

Program of the Conference on

Fertile Fields in Development: Individual Choices vs. Randomized Trials

June 6–7, 2013

Hosted and organized by
WZB Berlin Social Research Center
Reichpietschufer 50, 10785 Berlin
Room A 300

Organizers:

Stefan Trautmann, University of Tilburg
Ferdinand Vieider, WZB Berlin Social Research Center

This conference is supported by



Thursday, June 6, 2013

A 300 / WZB

9.00 am – 10.00 am	Registration, Lobby A 300
10.00 am – 12 noon	1. Session: Individual and Social Aspects of Decisions Steffen Andersen: Asset Integration and Attitudes to Risk: Theory and Evidence <i>Discussant:</i> Stefan Trautmann Michal Bauer: War's Enduring Effects on the Development of Egalitarian Motivations and In-Group Biases <i>Discussant:</i> Marcela Ibañez Diaz
12 noon – 1.30 pm	Lunch
1.30 pm – 3.30 pm	2. Session: Markets and Policy Erwin Bulte: When Economics Meets Hierarchy: A Field Experiment on the Workings of the Invisible Hand <i>Discussant:</i> Julia Schmid Johannes Urpelainen: Solar Lighting in Rural India: Understanding Policy Preferences
3.30 pm – 4.00 pm	Coffee Break
4.00 pm – 6.00 pm	3. Session: Training and Education Bilal Zia: Who You Train Matters: Identifying Complementary Effects of Financial Education on Migrant Households <i>Discussant:</i> Marta Serra Gracia Patricio Dalton: Does the Unemployment Benefit Institution affect Workers' Productivity? A Natural Field Experiment
7.30 pm	Conference Dinner at <i>Al Contadino Sotto di Stelle</i> Shuttle service from WZB (main entrance) at 7.00 pm – <i>By invitation only</i> –

Friday, June 7, 2013

A 300 / WZB

10.00 am – 12 noon

4. Session: Risk and Insurance

Xavier Giné:

How Does Risk Management Influence Production Decisions?

Evidence from a Field Experiment

Discussant: Ferdinand Vieider

Mark Rosenzweig:

Selling Formal Insurance to the Informally Insured

Discussant: Justin Valasek

12 noon – 1.30 pm

Lunch

1.30 pm – 3.30 pm

5. Session: Social Preferences and Their Determinants

Michael Kosfeld:

Leader Punishment and Cooperation in Groups: Experimental

Field Evidence from Common Management in Ethiopia

Discussant: Christine Binzel

Orazio Attanasio:

Conditional Cash Transfer and Social Capital

Discussant: Niels Kemper

3.30 pm – 4.00 pm

Coffee Break

4.00 pm – 6.00 pm

6. Session: Poverty Traps

Julian Jamison:

Behavioral Poverty Traps and Time Preferences in Liberia

Discussant: Patricio Dalton

Ralph de Haas:

Microfinance, Poverty, and Education

Discussant: Roel van Veldhuizen

7.30 pm

Farewell Dinner at *Sage Restaurant*

Shuttle service from WZB (main entrance) at 7.00 pm

– *By invitation only* –

List of Presenters

Steffen Andersen (Copenhagen Business School)
Orazio Attanasio (University College London)
Michal Bauer (Charles University in Prague)
Erwin Bulte (Universiteit Waageningen)
Patricio Dalton (University of Tilburg)
Xavier Giné (The World Bank)
Ralph de Haas (European Bank for Reconstruction and Development)
Julian Jamison (Consumer Financial Protection Bureau)
Michael Kosfeld (Goethe University Frankfurt)
Mark Rosenzweig (Yale University)
Johannes Urpelainen (Columbia University)
Bilal Zia (The World Bank)

List of Discussants

Christine Binzel (Heidelberg University)
Patricio Dalton (University of Tilburg)
Niels Kemper (University of Mannheim)
Marcela Ibañez Diaz (Georg-August-University Göttingen)
Julia Schmid (WZB)
Marta Serra-Garcia (Ludwig-Maximilians-University Munich)
Stefan Trautmann (University of Tilburg)
Justin Valasek (WZB)
Roel van Veldhuizen (WZB)
Ferdinand Vieider (WZB)

