

People’s Preferences for Giving Are Not the Same as for Redistribution

Based on BFI Working Paper 2021-117, “[Preferences for Giving Versus Preferences for Redistribution](#),” by Johanna Mollerstrom, George Mason University; Avner Strulov-Shlain, Chicago Booth; and Dmitry Taubinsky, University of California, Berkeley

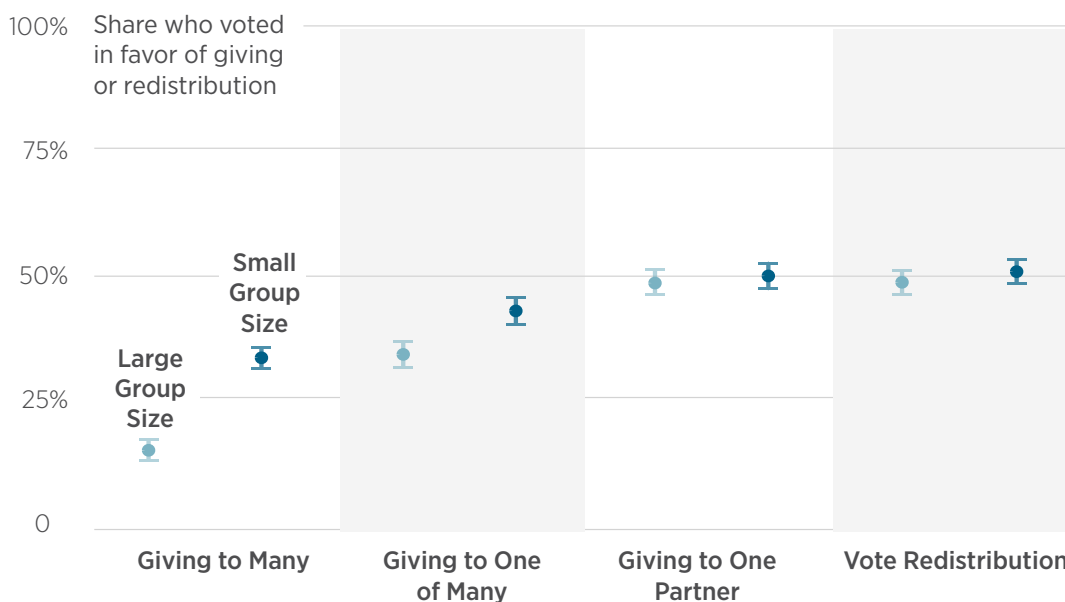
An online experiment reveals that the desire to engage in voluntary giving decreases significantly with group size, while voting for group-wide redistribution is precisely estimated to not depend on group size; moreover, people’s perception of the size of their reference group is malleable and affects their desire to give.

What does it mean that some wealthy individuals argue for higher taxes for the rich but never volunteer to pay higher taxes on their own? After all, the US federal government allows donations to itself, and there is nothing to stop a wealthy individual from paying as much in taxes as she likes.

This seeming hypocrisy stems from the assertion that preferences for individual giving and preferences for societal redistribution are identical. For example, if people

are motivated to satisfy moral obligations based only on the degree of personal sacrifice, then people’s willingness to make a sacrifice through individual giving versus through a more progressive tax could be identical. On the other hand, if people trade off preferences for more equal distribution of resources within groups against their own material self-interest, then in large groups people may be more willing to support a centralized redistributive policy than to engage in individual giving.

Figure 1 • Share of Choices in Favor of Giving or Redistribution, by Type of Decision and Group Size



Notes: This figure summarizes the share of choices in favor of giving or redistribution, by the type of decision and group size. For example, approximately 50 percent of participants voted for redistribution, and this share is almost identical between large and small groups: 48.9 (SE= 2.0) percent in large groups and 50.9 (SE= 1.9) percent in small groups. Substantially fewer participants chose to give in the giving to many-decision set, especially in large groups; 33.4 (SE=1.6) percent chose to give in small groups, and 15.1 (SE=1.2) chose to give in small groups. Please see working paper for more details.

Why do people make this distinction? One reason is that a centralized redistributive policy can have a larger impact on the group-wide allocation at the same cost to oneself. In other words, certain types of other-regarding preferences imply that creating equitable social outcomes is analogous to a form of public goods provision, where many could be better off under a policy that requires contribution from all, but few have an incentive to engage in voluntary giving.

To investigate these and other questions, the authors employ an online Amazon Mechanical Turk (MTurk) experiment, consisting of 1,600 participants who made incentivized choices as “rich” players, in groups with an equal number of rich and poor players. The “rich” were endowed with 350 cents and the “poor” were endowed with 10 cents. The authors varied certain dimensions of the decision-making environment. For example, half of the participants were part of small groups of 4 people, whereas the other half were in groups of 200 participants.

The authors also introduced within-subject variation in the types of giving decisions: The first type involved an option for individual giving, with the gift distributed equally among all the poor participants; and the second type involved an individual giving decision where the gift would be assigned to one randomly chosen poor participant, but in such a way that no poor participant received a gift from more than one rich participant. A third type of decision involved the rich participants voting on whether a transfer should be made from all rich participants to all poor participants.

Additionally, the authors varied the cost of transfers so that each participant took part in a total of 9 decisions: 3 decision types x 3 different costs of giving. Finally, the authors varied the framing of individual giving to one participant. In one frame they described the recipient as a “matched partner” while in another frame they described the recipient as a “randomly selected person.” This manipulation was conducted to test the malleability of perceived group size; in particular, to test whether participants who initially started out in larger groups

might perceive themselves to be in a small group of two when the recipient is described as a “matched partner,” and thus would be more willing to give.

Following are the authors’ three main findings:

- Participants are significantly more likely to vote for group-wide redistribution than they are to engage in individual giving when the individual gift is designated to be split evenly among all poor participants, or when it is designated to one “randomly selected person.”
- While participants’ propensity to vote for group-wide redistribution does not vary at all with group size, their propensity to engage in individual giving that is not to “a matched partner” declines significantly with group size.
- Participants’ propensity to give to “a matched partner” is statistically indistinguishable from their propensity to vote for group-wide redistribution, both in small and large groups. The significant difference between giving to “a matched partner” versus a “randomly selected person,” combined with the stark group size effects on most forms of individual giving, implies that perceptions of group size are not only a key driver of individual giving but are also malleable.

The authors’ theoretical framework, which offers options beyond the existing literature, can aid future investigations of the types of redistributive mechanisms that can help people implement their taste for redistribution in situations where the desire for voluntary giving is too weak to achieve the equitable outcomes that many desire.

READ THE WORKING PAPER

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