0.08)	(0.07)
VCM with seed money	−0.11**	−0.08	−0.07	−0.06	−0.07
	(0.04)	(0.06)	(0.05)	(0.05)	(0.05)
Single-prize lottery	0.20**	0.19**	0.20**	0.21**	0.19**
	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Multiple-prize lottery	0.15**	0.18**	0.20**	0.21**	0.20**
	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Solicitor beauty rating		0.07**			
		(0.03)			
Beauty—male solicitor			−0.02	−0.03	−0.04
			(0.04)	(0.04)	(0.04)
Beauty—female solicitor			0.12**	0.13**	0.12**
			(0.04)	(0.04)	(0.04)

- More affects giving than just pure altruism or warm glow

- **Model 1. Social Pressure (DellaVigna, List, and Malmendier, 2012)**
  - Pay a disutility cost $S > 0$ if do not give when asked
  - No disutility cost if can avoid to meet the solicitor or recipient
  - Give mostly *because asked*

- Can explain
  - Sort out in dictator game with sorting
  - Wanting to ignore information
  - Give small amount to charities, no crowd out of giving
  - Also: Give more in higher social pressure environments

- Key prediction specific to Social Pressure model:
  - *Altruism/Glow*: Agent seeks giving occasions to get warm glow
  - *Social Pressure*: Agents avoids giving occasions to avoid social pressure

- Drawback of model
  - Social Pressure cost is reduced form

- **Model 2. Signaling (Benabou and Tirole (2003)**
  - Individuals have an altruism weight α
  - Individuals 'forget' their altruism α
  - They infer it from their own behavior in a signaling game:
  - Behave generously to convince one self (and others)

6 Social Pressure

- Early experiments: *Milgram experiment* post-WWII
- Motivation: Do Germans yield to pressure more than others?
  - Subjects: Adult males in US
  - Recruitment: experiment on punishment and memory
  - Roles:
    - teacher (subjects)
    - learner (accomplice)
  - Teacher asks questions
  - Teacher administers shock for each wrong answer

  - Initial shock: 15V
  - Increase amount up to 450V (not deadly, but very painful)
  - Learner visible through glass (or audible)
  - Learner visibly suffers and complains

- Results:
  - 62% subjects reach 450V
  - Subjects regret what they did ex post
  - When people asked to predict behavior, almost no one predicts escalation to 450V

- It's not the Germans (or Italians)! Most people yield to social pressure

- Furthermore, naivete' — Do not anticipate giving in to social pressure
- Social Pressure likely to be important in organization and public events

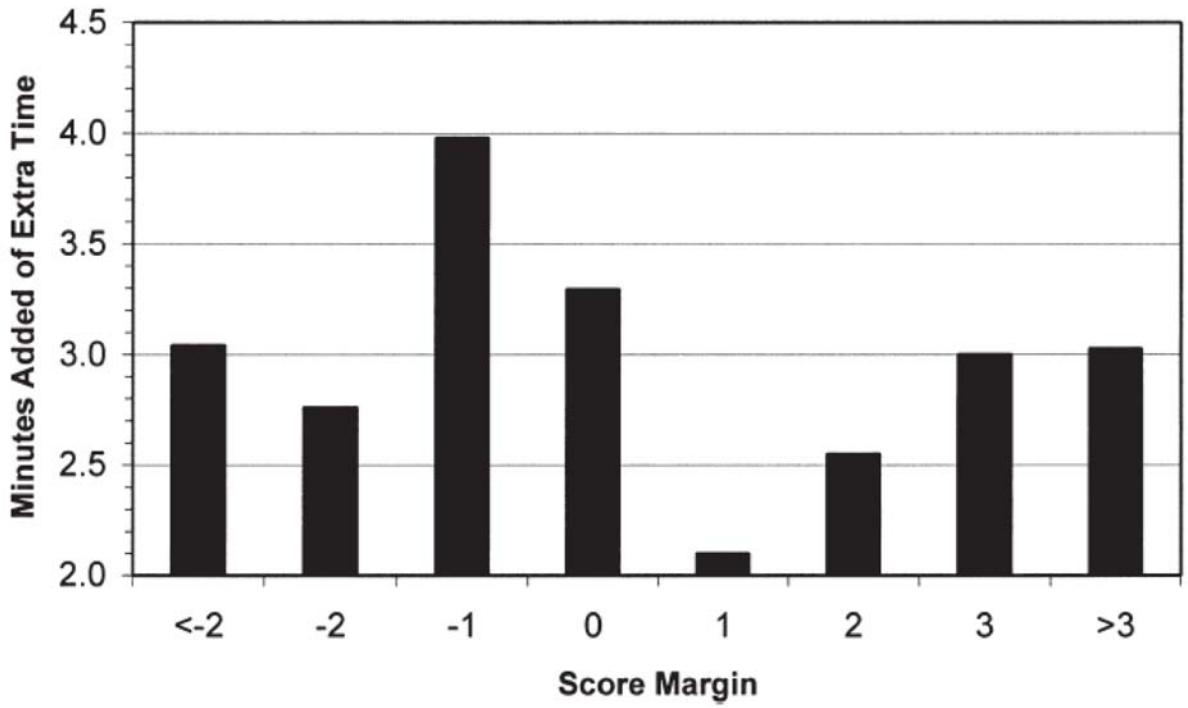
- Second classical psychology experiment: **Asch (1951)**
  - Subjects are shown two large white cards with lines drawn on them
    - First card has three lines of substantially differing length on them
    - Second card has only one line.
  - Subjects are asked which of the lines in the first card is closest in length to the line in the second card
- Control treatment: subjects perform the task in isolation –> 98 percent accuracy
- High social-pressure treatment: subjects choose after 4 to 8 subjects (confederates) unanimously choose the wrong answer –> Over a third of subjects give wrong answer

- Social Pressure Interpretation:
  - Avoid disagreeing with unanimous judgment of the other participants
  - Result disappears if confederates are not unanimous
- Alternative interpretation: Social learning about the rules of the experiment
- Limitation: subjects not paid for accuracy

- An example of social pressure in a public event
- **Garicano, Palacios-Huerta, and Prendergast (REStat, 2006)**
  - Soccer games in Spanish league
  - Injury time at end of each game (0 to 5 min.)
  - Make up for interruptions of game
  - Injury time: last chance to change results for teams
- Social Pressure Hypothesis: Do referees provide more injury time when it benefits more the home team?
  - Yielding to social pressure of public
  - No social learning plausible
  - Note: referees professionals, are paid to be independent

- Results: Figure 1 – Clear pattern, very large effects

FIGURE 1.—INJURY TIME AWARDED BY SCORE MARGIN



Number of minutes awarded by referees as a function of the margin in favor of the home team at the end of the match. Score margin = (goals scored by home team) − (goals scored by visiting team). Note: 3.3% of the matches ended with score differences smaller than −2; 5.2%, with score differences greater than 3.

- Table 5. Response to incentives –> After 1994, 3 points for winning (1 for drawing, 0 for losing).

TABLE 5.—MARGINAL EFFECT OF INCENTIVES ON INJURY TIME

Statistic	[1]	[2]
Constant	3.50**	3.11**
	(0.14)	(0.32)
Score Difference	**−1.53****	**−1.56****
	(0.18)	**(0.18)**
Year Effect	0.81**	0.7**
	(0.18)	(0.21)
Year × Score Difference	**−0.58***	**−0.52***
	(0.23)	**(0.23)**
Yellow Cards		0.07**
		(0.02)

- Table 6. Response to social pressure: size of audience

TABLE 6.—EFFECT OF THE SIZE AND COMPOSITION OF THE CROWD ON REFEREE BI

Statistic	[1]	[2]
Constant	3.23**	2.94**
	(0.18)	(0.20)
Score Difference	**−0.93****	**−0.96****
	(0.20)	**(0.21)**
Year Effect	0.36**	0.33**
	(0.11)	(0.11)
Attendance	0.00	0.00
	(0.00)	(0.00)
Attendance × Score Difference	**−0.02****	**−0.02****
	(0.00)	**(0.00)**
Yellow Cards		0.07**
		(0.02)
Budget Home		

- P*eer effect* literature also points to social pressure
- **Falk-Ichino (JOLE, 2006):** effect of peer pressure on task performance
  - Recruit High-school students in Switzerland to perform one-time job for flat payment
  - Stuff letters into envelopes for 4 hours
  - Control group of 8 students did the task individually
  - Treatment group of 16 students worked in pairs (but each student was instructed to stuff the envelopes individually)
- Results:
  - Students in treatment group stuffed more envelopes (221 vs. 190)
  - Students in treatment group coordinated the effort within group: within-pair standard-deviation of output is significantly less than the (simulated) between-pairs standard deviation

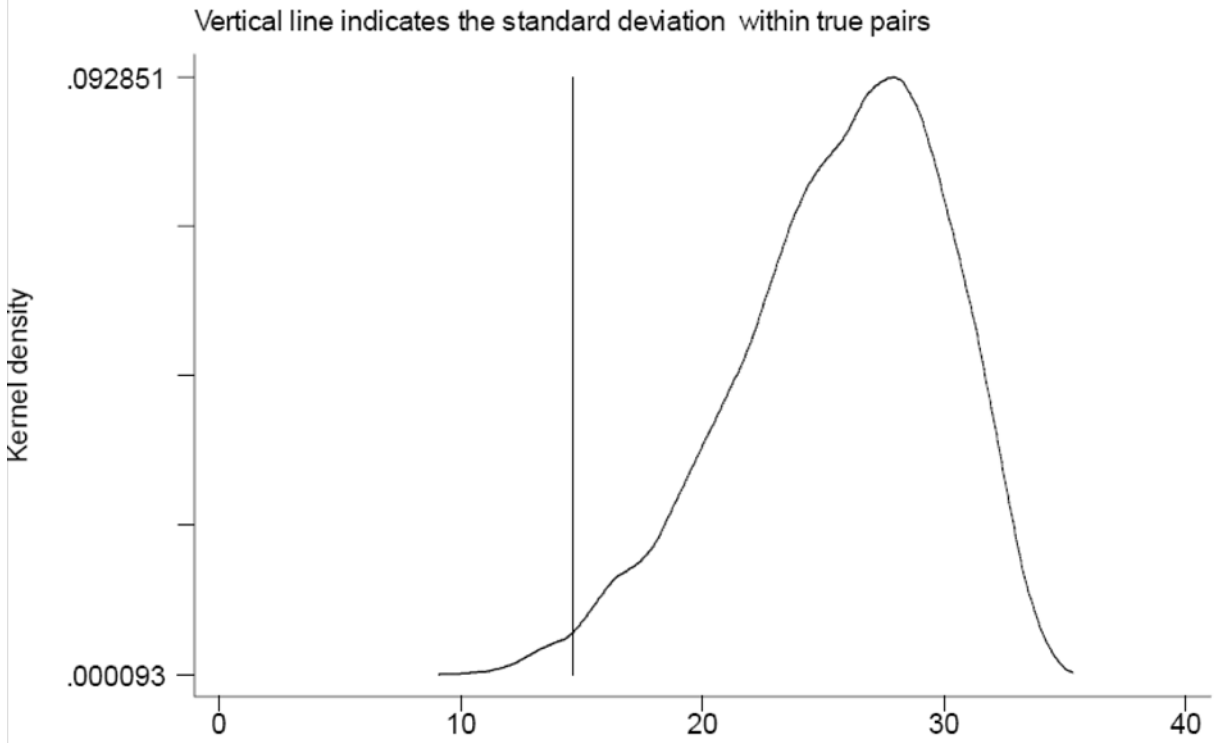


Fig. 3: St. dev. within true and hypothetical pairs in pair sample

- **Mas-Moretti (AER 2009).** Evidence of response to social pressure in the workplace
  - Workplace setting –> Large retail chain
  - Very accurate measure of productivity, scanning rate
  - Social Pressure: Are others observing the employer?
- Slides courtesy of Enrico

Introduction

- We use internal scanner data from a supermarket chain to obtain a high-frequency measure of productivity of checkers

- Over a two year period, we observe each item scanned by each worker in each transaction. We define individual effort as the number of items scanned per second.

