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Testing models of information avoidance with binary choice dictator games

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ABSTRACT

Standard social choice experiments generally force subjects to make decisions about giving money to another person, but the ability to avoid information outside of the lab could lead to less altruistic or fair behavior than such experiments tend to suggest. I expand on the design of Dana, Weber, and Kuang (2007) to better study information avoidance in an experimental setting. Subjects are given the chance to avoid information about a recipient's payoffs in a dictator game. I vary the probability that a dictator's payoffs will be aligned with the recipient's in order to assess the role of beliefs on avoidance and test contradictory models. The within-subjects approach shows that even people who are generous in a stark choice will make self-serving decisions when they can avoid knowing the recipient's outcome. People avoid information more often when the self-serving choice is unlikely to hurt the recipient, which supports Rabin's model (1995) of moral rules and moral preferences.

1. Introduction

There are good reasons we say "ignorance is bliss." Our ability to avoid information can allow us to save money, evade blame, and engage in activities we might otherwise object to. Opportunities to avoid information arise on a daily basis, and we can use these opportunities to prevent ourselves from falling into difficult situations. We might let our phone keep ringing in case someone is calling to ask for donations. We might cross to the opposite side of the street instead of passing by a homeless person. We might purchase a desired cell phone or pair of diamond earrings without checking whether they are conflict-free. These actions do not imply that we are selfish; we might very well give to charities and the homeless when directly asked to do so and stay away from products that are known to be the result of exploitation. But there is some part of us that would rather not do these things, and by avoiding direct choices, we manage to get around the guilt we would feel from flatly refusing to be altruistic.

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These examples may seem insignificant, but this type of behavior can have ramifications at the national level. One factor leading to the 2008 financial crisis was the widespread use of stated income mortgages, otherwise known as "liars' loans." These allowed lenders to provide mortgages without collecting documentation on applicants' incomes. As eager brokers turned blind eyes to applications, borrowers overstated incomes and delinquencies increased.[1] Another example comes from the "ostrich" defenses made by CEOs like Kenneth Lay of Enron and Bernie Ebbers of WorldCom. Each CEO claimed ignorance of accounting practices in his company, and one might argue that they had purposefully decided to remain in the dark. These cases helped prompt the passage of the Sarbanes–Oxley Act of 2002, which includes a requirement that top management personally approve financial reports. Finally, the U.S. military even institutionalized information avoidance in the form of its now-revoked "Don't ask, don't tell" policy towards homosexuals, which encouraged members of the armed forces to avoid discussions about sexual orientation. History provides many more tragic examples of the power of avoidance.

Recent experimental work has begun to investigate the disparity between donations in a forced situation, such as a dictator game, and situations in which people can avoid being asked for money. The results can help to explain why the amount given away in a dictator game—typically 20–30% of the total pie—is much larger than the amount Americans donate to charity, approximately 2% of disposable income (Giving USA Foundation, 2011). When participants are allowed to opt out of a dictator game, a substantial proportion are willing to pay a cost to avoid directly facing an expectant recipient (Dana, Cain, & Dawes, 2006; Lazear, Malmendier, & Weber, 2012; Broberg, Ellingsen, & Johannesson, 2007). Neilson (2009) provides a model of reluctant givers to account for such opt-out behavior. Field experiments support the laboratory findings. In natural settings, people have been found to avoid opening the door when warned about a charity drive (DellaVigna, List, & Malmendier, 2012) and walk to different, and even obscure, entrances to a store to avoid a donation request from a Salvation Army representative (Andreoni, Rao, & Trachtman, 2012). Knutsson, Martinsson, and Wollbrant (2013) note that recycling in Swedish grocery stores decreased after the recycling machines started offering an option to send the returned deposit to a charity. Overall recycling increases over the time period considered, suggesting that people take their bottles to less convenient locations to avoid the choice to donate.

Dana et al. (2007, all future references will be to this paper) give dictators in a binary choice game the opportunity to make a decision without knowing how it will affect the recipient's payoffs. In the treatment related to the present study, two states are equally likely and dictators can reveal the true state by clicking a button. Payoffs for a dictator are the same in both states: $6 if he chooses "A" and $5 if he chooses "B." In one state, payoffs are aligned: the other person would get $5 if the dictator chooses A and $1 if he chooses B, so both would benefit from a choice of A. In the other state, the payoffs to the recipient are reversed, so payoffs are not aligned. In Dana et al.'s baseline treatment, subjects have to make a decision in the game with non-aligned payoffs. Three-quarters of them choose the equal allocation, (5,5), instead of (6,1). However, when information can remain hidden, many subjects choose not to reveal the true state and simply pick A, giving themselves the higher payoff. This leads to a total of only 38% of all dictators choosing the equal allocation in the non-aligned state. Larson and Capra (2009) find similar results in an experiment that requires participants to make an active choice to reveal or not reveal the true state, while Grossman (2010) finds less avoidance when an active choice is required.

I build on the experiment in Dana et al. in order to test competing models of the role of beliefs to better understand the motives for avoidance. Dictators play a binary choice game, as described above. A dictator knows that one option is always better for her, but she is also told the probability that the payoffs are aligned. A dictator might avoid learning the other's payoffs to justify choosing the action that gives her more money, since she will not know for sure that she is hurting the other person. Ex ante, it is difficult to predict whether a high probability of hurting someone by choosing the income-maximizing option would make a dictator more likely or less likely to avoid information about payoffs.

For example, if someone suspects he might have a sexually transmitted disease, his decision to get tested or not likely depends on his beliefs about the probability of testing positive, but it is unclear how these beliefs affect his choice. He might be more inclined to get tested if he thinks the probability of testing positive is slim, because there is a good chance he will hear the result he wants and can sleep with other people without worrying about passing on the disease. On the other hand, he might be more likely to get tested if he thinks there is a high probability of testing positive because he will be more afraid of hurting others if he does not learn whether he has the disease.[2]

Given the difficulty of intuiting the effect of altering beliefs, it is not surprising that different models that show promise for explaining information avoidance make contradictory predictions. As in other recent work, (e.g., Mazar, Amir, & Ariely, 2008; Matthey & Regner, 2011; DellaVigna et al., 2012), I attempt to link theory and experiments by assessing predictions derived from potential models in a controlled setting. By altering the probability that a dictator is playing a game with aligned payoffs, I can create beliefs about the chance of causing harm by acting self-servingly. I use a within-subjects approach, which allows me to determine exactly when someone who behaves equitably in a revealed game chooses to avoid learning about the other's payoffs. The predictions I derive run the gamut. Expected utility models imply the decision to reveal information should not be affected by beliefs about seeing an aligned game. A model of moral rules and moral

[1] Using data from a major mortgage lender, Jiang, Nelson, and Vytlacil (2014) estimate that the average stated income in low documentation loans was 28.7% above true income. They found an 8.2% correlation between income exaggeration and delinquency.

[2] This example obviously downplays the important health implications for the person himself. To use a less dramatic, but more precise, example: imagine that you have agreed to edit a paper for a friend who needs quick feedback, but it is late at night and you are not particularly eager to undertake this task. Your friend planned to e-mail you the paper, and you are debating about whether you should check your e-mail. If you believe it is unlikely that your friend will have sent the paper already, will you go ahead and check your mail or avoid it?