



Risky choice in interpersonal context: Do people dare because they care?



Johannes Leder ^{a,c,*}, Tilmann Betsch ^{b,c}

^a Institute of Psychology, Department of Personality Psychology and Diagnostics, University of Bamberg, 96047 Bamberg, Germany

^b Institute of Psychology, Department of Social, Organizational and Economic Psychology, University of Erfurt, 99089 Erfurt, Germany

^c Center for Empirical Research in Economics and Behavioral Sciences (CEREB), University of Erfurt, 99089 Erfurt, Germany

ARTICLE INFO

Article history:

Received 25 March 2014

Received in revised form 19 October 2015

Accepted 23 November 2015

Available online 27 November 2015

JEL classification:

C91

D81

D63

D64

PsycINFO classification:

3020

Keywords:

Risky interpersonal choice

Other-regarding preferences

Risk taking

Prosocial behavior under risk

ABSTRACT

This paper presents an experimental study investigating the interplay of individuals' other-regarding preferences and individuals' risk attitude. Participants ($N = 120$) had to make choices between a certain and risky payoff only for themselves (individual context) and choices in which the participants were paired with another randomly assigned participant who functioned as a passive recipient (interpersonal context). In the interpersonal context the risky option was beneficial for the other person while the certain option was not. Thus, the interpersonal choice context was an abstract representation of the incentive structure in helping situations, which yield risk only for the helper. Risky options in the interpersonal context yielded different payoff distributions, which allowed us to identify how considerations of fairness affect interpersonal risky choices. To assess other-regarding preferences, a dictator game was played. First we found that participants were generally less risk averse in the interpersonal choices; however, the degree of risk aversion was affected by the distribution of payoffs between decider and recipient. Furthermore, we found that changes of risk aversion in an interpersonal context could be predicted with the proposed splits in the dictator game.

© 2015 Elsevier B.V. All rights reserved.

1. Introduction

Humanitarian aid workers deployed in countries during civil war face repeated decisions between leaving and staying in their compound, which is a decision between a safe option with a certain outcome and a risky option. While staying in their compound humanitarian aid workers can carry out administrative work, fulfilling the minimum requirements of their mission; however leaving the compound is often necessary to deliver aid or assess areas in need. An important feature of this choice is its social nature; outcomes are not just relevant for the decider, but also affect another party. Furthermore, the described example yields an asymmetric situation; in the case of the certain choice, the decider keeps what he has but the other party gains nothing, whereas the risky option benefits the other party but may endanger the decider. At the heart of the question lies the consideration of outcomes relevant for another person in a risky choice. Organizations like Médecins sans Frontiers, the Red Cross or the UNDP, to just name a few, rely on volunteers who are willing to enter high risk situations,

* Corresponding author at: Institute of Psychology, University of Bamberg, 96047 Bamberg, Germany.

E-mail address: Johannes.leder@uni-bamberg.de (J. Leder).

without the expectancy of an equivalent personal gain (i.e., no maximization of personal payoffs). We do not know whether these individuals are generally more risk seeking than others or whether their other-regarding preferences lead to increased risk seeking in social situations. The present study seeks to understand the relationship between individuals' other-regarding preferences and risky choices.

We conducted an experiment in which participants had to make a decision between a certain option and a risky option for themselves (individual context) as well as decisions between a certain option and a risky option affecting them and another person (interpersonal context). The risky option in the interpersonal context yielded positive outcomes for the other person while the certain option did not change the status of the other. Thus, the interpersonal choice context was an abstract representation of the incentive structure in helping situations, where the decider faces a choice between an option which alters the state of another person but with a certain probability is costly for the decider and an option which does not change the situation of the other but yields a sure gain for the decider. Such a decision is likely to be affected by other regarding preferences as well as the degree of risk aversion. In order to assess participants' other-regarding preferences, each participant was asked how to split a given sum of money between her and another, anonymous, participant (i.e., they played a dictator game). To assess risk aversion, participants had to partake in a risky choice task. We were interested in the change of risk aversion when choices affected another person depending on differing payoff distributions of outcomes between decider and recipient resulting from the risky choice and how this change was affected by other-regarding preferences.