- We estimate how individual effort changes in response to changes in the average productivity of co-workers

Introduction

- Over the course of a given day, the composition of the group of co-workers varies, because workers shifts do not perfectly overlap

- Scheduling is determined two weeks prior to a shift

=> <u>within-day</u> timing of entry and exit of workers is predetermined

- Empirically, entry and exit of good workers appear uncorrelated with demand shocks:

  - The entry of fast workers is not concentrated in the ten minutes prior to large increases in customer volume, as would be the case if managers could anticipate demand changes

  - The exit of fast workers is not concentrated in the ten minutes prior to large declines in customer volume

  - The mix of co-workers ten minutes into the future has no effect on individual productivity in the current period.

Data

- We observe all the transactions that take place for 2 years in 6 stores. For each transaction, we observe the number of items scanned, and the length of the transaction in seconds.
- We define individual productivity as the number of items scanned per second.
- We know who is working at any moment in time, where, and whom they are facing
- Unlike much of the previous literature, our measure of productivity is precise, worker-specific and varies with high-frequency.

Institutional features

- Workers in our sample perform the same task use the same technology, and are subject to the same incentives
- Workers are unionized
- Compensation is a fixed hourly payment
- Firm gives substantial scheduling flexibility to the workers

What is the relationship between individual effort and co-worker permanent productivity?

- First we measure the *permanent* component of productivity of each worker

$$y_{itcs} = \theta_i + \Sigma_{j \neq i} \pi_j W_{jtcs} + \psi X_{itcs} + \gamma_{dhs} + \lambda_{cs} + e_{itcs.}$$

  For each worker *i*, 10 minute period and store, we average the permanent productivity of all the co-workers (excluding *i*) who are active in that period: $\Delta \bar{\theta}_{-ist}$

- Second, we regress ten minutes *changes* in individual productivity on *changes* in average permanent productivity of co-workers

Finding 1: There is a positive association between changes in co-worker permanent productivity and changes in individual effort

	(1)	(2)
Δ Co-worker permanent Productivity	0.176 (0.023)	0.159 (0.023)
Controls	No	Yes

$$\Delta y_{itcs} = \beta \Delta \overline{\theta}_{-ist} + \gamma_{tds} + \psi \Delta X_{tcs} + e_{itcs}$$

i = individual
t = 10 minute time interval
c = calendar date
s = store

Finding 1: There is a positive association between changes in co-worker permanent productivity and changes in individual productivity

Entry of above average productivity worker	0.011 (0.001)	
Exit of an above average productivity worker	-0.005 (0.001)	
Shift entry of above average productivity worker		0.006 (0.002)
Shift exit of an above average productivity worker		-0.006 (0.002)
Controls	Yes	Yes

Finding 2: The magnitude of the spillover effect varies dramatically depending on the skill level

	(2)	(3)
Δ Co-worker permanent productivity	0.159	0.261
	(0.023)	(0.033)
Δ Co-worker permanent prod. × Above average worker		-0.214
		(0.046)
Observations	1,734,140	1,734,140
Controls	Yes	Yes

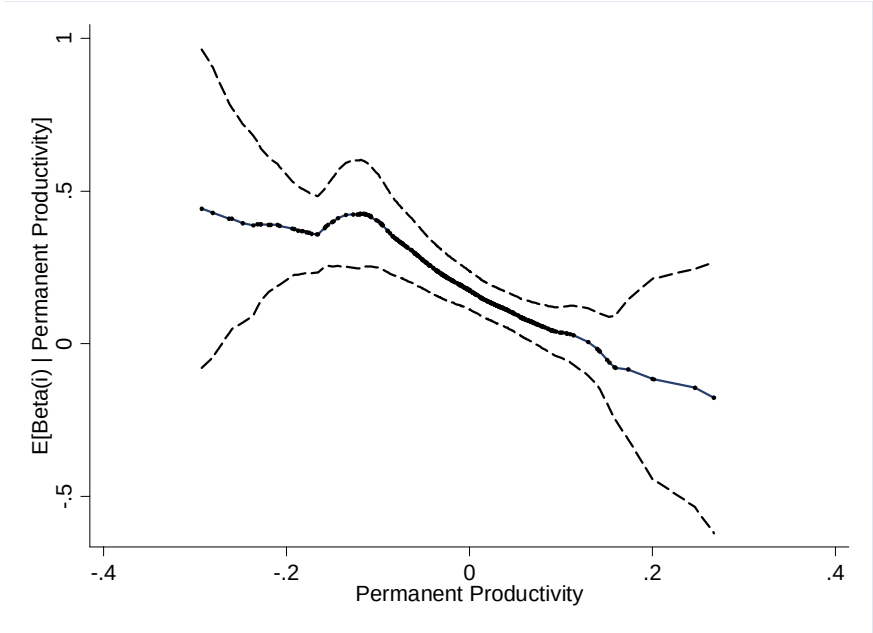
$$\Delta y_{itcs} = \beta \Delta \bar{\theta}_{-ist} + \gamma_{tds} + \psi \Delta X_{tcs} + e_{itcs}$$

Individual-specific Spillover

- Our longitudinal data allow for models with an individual-specific spillover effect, β_i:

$$\Delta y_{itcs} = \beta_i \Delta \overline{\theta}_{-icts} + \psi \Delta X_{tcs} + \gamma_{tds} + e_{itcs}$$

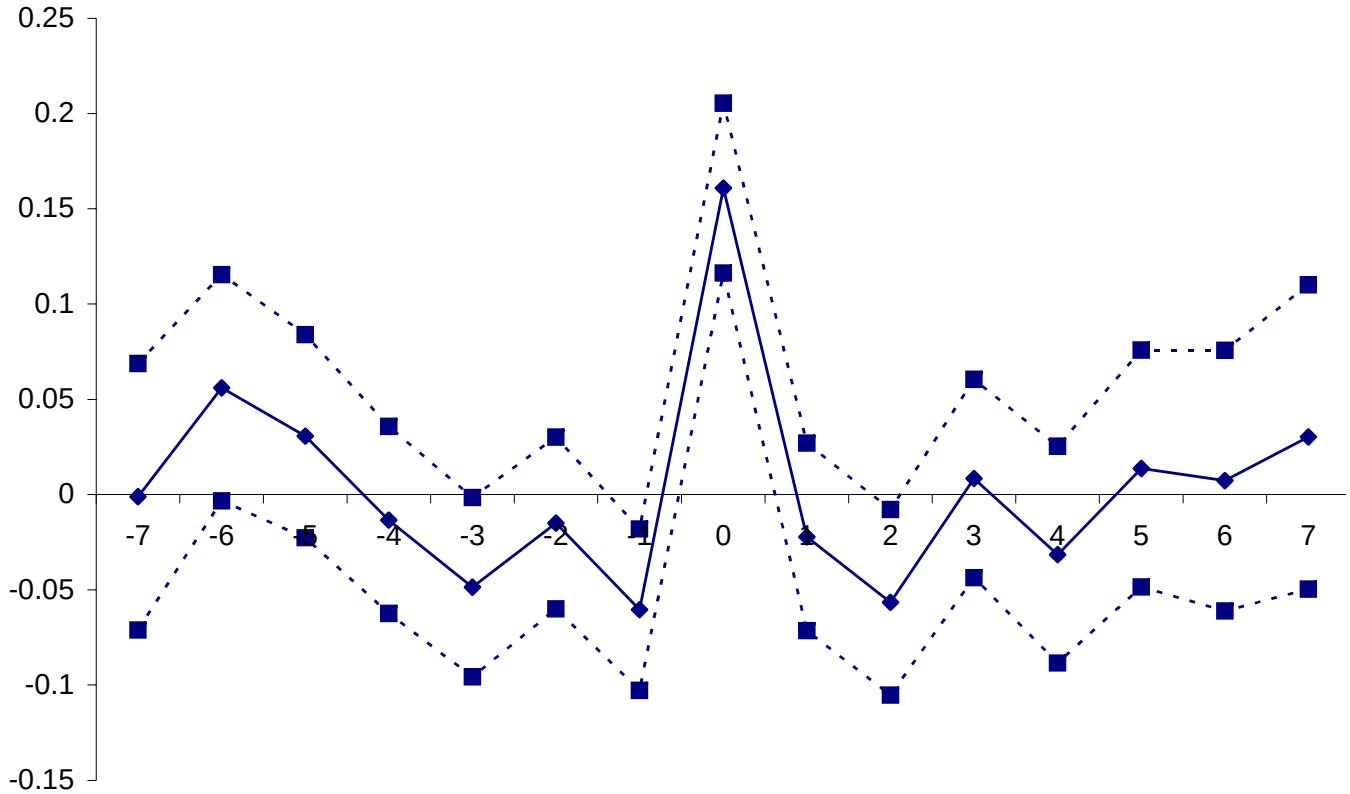
The relationship between individual permanent productivity and worker specific spillover effect



What Determines Variation in Co-Workers Quality?

- Shifts are pre-determined
- Management has no role in selecting specific workers for shifts
- We measure co-workers productivity using permanent productivity (not current)
- Our models are in first differences: We use variation within a day and within a worker

The lags and leads for the effect of changes of average co-worker productivity on reference worker productivity



$$\Delta y_{itcs} = \beta_{-7}\Delta\bar{\theta}_{-i(t-7)cs} + \beta_{-6}\Delta\bar{\theta}_{-i(t-6)cs} + \beta_{-5}\Delta\bar{\theta}_{-i(t-5)cs} + \beta_{-4}\Delta\bar{\theta}_{-i(t-4)cs} + \beta_{-3}\Delta\bar{\theta}_{-i(t-3)cs} + \beta_{-2}\Delta\bar{\theta}_{-i(t-2)cs}$$
$$+ \beta_{-1}\Delta\bar{\theta}_{-i(t-1)cs} + \beta_{0}\Delta\bar{\theta}_{-i(t)cs} + \beta_{1}\Delta\bar{\theta}_{-i(t+1)cs} + \beta_{2}\Delta\bar{\theta}_{-i(t+2)cs} + \beta_{3}\Delta\bar{\theta}_{-i(t+3)cs} + \beta_{4}\Delta\bar{\theta}_{-i(t+4)cs} + \beta_{5}\Delta\bar{\theta}_{-i(t+5)cs}$$
$$+ \beta_{6}\Delta\bar{\theta}_{-i(t+6)cs} + \beta_{7}\Delta\bar{\theta}_{-i(t+7)cs} + \zeta\mathbf{M} + e_{itcs},$$

What explains spillovers?

- There are at least two possible explanations (Kendal and Lazear, 1992)
  - Guilt / Contagious enthusiasm
  - Social pressure ("I care what my co-workers think about me")
- We use the spatial distribution of register to help distinguish between mechanisms

- Guilt / Contagious enthusiasm implies that the spillover generate by the entry of a new worker should be larger for those workers who can observe the entering worker

- Social pressure implies that the spillover generate by the entry of a new worker should be larger for those workers who who are observed by the new worker

Finding 3

- Most of the peer effect operates through changes in workers that are able to monitor other workers

- As more productive workers are introduced into a shift, they influence only the co-workers that can be monitored. There is no effect on co-workers that can not be monitored.