Titles & Abstracts

Steffen Andersen

Title: Asset Integration and Attitudes to Risk: Theory and Evidence

Measures of risk attitudes derived from experiments are often questioned because they are based on small stakes bets and do not account for the extent to which the decision-maker integrates the prizes of the experimental tasks with personal wealth. We exploit the existence of detailed information on individual wealth of experimental subjects in Denmark, and directly estimate risk attitudes and the degree of asset integration consistent with observed behavior. The behavior of the adult Danes in our experiment is consistent with partial asset integration: they behave as if some fraction of personal wealth is combined with experimental prizes in a utility function, and as though this combination entails less than perfect substitution. Our subjects do not perfectly integrate assets. The implied risk attitudes from estimating these specifications imply risk premia and certainty equivalents that are a priori plausible under expected utility theory or rank dependent utility models. These are reassuring and constructive solutions to payoff calibration paradoxes. In addition, the rigorous, structural modeling of partial asset integration points to a rich array of neglected questions in risk management and policy evaluation in important field settings.

Discussant: Stefan Trautmann

Orazio Attanasio

Title: Conditional Cash Transfer and Social Capital

Many conditional cash transfers (CCT) have important social components. In 2007, we conducted a public good game in Cartagena, Colombia. We interpret the behaviour in the game as a measure of what in the literature has been called social capital. We played the game in two similar and adjacent neighbourhoods: El Pozón had been targeted for over two years by a conditional cash transfer (CCT) program, Familias en Acción; the 'control' neighbourhood, Ciénaga de la Virgen, had not. In 2008, with the program being implemented in both neighbourhoods, we played the same public good game, and were therefore able to implement a difference in difference strategy to estimate the impact of the CCT on our measure of social capital. The level of cooperation we observed in the public good game in 2007 in the 'treatment' neighbourhood was considerably higher than in the 'control' one. Although similar in many dimensions, the two neighbourhoods turned out to be significantly different in some observable variables; the positive result was robust to controls for these differences. In 2008, we found that the level of cooperation in the two neighbourhoods was statistically identical and not dissimilar from the levels observed in 2007 in the treatment neighbourhood. We conclude that the conditional cash transfer program did improve cooperation. In analysing the effect of the CCT on cooperation, we also look at other (individual and group) determinants of individual behaviour in the game, and we compare our measure based on behaviour in the game to more traditional measures of social capital used in the literature that we collected in a context-specific survey.

Discussant: Niels Kemper

Michal Bauer

Title: War's Enduring Effects on the Development of Egalitarian Motivations and In-Group Biases

In suggesting that new nations often coalesce in the decades following war, historians have posed an important psychological question: does the experience of war generate an enduring elevation in people's egalitarian motivations toward their in-group? We administered social choice tasks to over a thousand children and adults differentially affected by wars in the Republic of Georgia and Sierra Leone. We find that greater exposure to war creates a lasting increase in egalitarian motivations towards one's in-group, but not out-groups, during a developmental window that starts in middle childhood (~7 years) and ends in early adulthood (~20 years). Outside this window, war has no measurable impacts on social motivations in young children, and only muted effects on older adults. While "war effects" are broadly consistent with predictions from evolutionary approaches that emphasize the importance of group cooperation against external threats, they also highlight key areas in need of greater theoretical development.

Discussant: Marcela Ibañez Diaz

Erwin Bulte

Title: When Economics Meets Hierarchy: A Field Experiment on the Workings of the Invisible Hand

Seminal work within experimental economics has shown the remarkable tendency for experimental trading markets to converge to neoclassical predictions. Yet, the extent to which neoclassical competitive market theory explains the equilibrating forces operating in extra-lab markets remains under-researched. In this study, we depart from the traditional experimental investigation of neoclassical competitive theory by using the tools of experimental economics in an actual marketplace. Our laboratory mimics a market in rural Sierra Leone, a region characterized by low levels of market integration and high levels of personalized trade. When participants interact with co-villagers, efficiency levels are much lower than found in the extant literature. By introducing treatments that increase anonymity between traders, we show that social hierarchies play a significant role in dampening efficiency. High-status individuals, when trading with their co-villagers, reduce overall efficiency by paying too much for items traded in the experiment. Upon eliminating status-related concerns, we find that overall efficiency levels approach those found in previous studies.