In the following section the three factors hypothesized to affect interpersonal risky choices will be laid out: the difference between individual risky choices and risky choices affecting another person, the distribution of outcomes between decider and recipient and the frame of cost of risk taking for the decider.

1.1. Risky choice in interpersonal context

Theories of risky choice, such as expected utility theory (von Neumann & Morgenstern, 1947) or prospect theory (Kahneman & Tversky, 1979; Tversky & Kahneman, 1992) only consider choices that have outcomes relevant for the decider: *individual choices*. However, many decisions involving risk not only have consequences for the decider, but also for another person. When risky choices affect another person, two sets of questions are addressed in the literature: first, whether risk attitudes of the decision maker differ depending on whether the choice is for self or another person, and second, how risk attitudes change when choices affect oneself and another person. In the first case, studies compare choices for self and choices for the other and find that risk aversion is lower when deciding for another person in the case of relationships (Beisswanger, Stone, Hupp, & Allgaier, 2003); however, in the case of monetary outcomes it does not change (Stone, Yates, & Caruthers, 2002), increase (Eriksen & Kvaløy, 2010) or decrease (Chakravarty, Harrison, Haruvy, & Rutström, 2011). In the second case, the interest lies in differences between choices yielding individual consequences alone and choices with consequences for self and others. In this case, studies compare choices for self and choices with consequences simultaneously for self and others. Choices affecting another individual as well as the decider are termed *interpersonal choices* and are the focus of this study. Interpersonal choices are inherent in helping behavior as well as other forms of cooperation. There are various examples of interpersonal choices examined in experiments such as actual helping (e.g., Batson, Duncan, Ackerman, Buckley, & Birch, 1981; Batson et al., 1997; Stürmer, Snyder, & Omoto, 2005) or behavior in interdependent economic games, for example, ultimatum (e.g., Güth, Schmittberger, & Schwarze, 1982) and dictator games (e.g., Kahneman, Knetsch, & Thaler, 1986). These studies consistently show that people are willing to sacrifice personal gains in order to benefit others; however, it is important to note that these studies do not focus on risky interpersonal choices.

The effect of consequences for others on individuals' risk aversion is inconsistent. Studies often find no change of risk aversion when comparing individual decisions and decisions for the in-group (Harrison, Lau, Rutström, & Tarazona-Gómez, 2012), no decrease in risk aversion in order to benefit others if expected payoffs are disadvantageous for the decider (Linde & Sonnemans, 2012; Rohde & Rohde, 2011), and increasing risk aversion when the decision maker is responsible for payoffs of others (Bolton & Ockenfels, 2010; Charness & Jackson, 2009; Pahlke, Strasser, & Vieider, 2010). It appears that payoffs were processed sequentially and individuals' risk attitudes were not affected by the risks others face, because participants first maximized their own payoffs and then chose the option for the other in the already limited option space (Rohde & Rohde, 2011). Adding consequences for another person could affect the attractiveness of outcomes through adding a social reference point affecting risk attitudes possibly via social preferences, as shown by Linde and Sonnemans (2012). In this case, when individuals earned at the most as much as another person, they were risk averse (considered a loss frame), while when earning at least as much as the other (considered a gain frame), they were risk seeking (Linde & Sonnemans, 2012).

Based on the robust result in the case of interpersonal choices under certainty, we expect that people are willing to sacrifice some personal payoffs in order to benefit another (e.g., Andreoni, Harbaugh, & Vesterlund, 2007; Charness & Rabin, 2002; Choshen-Hillel & Yaniv, 2011; Engel, 2011) and as a result if a risky option is clearly generous, then risk aversion should decrease. Social comparison also seems to have affected choice in the study by Bolton and Ockenfels (2010), where disadvantageous certain options for the decision maker led to a decrease in risk aversion. Since it is found that social concerns affect choices under risk (Krawczyk & Le Lec, 2010), it is likely that social comparison of the distribution of payoffs in risky choice affects the attractiveness of choice options.

Download English Version:

<https://daneshyari.com/en/article/884882>

Download Persian Version:

<https://daneshyari.com/article/884882>

[Daneshyari.com](https://daneshyari.com)