- This finding is consistent with social pressure

Finding 3

- Moreover, the addition of a worker behind an incumbent worker, regardless of her productivity, results in increased productivity of the incumbent worker.
- The addition of a worker in front, on the other hand, *decreases* productivity of the incumbent worker.
- This finding suggests that there is still scope for free-riding, but only when the free-riding is difficult to observe by other workers.

Table 5: Models by spatial orientation and proximity

	(1)	(3)
Δ Co-worker permanent productivity behind	0.233 (0.019)	
Δ Co-worker permanent productivity in front	0.007 (0.018)	
Δ Co-worker permanent productivity behind & closer		0.162 (0.016)
Δ Co-worker permanent productivity in front & closer		0.016 (0.015)
Δ Co-worker permanent productivity behind & farther		0.100 (0.018)
Δ Co-worker permanent productivity in front & farther		0.003 (0.018)

Previous scheduling overlap

- If social pressure is the explanation, the spillover effect between two workers should also vary as a function of the amount of interactions

- If a worker does not overlap often with somebody on a given shift, she may not be as receptive to social pressure because there is not much of a repeated component to the social interaction.

- It is more difficult to exert social pressure on individuals that we meet rarely than individuals that we see every day.

Frequency of Interactions

- Suppose a shift has checkers A, B, and C. We calculate the percent of A's 10 minute intervals that have overlapped with B and C up to the time of the current shift. We do this for all checkers and all shifts.

- We then compute the average permanent productivity for checkers that are between 0% and 5% overlap, 5% and 20% overlap, and 20% to 100% overlap.

Previous scheduling overlap

	(1)
(I) Δ Co-worker permanent prod: low exposure	0.013
	(0.012)
(II) Δ Co-worker permanent prod: medium exposure	0.084
	(0.014)
(III) Δ Co-worker permanent prod: high exposure	0.075
	(0.017)
p-value: Ho: (I) = (II)	0.000
Ho: (I) = (III)	0.003
Ho: (II) = (III)	0.655
Observations	1,659,450

Conclusion

- The theoretical effect of a change in the mix of co-workers can be either positive (peer effects) or negative (free riding).

- <u>FINDING 1</u>
  - the net effect is on average positive

- <u>FINDING 2</u>
  - There is substantial heterogeneity in this effect.
  - Low productivity workers benefit from the spillover substantially more than high productivity workers.

Conclusions

- <u>FINDING 3</u>
  - Social pressure enforced by monitoring explains these peer effects
  - When more productive workers arrive into shifts, they induce a productivity increase only in workers that are in their line-of-vision.
  - The effect appears to decline with distance between registers

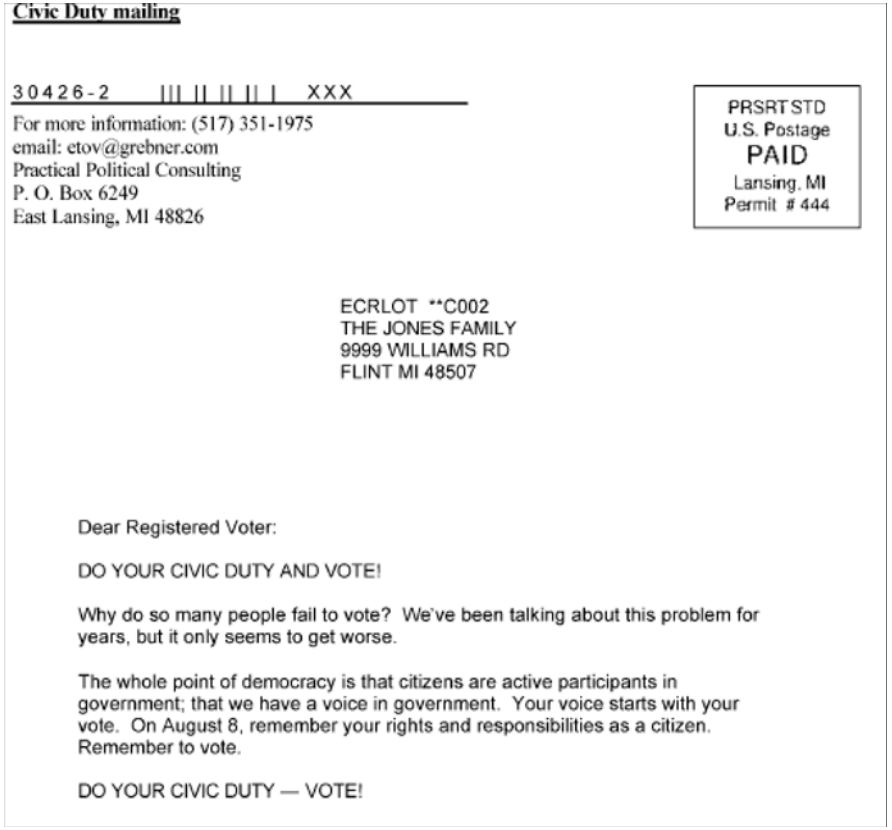
- <u>FINDING 4</u>
  - Optimally choosing the worker mix can lower the firm's wage bill by about $2.5 million per year
  - This does not imply that the firm is not profit maximizing

- Final Example: Effect of Social Pressure on Voting
  - Large literature of field experiments to impact voter turnout
  - Typical design: Day before (local) election reach treatment household and encourage them to vote
  - Some classical examples

Paper	Treatment (1)	Election type or question (2)	Variable t (3)	Year (4)	Place (5)	Sample size (6)	Control group t_T (7)	Treatment group t_C (8)	Exposure rate $e_T - e_C$ (9)	Persuasion rate (10)
Field Experiments										
Gerber and Green [2000]	Door-to-door canvassing	Federal elect.	Turnout	1998	New Haven	N = 14,473	0.422	0.463	0.270	0.263
	Canvassing + mail + calls	Federal elect.	Turnout	1998	New Haven	N = 14,850	0.422	0.448	0.270	0.167
Green, Gerber, and Nickerson [2003]	Door-to-door canvassing	Local elect.	Turnout	2001	6 cities	N = 18,933	0.286	0.310	0.293	0.118
Green and Gerber [2001]	Phone calls by youth vote	General elect.	Turnout	2000	4 cities	N = 4,377	0.660	0.711	0.737	0.205
	Phone calls 18–30-year-olds	General elect.	Turnout	2000	2 cities	N = 4,377	0.405	0.416	0.414	0.045

- In these experiments, typically mailings are the cheapest, but also the least effective get-out-the-vote treatment
- **Gerber, Green, and Larimer (APSR, 2008):** Add social pressure to these treatments
- Setting:
  - August 2006, Michigan
  - Primary election for statewide offices
  - Voter turnout 17.7% registered voters
- Experimental sample: 180,000 households on Voter File
- Mailing sent 11 days prior to election

- Experimental design:
  - Control households get no mail (N=100,000)
  - *Civic Duty Treatment.* ‘DO YOUR CIVIC DUTY—VOTE!”’



Civic Duty mailing

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Dear Registered Voter:

DO YOUR CIVIC DUTY AND VOTE!

Why do so many people fail to vote? We've been talking about this problem for years, but it only seems to get worse.

The whole point of democracy is that citizens are active participants in government; that we have a voice in government. Your voice starts with your vote. On August 8, remember your rights and responsibilities as a citizen. Remember to vote.

DO YOUR CIVIC DUTY — VOTE!

- – *Hawthorne Treatment.* Information that voters turnout records are being studied

Dear Registered Voter:

YOU ARE BEING STUDIED!

Why do so many people fail to vote? We've been talking about this problem for years, but it only seems to get worse.

This year, we're trying to figure out why people do or do not vote. We'll be studying voter turnout in the August 8 primary election.

Our analysis will be based on public records, so you will not be contacted again or disturbed in any way. Anything we learn about your voting or not voting will remain confidential and will not be disclosed to anyone else.

DO YOUR CIVIC DUTY — VOTE!

- – *Self-Information Treatment.* Give information on own voting record

Dear Registered Voter:

WHO VOTES IS PUBLIC INFORMATION!

Why do so many people fail to vote? We've been talking about the problem for years, but it only seems to get worse.

This year, we're taking a different approach. We are reminding people that who votes is a matter of public record.

The chart shows your name from the list of registered voters, showing past votes, as well as an empty box which we will fill in to show whether you vote in the August 8 primary election. We intend to mail you an updated chart when we have that information.

We will leave the box blank if you do not vote.

DO YOUR CIVIC DUTY—VOTE!

OAK ST	Aug 04	Nov 04	Aug 06
9999 ROBERT WAYNE		Voted	_____
9999 LAURA WAYNE	Voted	Voted	_____

- – *Other-Information Treatment.* Know if neighbors voted!

Dear Registered Voter:

WHAT IF YOUR NEIGHBORS KNEW WHETHER YOU VOTED?

Why do so many people fail to vote? We've been talking about the problem for years, but it only seems to get worse. This year, we're taking a new approach. We're sending this mailing to you and your neighbors to publicize who does and does not vote.

The chart shows the names of some of your neighbors, showing which have voted in the past. After the August 8 election, we intend to mail an updated chart. You and your neighbors will all know who voted and who did not.

DO YOUR CIVIC DUTY — VOTE!

MAPLE DR	Aug 04	Nov 04	Aug 06
9995 JOSEPH JAMES SMITH	Voted	Voted	_____
9995 JENNIFER KAY SMITH		Voted	_____
9997 RICHARD B JACKSON		Voted	_____

- Results:
  - Substantial impacts especially when neighbors get to see
  - All the results are highly statistically significant
  - Results huge given that 1/3 of recipients probably never opened the mailer
  - Impact: Obama campaign considered using this, but decided too risky

TABLE 2. Effects of Four Mail Treatments on Voter Turnout in the August 2006 Primary Election

	Experimental Group				
	Control	Civic Duty	Hawthorne	Self	Neighbors
Percentage Voting	29.7%	31.5%	32.2%	34.5%	37.8%
N of Individuals	191,243	38,218	38,204	38,218	38,201

