



Ex-post blindness as excuse? The effect of information disclosure on giving



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ABSTRACT

People passing by beggars without leaving a penny are not necessarily pure money-maximizers. In the world of sincere and dishonest recipients, some donors might anticipate the disutility they will suffer at the moment they realize their help is misdirected and reduce their willingness to donate to avoid these psychological costs. I employ a dictator game with ex-ante uncertainty about recipient's endowment and requests from recipients to study how donors react to ex-post revelation of recipient's type. I observe no difference in donations with and without ex-post information about recipient's endowment. However, if donors could choose if they want to receive such information themselves, nearly a third of dictators choose to remain ignorant. Those dictators who choose to ex-post reveal the endowment of the recipient give significantly more.

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1. Introduction

People readily help others in need. However, requests for help might come not only from people in true need, for example, from parents who have no money to cover expensive medical treatment of their children or to repay debts due to sudden illness but also from dishonest recipients like a charity fraud organization, simply exploiting the credulity of donors. In the world of sincere and dishonest fund-raisers, potential donors face a twofold dilemma. First, they are confronted with a difficulty or even impossibility to *ex-ante* access the credibility of donation requests. Second, their decision environments differ in respect to *ex-post* information they receive after having made their transfer. Sometimes it is possible to track how the donation was spent, for example, by getting the confirmation from the clinic that had operated a child. In other cases, the effect of the transfer for the recipient remains obscure: e.g. it is difficult to ex-post verify if a stranger has really spent money to buy a substitute for the lost return ticket as he claimed in his request for help.

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Dictator games with *ex-ante* uncertainty show that the extent of pro-sociality depends on how incomplete information affects the self-image of donors (Dana, Weber, & Kuang, 2007; Konow, 2000; Matthey & Regner, 2011). The key conclusion from these studies is that people use the lack of information about the consequences of their transfers for the recipient to justify their selfishness while maintaining a positive image of themselves.

I suggest that donors' self-image is also sensitive to *ex-post* revelation of the recipient's true need. On the one hand, receiving no *ex-post* information about the true need of the recipient can prohibit emergence of psychological costs of being exploited and crowd-in donations from otherwise empathetic donors. At the same time, the possibility of *ex-post* ignorance might help donors to sustain a self-serving belief that the recipient he faces does not in fact have a need and make donors tolerate lower donations.

I employ a dictator game with incomplete information about recipient's endowment and manipulate the *ex-post* disclosure of the true need of the recipient to study donors' reaction towards donation requests. The paper is organized as follows: Section 1.1 provides a closer look into the relevant literature; Section 1.2 specifies the research questions; Section 2 gives details of the experimental design; Section 3 highlights the hypotheses; Section 4 presents the results; Section 5 concludes.

1.1. Related literature

Experimental evidence from dictator games indicates that participants are willing to share money with poorer strangers (see Engel (2011) for a review). Prominent motives behind such voluntary transfers are dislike of inequality (Fehr & Schmidt, 1999; Ockenfels & Bolton, 2000), warm-glow (Andreoni, 1990), or solidarity with the needy (Selten & Ockenfels, 1998; Trhal & Radermacher, 2009).

This paper falls into the experimental literature that investigates people's prosocial behavior under uncertainty. Many existing experiments study uncertainty on recipient's side where the dictator's choice is not observable for the recipient (Andreoni & Bernheim, 2009; Gueth, Huck, & Ockenfels, 1996). The common finding in these studies is that the possibility to 'hide behind the nature' and appear fair to others significantly increases the frequency of selfish allocations. Other studies introduce uncertainty on the dictator's side and focus on self-rather than on social image concerns (Dana et al., 2007; Matthey & Regner, 2011; Winschel & Zahn, 2014). Dana et al. (2007) use a dictator game where dictators are *ex-ante* unaware of the exact consequences of their choices for the recipient. Dictators can choose if they want to know the consequences of their actions before they make an allocation choice. Dana et al. report that many dictators prefer to remain ignorant and choose the option that secures a higher pay-off for themselves. Winschel and Zahn (2014) employ a different variation of a dictator game where dictator's transfers produce efficiency gains. They observe that sharing is higher in the treatment where dictators are not informed about the efficiency enhancing parameter. Therefore, there is evidence of both positive and negative effects of uncertainty on people's prosociality.

This paper follows the dictator side uncertainty stream of literature and differs from existing studies in several important aspects. First, in contrast to Dana et al. (2007), the main manipulation is *ex-post* and not *ex-ante* uncertainty about the consequences of the transfer to the receiver. Second, there are no efficiency gains from transfers as in Winschel and Zahn (2014). Third, dictators face a special type of uncertainty since they are confronted with recipient's requests.

The possibility to ask for help links the current paper to dictator games with communication (Andreoni & Rao, 2011; Greiner, Gueth, & Zultan, 2005; Langenbach, 2014; Yamamori, Kato, Kawagoe, & Matsui, 2008). In Yamamori et al.'s dictator game recipients were allowed to communicate numerical 'minimal offer requests' to dictators. They observe heterogeneity in dictators' responses: lower requests trigger lower donations; 'fair' requests (half of the pie size) often result in perfectly equal allocations; larger requests, in turn, are sometimes punished by lower donations. Andreoni and Rao (2011) employ a dictator game to study the effects of one- and two-way communication on resulting allocations. They observe that two-way communication substantially increases transfers; in line with Yamamori et al. (2008) one-way communication from recipients is only effective for equal-split or lower requests. These findings suggest that asking for a donation is an effective but sophisticated strategy for the recipients.

One possible underlying mechanism of why monetary requests with or without additional communication affect prosociality in dictator games is people's sensitivity towards expectations of others (Battigalli & Dufwenberg, 2007; Khalmetski, Ockenfels, & Werner, 2013; Lazear, Malmendier, & Weber, 2012). In this framework, sending a monetary request communicates expectations of the recipient and makes guilt-averse dictators increase their donations. Lazear et al. (2012) demonstrate this idea by allowing dictators to choose if they want to play the dictator game or to opt-out of the game leaving the recipient unaware of their money allocation possibility. They find that the possibility to opt-out significantly reduces generosity. Consistent with the findings from dictator games with communication, this evidence shows that people more readily give money to others if they are explicitly or implicitly 'asked' for it.¹

The core interest of this paper is the dictator's responsiveness towards recipient's need. Since the recipient's poorness is a bad luck and not a recipient's fault, this might create a sense of solidarity from the dictator (Buechner, Coricelli, & Greiner, 2007; Selten & Ockenfels, 1998; Trhal & Radermacher, 2009). As Trhal and Radermacher argue, the recipient's responsibility behind their need is an important factor affecting dictator's transfers. The current paper shares pure luck as the source of the

¹ There is an ongoing debate in the literature about behavioral processes that make communication affect pro-social tendencies. This paper does not aim at exploring those mechanisms. See Greiner et al. (2005) for a relevant discussion.

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