7 Social Pressure II: Charitable Giving

- **DellaVigna, Malmendier, and List (2012)**

This Paper

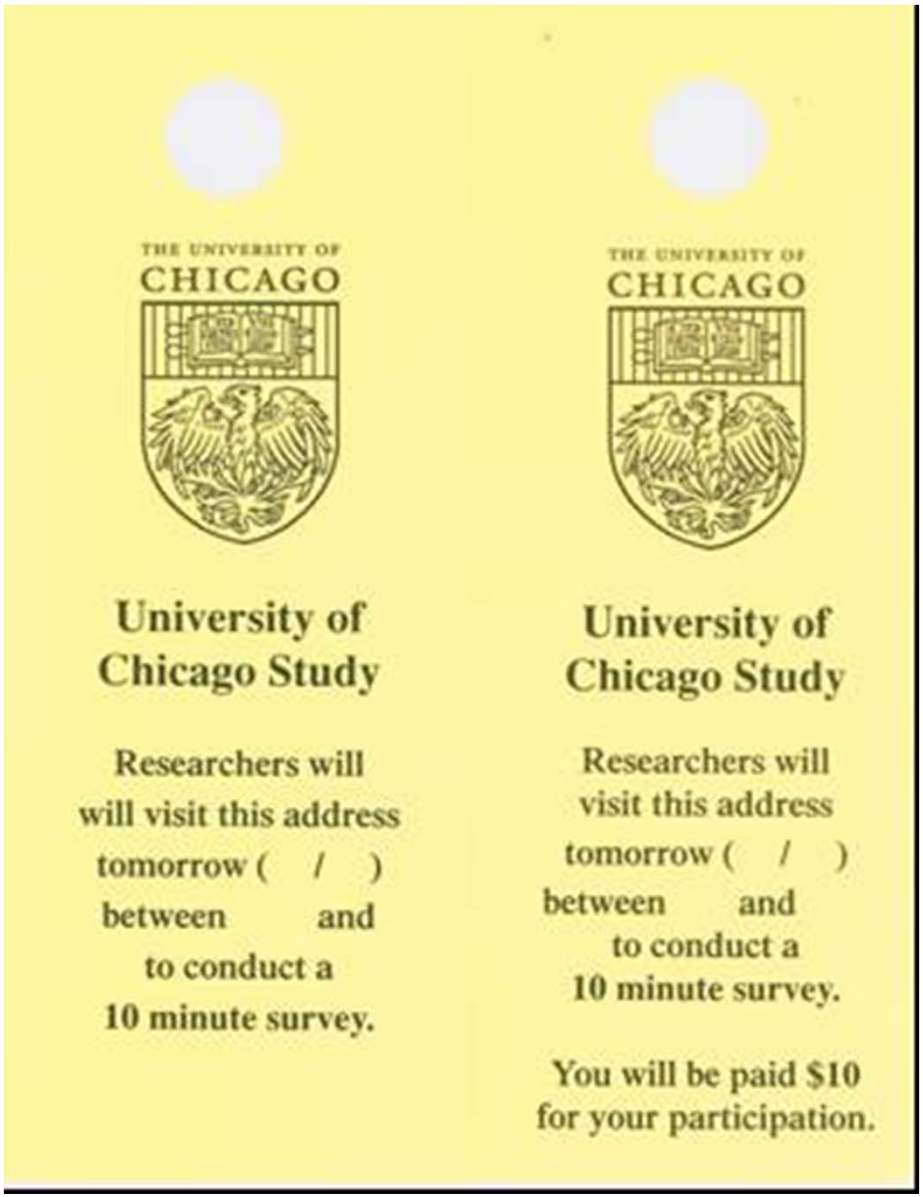
- Model of giving with altruism and social pressure
  - Consumer may receive advance notice of fundraiser
  - Consumer can avoid (or seek) fundraiser at a cost
  - Consumer decides whether to give (if at home)
- Field experiment: door-to-door fundraiser
  - Control group: standard fundraiser
  - Flyer Treatment: flyer on doorknob on day before provides advance notice about hour of visit
  - Opt-Out Flyer Treatment: flyer with box “do not disturb”

Flyer Layout with and without Opt-Out

This Paper

- Model of giving with altruism and social pressure
  - Consumer may receive advance notice of fundraiser
  - Consumer can avoid (or seek) fundraiser at a cost
  - Consumer decides whether to give (if at home)
- Field experiment: door-to-door fundraiser
  - Control group: standard fundraiser
  - Flyer Treatment: flyer on doorknob on day before provides advance notice about hour of visit
  - Opt-Out Flyer Treatment: flyer with box "do not disturb"
  - Survey Treatments: Administer surveys with varying payment and duration and with or without flyers → to structurally estimate parameters.

Survey Flyers



THE UNIVERSITY OF CHICAGO

University of Chicago Study

Researchers will will visit this address tomorrow (/) between and to conduct a 10 minute survey.

THE UNIVERSITY OF CHICAGO

University of Chicago Study

Researchers will visit this address tomorrow (/) between and to conduct a 10 minute survey.

You will be paid $10 for your participation.

- **Model**

- Giving game with giver and fund-raiser. Timing:
  - *Stage 1*:
    - No Flyer: Giver at home with probability $h = h_0$
    - Flyer:
      - Giver sees flyer with probability r
      - Can alter probability of being at home h from baseline h_0 at cost $c(h)$, with $c(h_0) = 0$, $c'(h_0) = 0$, and $c''(\cdot) > 0$
  - *Stage 2*:
    - Fund-raiser visits home of giver:
      - If giver at home (w/ prob. h), in-person donation $g^* \geq 0$
      - If saw flyer (w/ prob. r), donation via mail $g_m^* \geq 0$

- Utility function of giver:

$$U(g) = u(W - g - g_m) + av(g + \theta g_m, G_{-i}) - s(g)$$

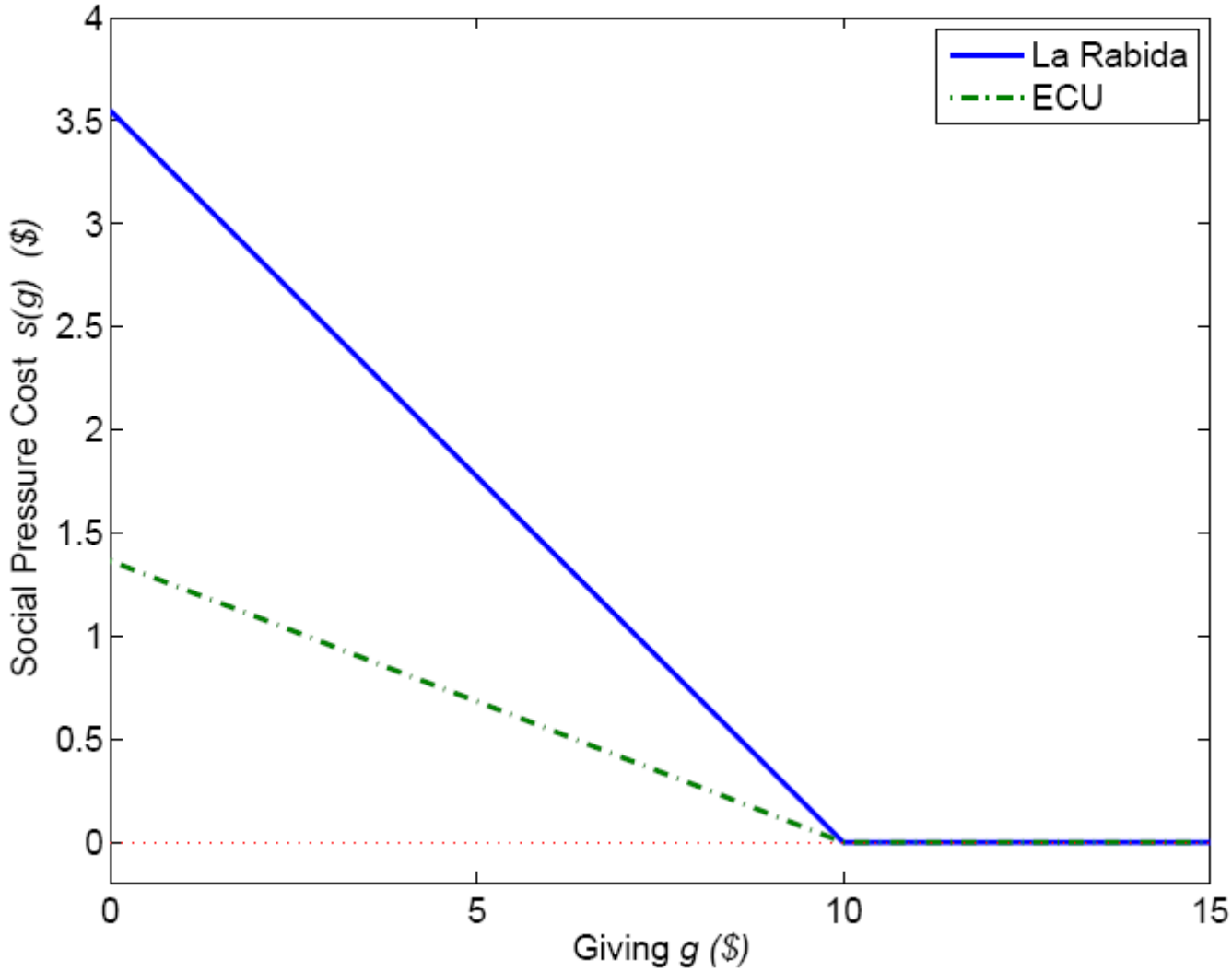
- Agent cares about:
  - Private consumption $u(W - g - g_m)$, with $u'(\cdot) > 0$ and $u''(\cdot) \leq 0$
  - Giving to charity $av(\cdot, G_{-i})$, with $v'_g(\cdot,\cdot) > 0$, $v''_{g,g}(\cdot,\cdot) < 0$, $\lim_{g\to\infty} v'_g(g,\cdot) = 0$, and $v(0, G_{-i}) = 0$.

- Two special cases for $v(g, G_{-i})$:
  - *Pure altruism* (Charness and Rabin 2002, Fehr and Gächter, 2000): $v(g, G_{-i}) = v(g + \theta g_m + G_{-i})$, a is altruism parameter
  - *Warm glow* (Andreoni, 1989 and 1990): $v(g, G_{-i}) = v(g)$, a is weight on warm glow

- Giving via mail is less attractive ($\theta < 1$): less warm glow, cost of giving,...

- Social Pressure $s(g) = S(g^s - g) \cdot \mathbf{1}_{g<g^s} \geq 0$
  - Social pressure $s = 0$ if not at home or if giving $g \geq g^s$ (socially acceptable amount)
  - Social pressure $s > 0$ for giving $g < g^s$, decreasing in g
- Captures identity (Akerlof and Kranton, 2000), social norms, or self-signalling (Bodner and Prelec, 2002; Grossman, 2007)
- Psychology evidence:
  - Tendency to conformity and obedience (Milgram, 1952 and Asch, 1957)
  - Effect stronger for face-to-face interaction

Figure. Social Pressure Cost At Estimated Parameters

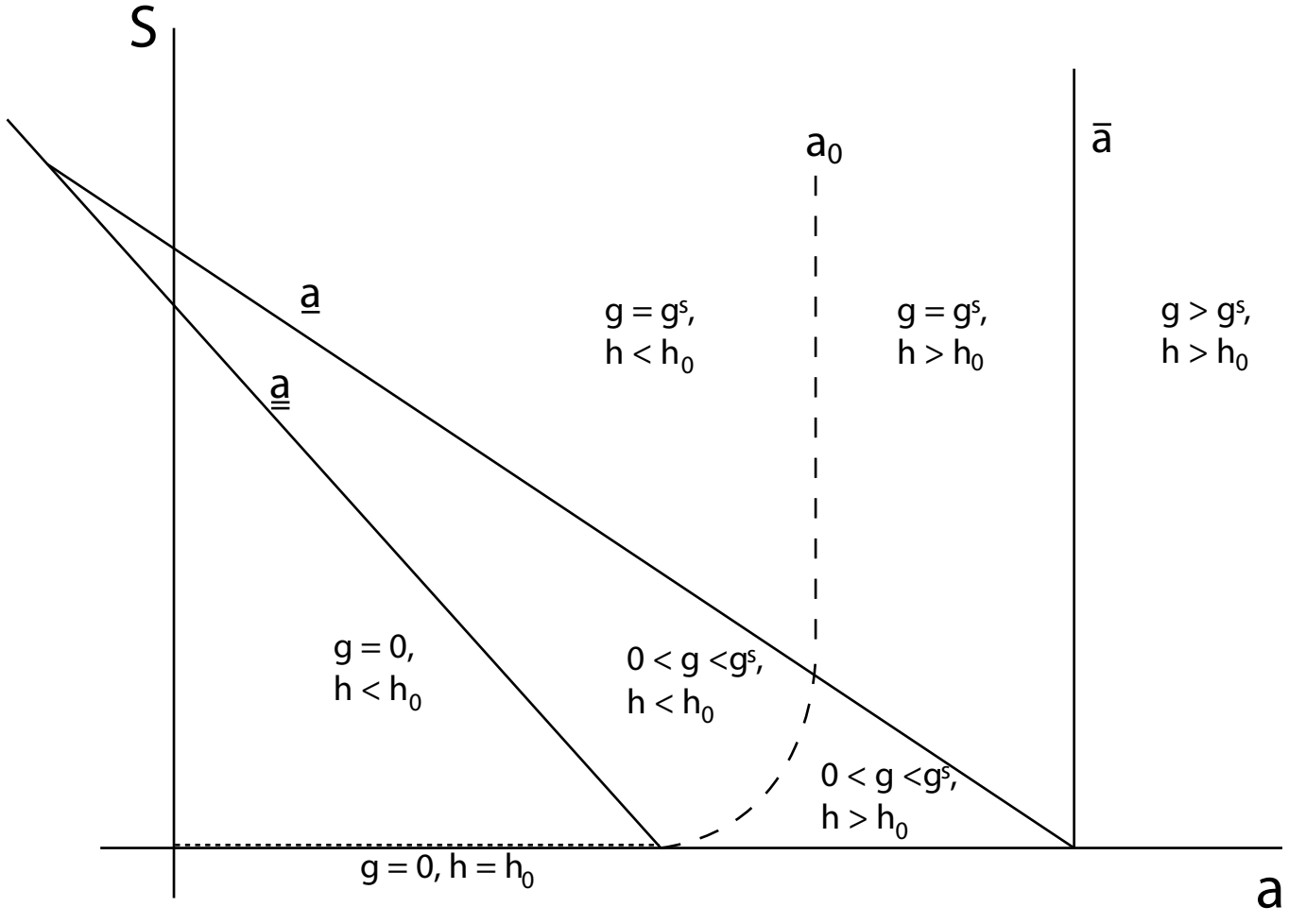


- **Second-stage Maximization (Giving)**

- **Lemma 1a. (Conditional Giving In Person).** *There is a unique optimal donation* $g^*(a, S)$ *(conditional on being at home), which is weakly increasing in* a *and takes the form: (i)* $g^*(a, S) = 0$ *for* $a \leq \underline{\underline{a}}$*; (ii)* $0 < g^*(a, S) < g^s$ *for* $\underline{\underline{a}} < a < \underline{a}$*; (iii)* $g^*(a, S) = g^s$ *for* $\underline{a} \leq a \leq \bar{a}$*; (iv)* $g^*(a, S) > g^s$ *for* $a > \bar{a}$*.*

- No giving via mail when at home

- **Lemma 1b (Conditional Giving Via Mail).** *There is a unique optimal donation via mail* $g_m^*(a)$ *(conditional on not being at home), which is weakly increasing in* a *and takes the form: (i)* $g_m^*(a) = 0$ *for* $a < a_m$*; (ii)* $g_m^*(a) > 0$ *for* $a \geq a_m$*; (iii) for all levels of* a*,* $g_m^*(a) \leq g^*(a; S)$*.*


S
a
a
a0
ā
g = gs,
h < h0
g = gs,
h > h0
g > gs,
h > h0
g = 0,
h < h0
0 < g <gs,
h < h0
0 < g <gs,
h > h0
g = 0, h = h0
a

- **First-Stage Maximization (Presence at Home)**

- Probability of being at home h:
  - **Control (NF) Treatment** $(r = 0)$: Exogenous, $h = h_0$
  - **Flyer (F) Treatment** $(r > 0)$: Choose $h \in [0, 1]$ at cost $c(h)$

- **Lemma 2 (Presence at Home).** *There is a unique optimal probability of being at home* $h^*(a, S)$
  - *For* $S = 0$ *(no social pressure),* $h^*(a, 0) = h_0$ *for* $a \leq \underline{\underline{a}}$ *and* $h^*(a, 0) > h_0$.
  - *For* $S > 0$ *(social pressure),* $h^*(a, S) < h_0$ *for* $a \leq \underline{\underline{a}}$*; there is unique* $a_0(S) \in (\underline{\underline{a}}, \bar{a})$ *such that* $h^*(a_0(S)) = h_0$.

- *Giving due to altruism* –> $h > h_0$ (Seek being at home)

- *Giving due to social pressure* –> $h < h_0$ (Avoid being at home)

- **Opt-Out (O) Treatment**
  - Flyer + Consumers can tell the charity not to disturb
  - Cost of probability of home:

$$C(h) = \begin{cases} 0 & \text{if} \quad h = 0 \\ c(h) & \text{if} \quad h > 0 \end{cases}$$

  - Still costly to remain at home, but no cost to keep charity out
  - (Notice: Never want to set $0 < h < h_0$)

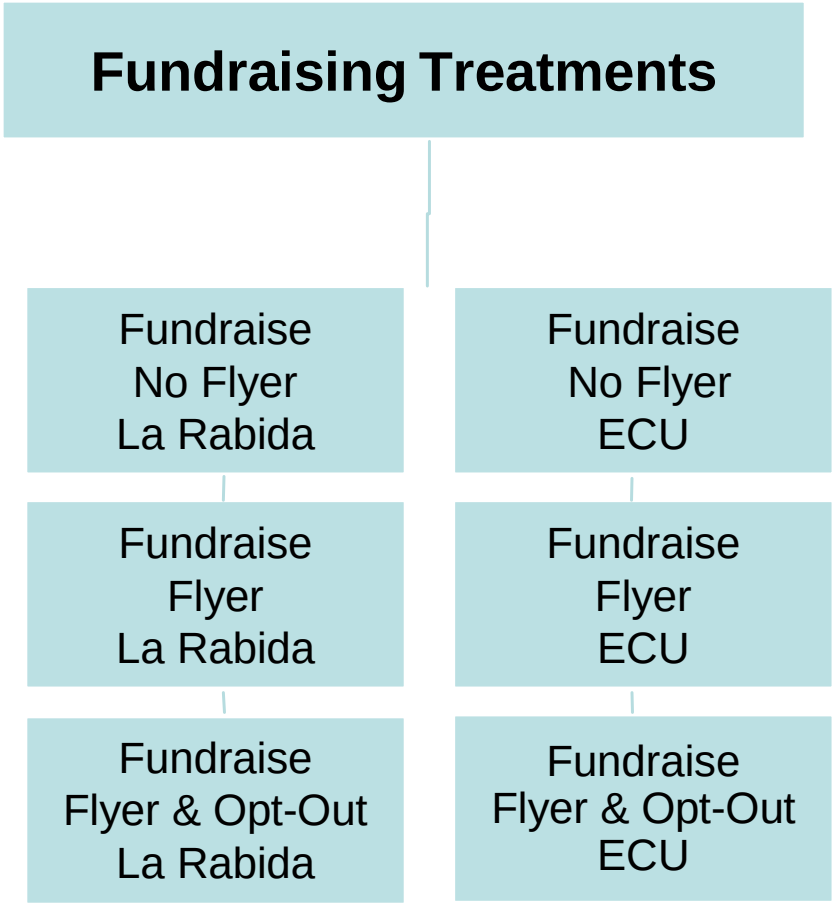
- **Lemma 3 (Opt-Out Decision).** *For $S = 0$ (no social pressure), the agent never opts out for any a. For $S > 0$ (social pressure), the agent opts out for sufficiently low altruism, $a < a_0(S)$.*

- Allow for heterogeneity in altruism a, with $a \sim F$

- Two special cases:
  - *Altruism and No Social Pressure* (*A-NoS*, $S = 0$ and $F\left(\underline{\underline{a}}\right) < 1$)
  - *Social Pressure and Limited Altruism* (*S-NoA*, $S > 0$ and $F\left(\underline{\underline{a}}\right) = 1$)

- **Proposition 1.** *The probability* $P(H)$ *of home presence is*
  - *A-NoS:* $P(H)_F = P(H)_{OO} > P(H)_{NF}$
  - *S-NoA:* $P(H)_{NF} > P(H)_F > P(H)_{OO}$

- **Proposition 2.** *The unconditional probability* $P(G)$ *of giving is*
  - *A-NoS:* $P(G)_F = P(G)_{OO} > P(G)_{NF}$
  - *S-NoA:* $P(G)_{NF} > P(G)_F > P(G)_{OO}$


Fundraising Treatments
Fundraise
No Flyer
La Rabida
Fundraise
Flyer
La Rabida
Fundraise
Flyer & Opt-Out
La Rabida
Fundraise
No Flyer
ECU
Fundraise
Flyer
ECU
Fundraise
Flyer & Opt-Out
ECU

Experimental Design

- Recruitment and Training: 48 solicitors and surveyors
  - undergraduate students at the University of Chicago, UIC, and Chicago State University
  - Interviewed, trained at UoC
  - aware of different charities but not of treatment
- Time and Place:
  - Saturdays and Sundays between April, 2008 and October, 2008
  - Hours between 10am and 5pm
  - Towns around Chicago: Burr Ridge, Flossmoor, Kenilworth, Lemont, Libertyville, Oak Brook, Orland Park, Rolling Meadows, and Roselle
- Randomization
  - within a solicitor-day observations (4h/6h shifts per day) and
  - at the street level within a town
- Different treatments in different periods ➔ randomization is conditional on solicitor and day fixed effects

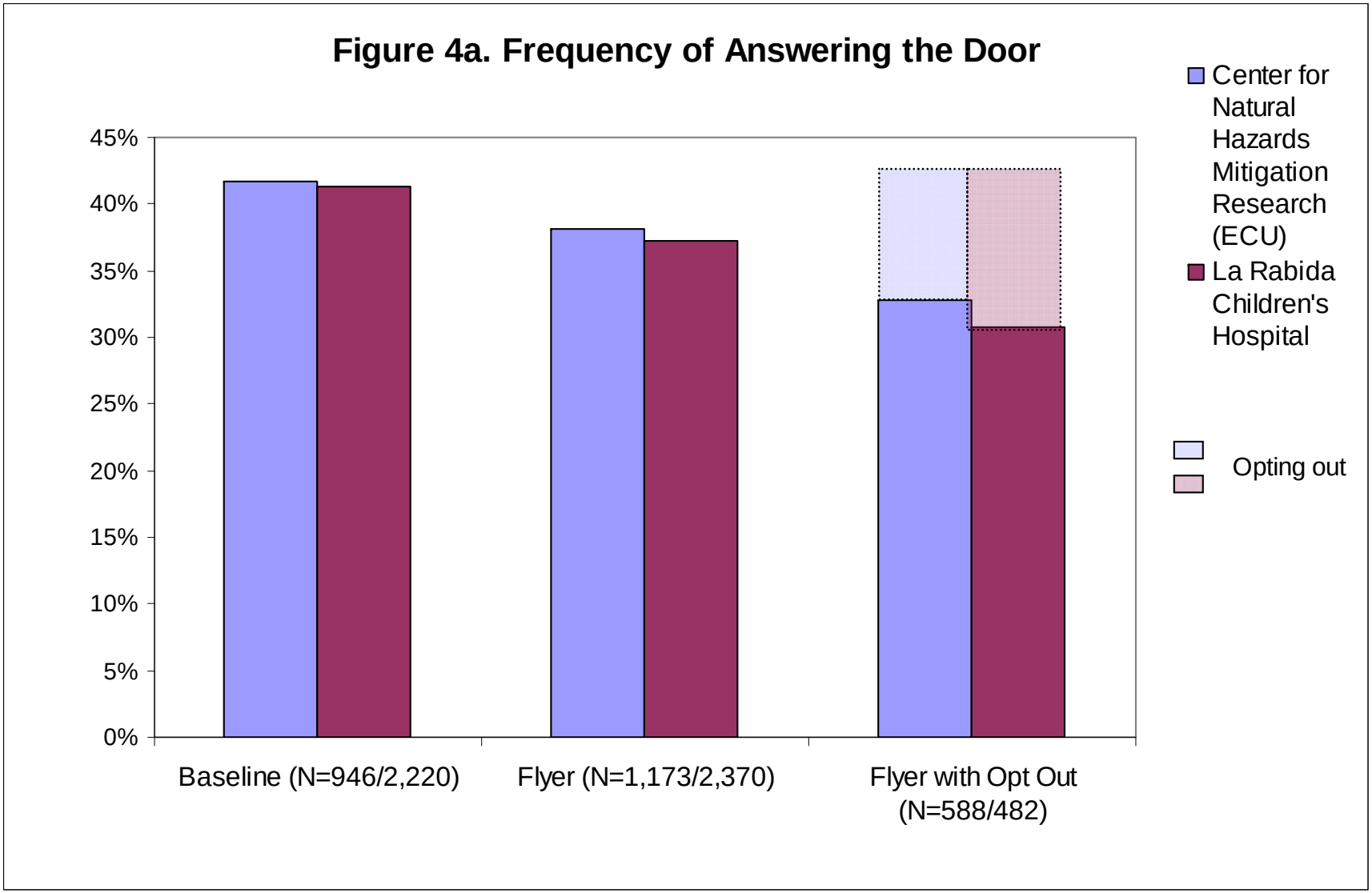


Figure 4a. Frequency of Answering the Door
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
Baseline (N=946/2,220)
Flyer (N=1,173/2,370)
Flyer with Opt Out (N=588/482)
Center for Natural Hazards Mitigation Research (ECU)
La Rabida Children's Hospital
Opting out

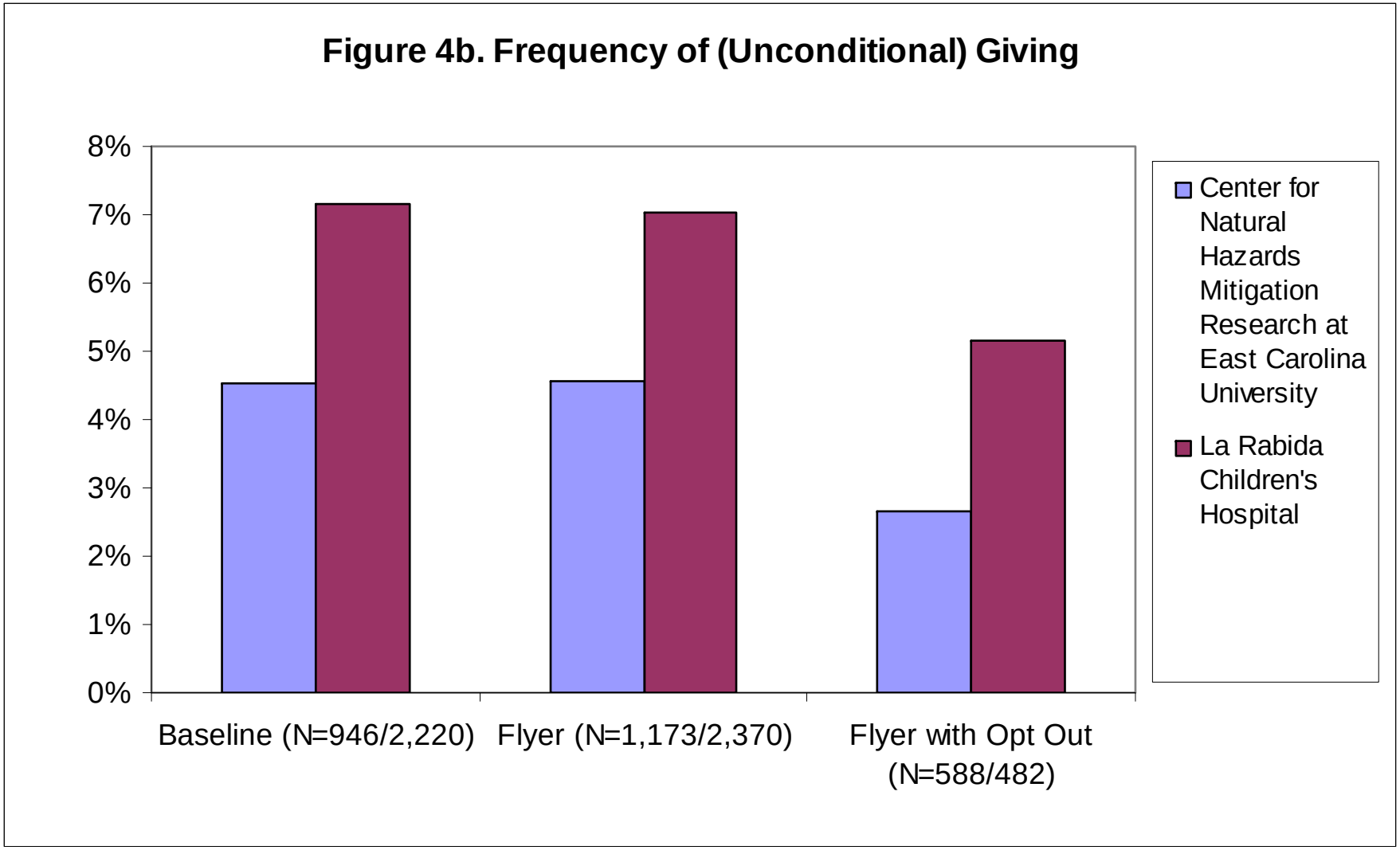


Figure 4b. Frequency of (Unconditional) Giving
8%
7%
6%
5%
4%
3%
2%
1%
0%
Baseline (N=946/2,220)
Flyer (N=1,173/2,370)
Flyer with Opt Out (N=588/482)
Center for Natural Hazards Mitigation Research at East Carolina University
La Rabida Children's Hospital

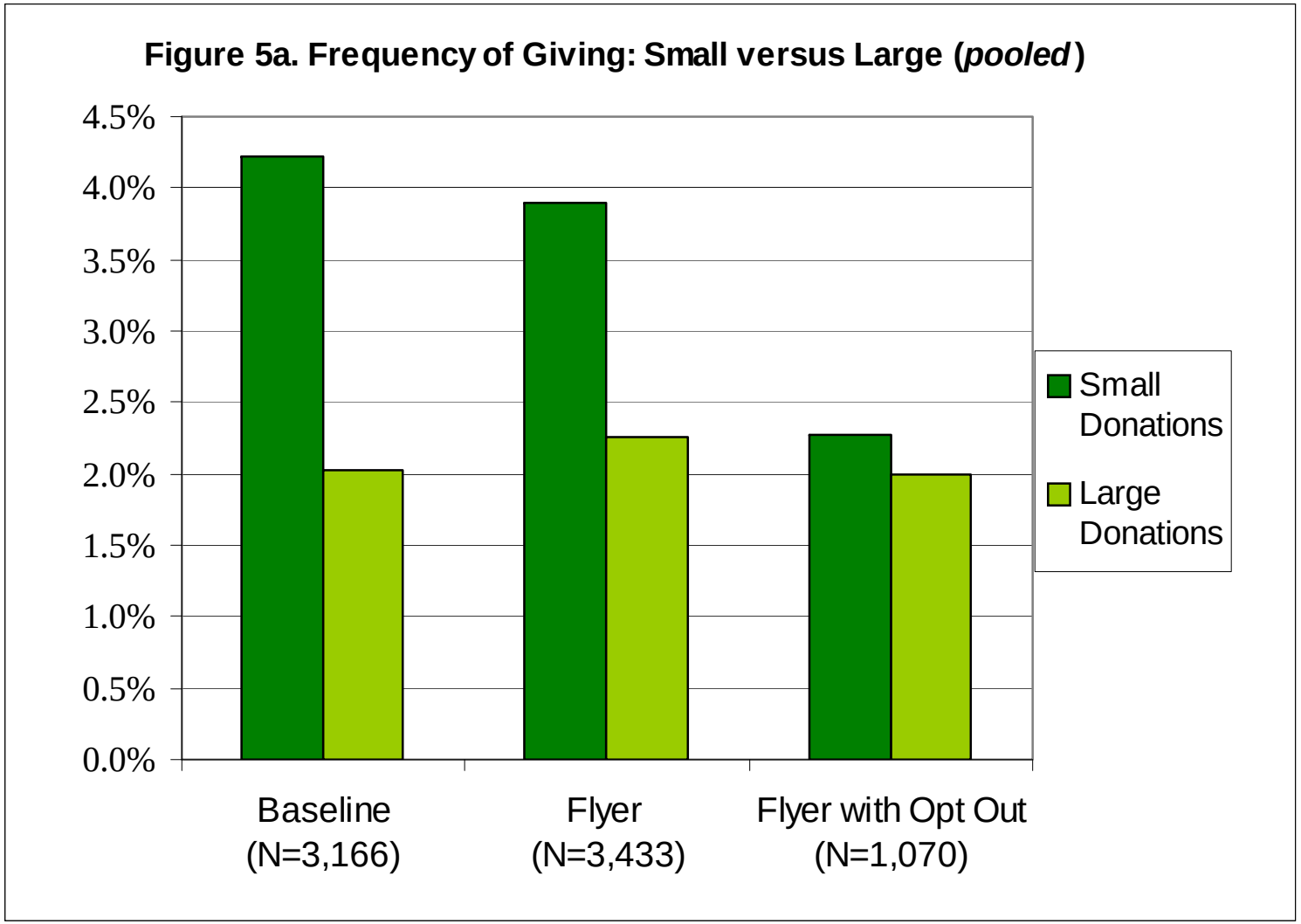
Table 2. Results for Fund-Raising Treatments

Specification:	OLS Regressions			
Dep. Var.:	Indicator for Answering the Door		Indicator for Giving	
	(1)	(2)	(3)	(4)
Flyer Treatment	-0.0388 (0.0137)***		-0.0009 (0.0062)	
Flyer with opt out Treatment	-0.0966 (0.0193)***		-0.0197 (0.0083)**	
Flyer Treatment * ECU Charity		-0.0365 (0.0313)		0.0006 (0.0094)
Flyer with opt out * ECU Charity		-0.089 (0.0271)***		-0.0183 (0.0100)*
Flyer Treatment * La Rabida Charity		-0.0396 (0.0144)***		-0.0019 (0.0078)
Flyer with opt out * La Rabida Charity		-0.106 (0.0319)***		-0.0202 (0.0132)
Indicator ECU Charity		0.0041 (0.0234)		-0.0263 (0.0085)***
Omitted Treatment	No-Flyer	No-Flyer, La Rabida	No-Flyer	No-Flyer, La Rabida
Mean of Dep. Var. for Omitted Treatment	0.4151	0.413	0.0629	0.0717
Fixed Effects for Solicitor, Date-Location, Hour, and Area Rating	X	X	X	X
N	N = 7668	N = 7668	N = 7668	N = 7668

•**Evidence by Donation Size:**

Social pressure more likely to yield small donations

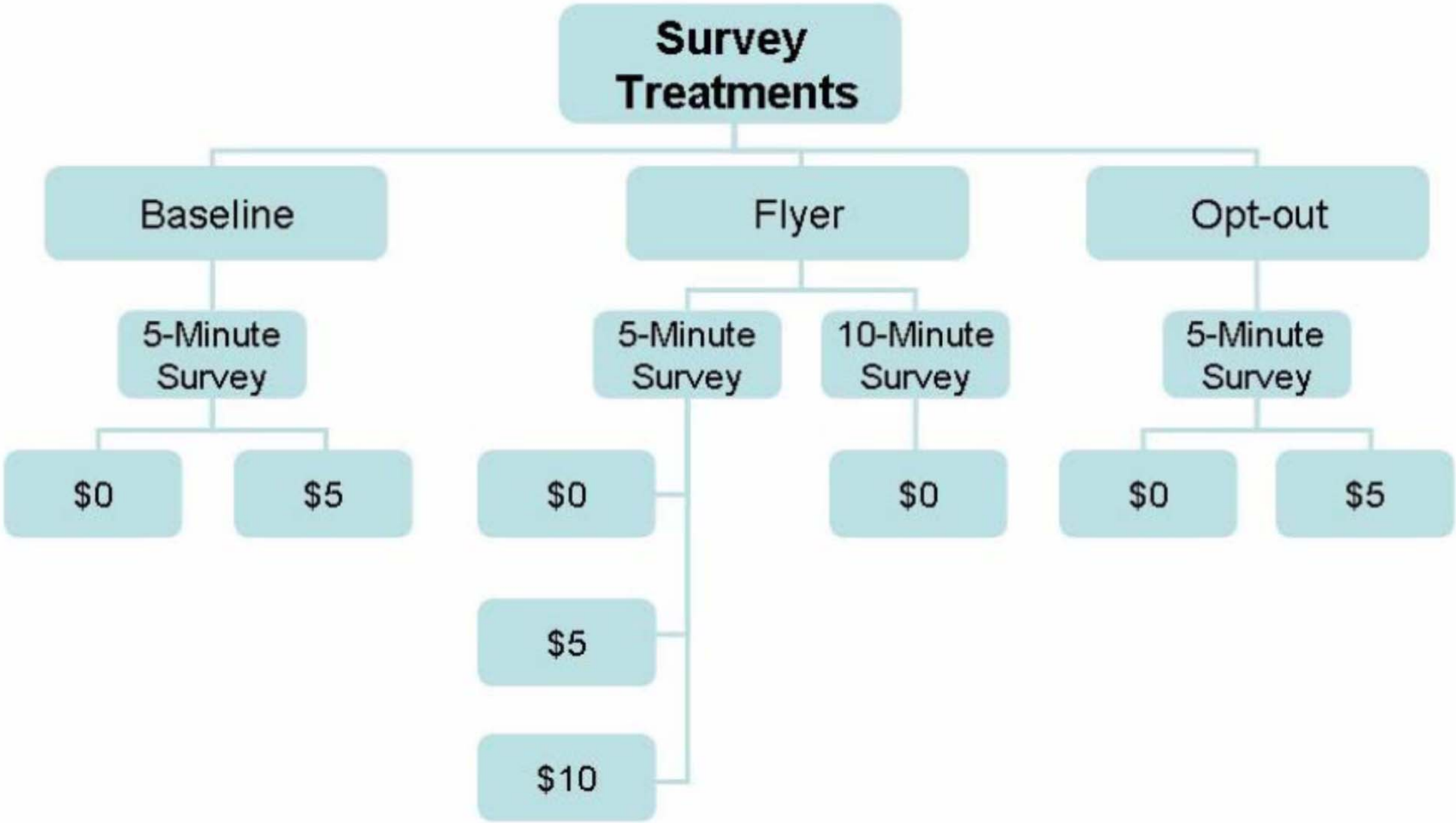
Use median donation size ($10) as cut-off point

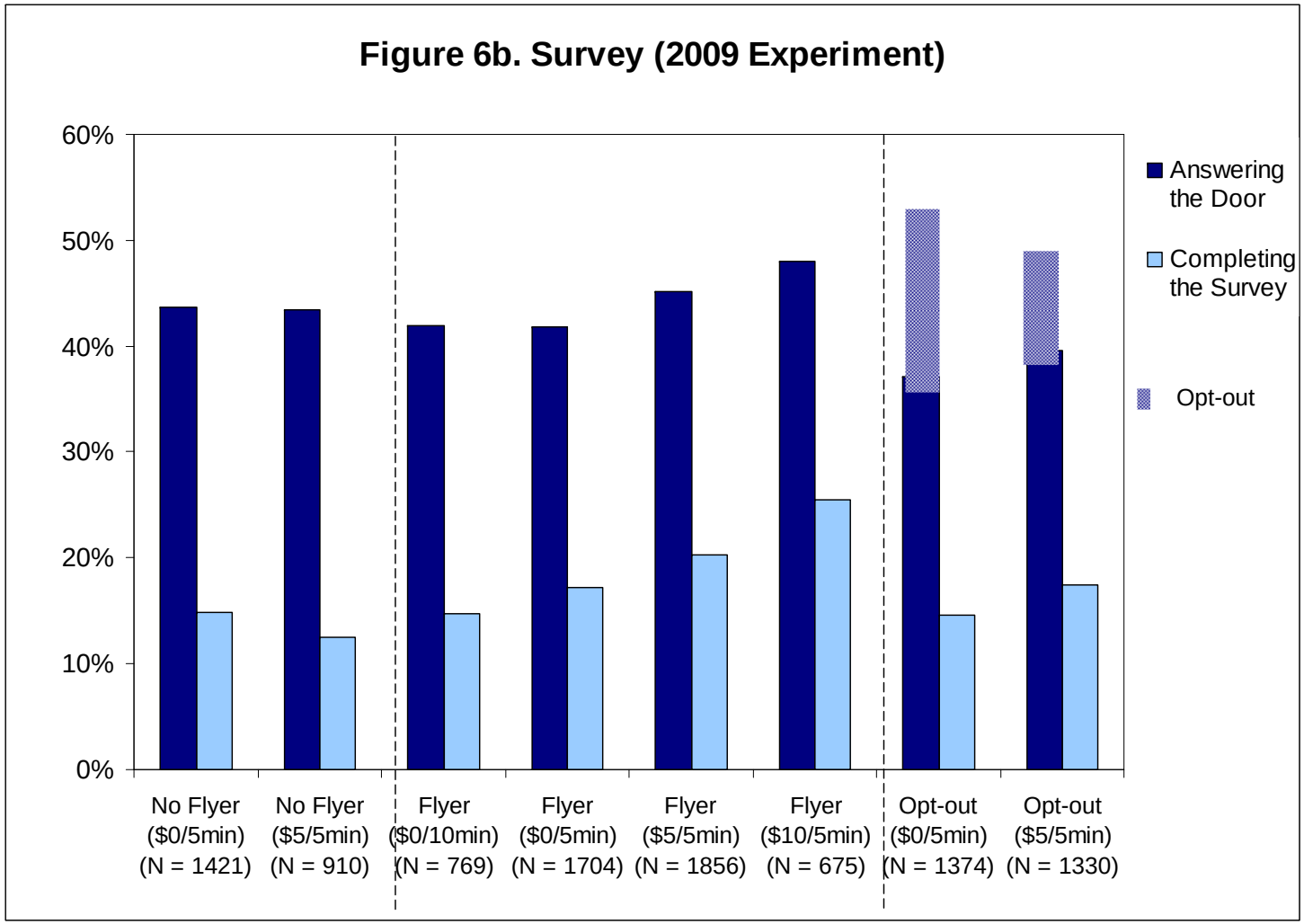


Survey Treatments

- Results of fundraiser do not easily allow the estimation of altruism and social pressure parameters
  - Unobserved cost of adjustment *c(h)*
- Solution: estimate elasticity with respect to monetary incentives
- Survey treatments with varying compensation and duration
- Treatments run in 2008 and 2009

Figure 2b. Summary of Door-to-Door Experimental Treatments Run in 2009





- **Survey Results (2009, N = 10,032)**

Higher payment (lower duration)

increases proportion at home monotonically

increases survey completion monotonically (except in NF)

- **Structural estimates (Minimum-distance estimator)**

- Minimize distance between predicted moments $m(\vartheta)$ and observed ones $\hat{m}$:

$$\min_{\vartheta} (m(\vartheta) - \hat{m})' W (m(\vartheta) - \hat{m})$$

- Moments $m(\vartheta)$:
  1. Probability of opening the door $(P(H)_j^c,\ j = F, NF, OO,\ c = LaR, Ecu)$
  2. Probability of checking opt-out box $(P(OO)_{OO}^c,\ c = LaR, Ecu)$
  3. Probability of giving at all, and giving an amount range $(P(G)_j^c,\ j = F, NF, OO,\ c = LaR, Ecu)$
  4. Probability of opening door in survey $(P(H)_j^S)$
  5. Probability of filling survey $(P(S)_j^S)$

- Weighting matrix W diagonal of inverse of variance-covariance matrix

- Parametric assumption to estimate the model:
  1. Consumption utility linear: $u(W-g) = W - g$
  2. Altruism function $av(g, G_{-i}) = a \log(G+g)$
  3. Altruism a is distributed $N(\mu, \sigma)$
  4. Acceptable donation $g^S =$ \$10 (median)
  5. Cost function $c(h) = (h - h_0)^2 / 2\eta$
  6. No mail giving ($\theta = 0$)

- Marginal utility of giving: $a/(G+g) - 1$

- Parameters ϑ:
  1. h_0^{2008} and h_0^{2009}—probability of being at home in no-flyer conditions
  2. r—probability of observing and remembering the flyer
  3. η—responsiveness of the probability of being at home to the utility of being at home
  4. μ_a^c $(c = LaR, Ecu)$—mean of the distribution F of the altruism α
  5. σ_α^c $(c = LaR, Ecu)$—standard deviation of $F(\alpha)$
  6. G—curvature of altruism/warm glow function
  7. S^c $(c = LaR, Ecu)$—social pressure associated with not giving
  8. μ^S—mean of the distribution F^S from which the utility of the survey is drawn
  9. σ^S—standard deviation of F^S
  10. S^S—social pressure associated with saying no
  11. v^S—value of an hour of time completing a survey

- Identification:
  - Prob. being at home h_0 <– Control group
  - Prob. seeing flyer r <– Share opting out
  - Utility of doing survey μ^S and σ^S <– Share completing survey
  - Value of time v^S <– Comparison of effect of \$10 payment and 5 minute duration
  - Elasticity of home presence η <– Share opening door in survey for different payments + Giving in charity
  - Altruism parameters μ^c, σ^c, G <– Given η, share giving different amounts
  - Social pressure parameters S^i and S^S <– Share opening door and giving

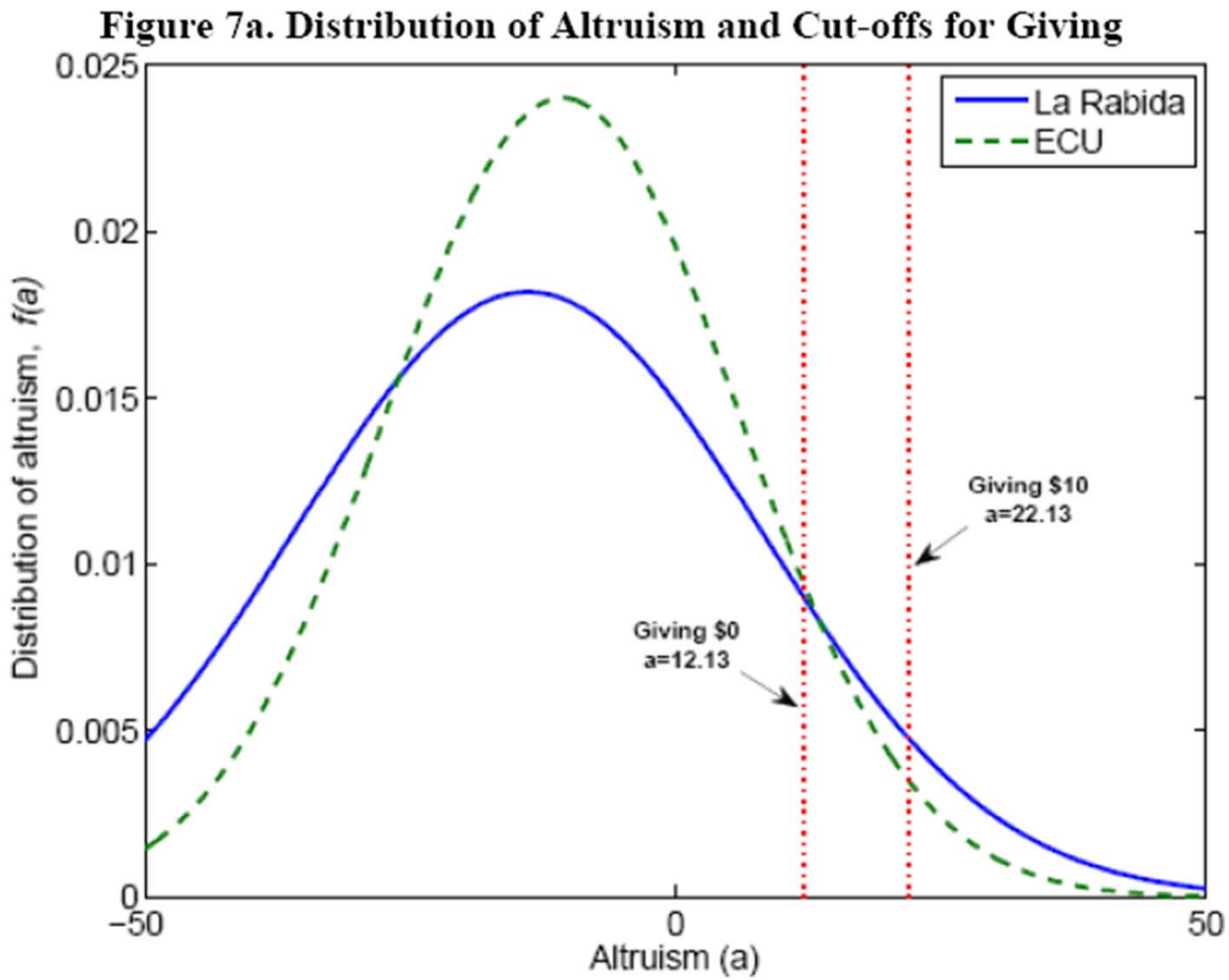
Appendix Table 1. Empirical Moments and Estimated Moments

Specification:	Minimum-Distance Estimates			
Charity	La Rabida Charity		ECU Charity	
Moments for Charity	Empirical Moments	Estimated Moments	Empirical Moments	Estimated Moments
Moments	(1)	(2)	(3)	(4)
P(Home) No Flyer	0.4130	0.4142	0.4171	0.4142
P(Home) Flyer	0.3733	0.3735	0.3806	0.3983
P(Home) Opt-Out	0.3070	0.2989	0.3281	0.2911
P(Opt Out) Opt-Out	0.1202	0.1142	0.0988	0.1179
P(Giving) No Flyer	0.0717	0.0666	0.0455	0.0422
P(Giving) Flyer	0.0699	0.0710	0.0461	0.0449
P(Giving) Opt-Out	0.0515	0.0633	0.0272	0.0390
Additional Moments (not shown)				
P(0<Giving<10), P(Giving=10), P(10<Giving<=20), P(20<Giving<=50), P(Giving>50) in Treatments NF, F, OO	X	X	X	X
N	N = 4962	N = 4962	N = 2707	N = 2707

Table 4. Minimum-Distance Estimates: Benchmark Results

	Benchmark Estimates		Estimates with Identity Weighting Matrix	
Common Parameters	(1)		(2)	
Prob. Answering Door (h) - Year 2008	0.414		0.414	
	(0.004)		(0.006)	
Prob. Answering Door (h) - Year 2009	0.449		0.445	
	(0.007)		(0.008)	
Prob. Observing Flyer (r)	0.322		0.302	
	(0.011)		(0.012)	
Elasticity of Home Presence (eta)	0.047		0.060	
	(0.014)		(0.031)	
Implied Cost of Altering Prob. Home by 10 pp.	0.106		0.083	
Survey Parameters				
Mean Utility (in $) of Doing 10-Minute Survey	-26.865		-26.936	
	(4.233)		(5.509)	
Std. Dev. of Utility of Doing Survey	30.285		30.332	
	(5.208)		(6.303)	
Value of Time of One-Hour Survey	74.580		76.761	
	(22.901)		(26.130)	
Social Pressure Cost of Saying No to Survey	4.784		3.869	
	(1.285)		(1.918)	
Charity Parameters	La Rabida	ECU	La Rabida	ECU
Mean Weight on Altruism Function (mu)	-13.910	-10.637	-13.586	-15.109
	(3.250)	(4.273)	(9.481)	(10.919)
Std. Dev. of Weight on Altruism Function	21.935	16.620	19.832	19.832
	(1.335)	(1.832)	(3.885)	(3.998)
Curvature of Altruism Function (G)	12.133		12.224	
	(5.147)		(15.518)	
Social Pressure Cost of Giving 0 in Person	3.550	1.364	3.140	1.906
	(0.615)	(0.744)	(1.674)	(1.475)

Implied distribution of altruism

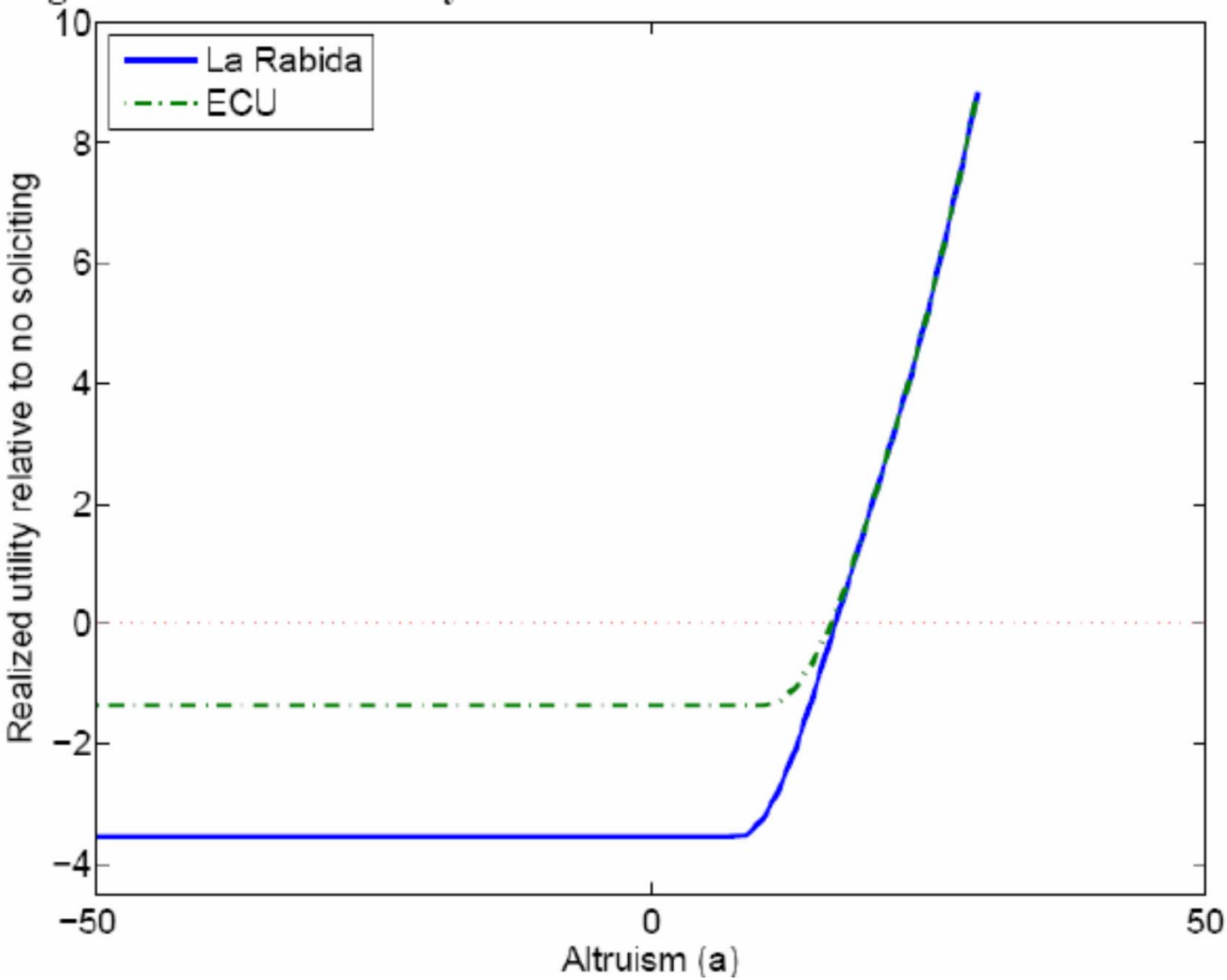


Marginal utility of giving (for $S = 0$) is $a/(G+g)-1$

Hence, give $g > 0$ if $a > G=12.13$

Welfare: Does a fund-raiser increase utility for the giver?

Figure 7b. Overall Utility of Fund-Raiser as function of Altruism



Welfare

1. Low-altruism households pay social pressure cost
2. High-altruism households get benefit
3. Since the former dominate, on net negative welfare for solicitee

Panel C. Welfare	**La Rabida Charity**	**ECU Charity**
Welfare in Standard (No-Flyer) Fund-Raiser		
Welfare per Household Contacted (in $)	-1.077 (0.160)	-0.439 (0.286)
Money Raised per Household Contacted	0.722 (0.036)	0.332 (0.046)
Money Raised per Household, Net of Salary	0.247 (0.036)	-0.143 (0.046)

- Societal welfare effect can still be positive if money used very well
  But amount of money raised small (negative for ECU)

Flyer and opt-out treatment increase solicitee welfare

Can also raise charity welfare (i.e., net fund-raising)

Panel C. Welfare	**La Rabida Charity**	**ECU Charity**
Welfare in Standard (No-Flyer) Fund-Raiser		
Welfare per Household Contacted (in $)	-1.077 (0.160)	-0.439 (0.286)
Money Raised per Household Contacted	0.722 (0.036)	0.332 (0.046)
Money Raised per Household, Net of Salary	0.247 (0.036)	-0.143 (0.046)
Welfare in Fund-Raiser with Flier		
Welfare per Household Contacted (in $)	-0.924 (0.145)	-0.404 (0.273)
Money Raised per Household Contacted	0.859 (0.044)	0.333 (0.046)
Money Raised per Household, Net of Salary	0.248 (0.044)	-0.278 (0.046)
Welfare in Fund-Raiser with Opt-out		
Welfare per Household Contacted (in $)	-0.586 (0.085)	-0.248 (0.196)
Money Raised per Household Contacted	0.810 (0.045)	0.369 (0.055)
Money Raised per Household, Net of Salary	0.294 (0.036)	-0.147 (0.046)

8 Next Lecture

- Social Preferences
- Social Pressure
- Non-Standard Beliefs
- Overconfidence