Discussant: Julia Schmid

Patricio Dalton

Title: Does the Unemployment Benefit Institution affect Workers' Productivity?
A Natural Field Experiment

We present evidence on whether and how the type of unemployment benefit institution affects productivity. We compare workers' productivity under a welfare system, where the unemployed receive an unconditional monetary transfer, with their productivity under a workfare system, where the transfer is received conditional on the unemployed spending some time on ancillary activities. We find that the productivity of the average worker is substantially higher under Welfare than Workfare. The main reason for this is that the disutility of being idle under Welfare is larger than cost of the effort they have to exert under Workfare. Being idle while unemployed comes at a psychological cost (including a drop in self-esteem), which workers want to avoid by putting higher effort and, hence, being more productive at work.

Xavier Giné

Title: How Does Risk Management Influence Production Decisions? Evidence from a Field Experiment

Weather is a key source of income risk for many firms and households, particularly in emerging market economies. This paper uses a randomized controlled trial approach to study how an innovative risk management instrument for hedging rainfall risk affects production decisions among a sample of Indian agricultural firms. We find that the provision of insurance induces farmers to shift production toward higher-return but higher-risk cash crops, particularly amongst more-educated farmers. Our results support the view that financial innovation may help mitigate the real effects of uninsured production risk. In a second experiment we elicit willingness-to-pay for insurance policies that differ in their contract terms, using the Becker-DeGroot-Marshak mechanism. Willingness-to-pay is increasing in the actuarial value of the insurance, but is substantially less than one-for-one, suggesting that farmers' valuations are inconsistent with a fully rational benchmark.

Discussant: Ferdinand Vieider

Ralph de Haas

Title: Microfinance, Poverty, and Education

We use an RCT to analyze the impact of microcredit on poverty reduction, child and teenage labor supply, and education. The study population consists of loan applicants to a major MFI in Bosnia who would have been rejected through regular screening. Access to credit allowed borrowers to start and expand small-scale businesses. Households that already had a business and where the borrower had more education, ran down savings, presumably to complement the loan and achieve the minimum investment amount. However, in less-educated households consumption went down. A key new finding is a substantial increase in the labor supply of children aged 16-19 years old together with a reduction in their school attendance, raising important questions about the unintended intergenerational consequences of relaxing liquidity constraints for self-employment and business creation or expansion.

Discussant: Roel van Veldhuizen

Julian Jamison

Title: Behavioral Poverty Traps and Time Preferences in Liberia

We use a field experiment involving high-risk young men in urban Liberia, along with lab-in-the-field decision tasks, to answer a key question in the field of development and political economy: can preferences such as present bias and non-cognitive skills such as impulse control and conscientiousness be actively modified, thereby reducing poverty and social instability? Economists and psychologists often treat these attributes as fixed in adults, but in practice a large number of interventions are predicated on behavior change in these arenas. Our approach pairs two complementary randomized interventions: an unconditional cash grant and a psychosocial transformation program. Our total sample of about 1,000 youth is therefore split into four groups, randomly receiving one or the other or neither or both of the interventions. We have so far completed short-term (approximately one month) follow-up surveys with the entire sample and long-term (approximately one year) endline surveys with half the sample.

In the initial results we see some promising signs of sustained behavior change, indicating that adults may be more malleable than previously thought. There is an increase in the patience measure (using an incentivized game) from all interventions, including the cash grant. We also see a significant reduction in self-reported drug use, particularly from the treatment program, and in impulsive behavior from all interventions. Finally, we see some reduction in anti-social behaviors such as theft and aggression, particularly from those enrolled in the treatment program, though – as with the patience and some other measures – the effect is stronger in the short-term than the long-term. An additional result involves novel measures that have allowed us to more completely predict savings behavior in this population. Controlling for wealth, age, literacy, years of schooling, jigsaw puzzle performance, and base “arrows” games, we found that the arrow inhibition score has a strong correlation with savings behavior. This variable, which psychometrically assesses individuals’ abilities to overcome their initial impulses, is a new form of measurement for most economists. It may be that we were unable to shift savings behavior because we need to find an intervention that targets executive function in a way that the treatment program did not.

Discussant: Patricio Dalton

Michael Kosfeld

Title: Leader Punishment and Cooperation in Groups: Experimental Field Evidence from Common Management in Ethiopia

We study whether differences in the propensity of leaders to enforce cooperation by punishing group members as a third party in a social dilemma game can explain variation in the performance of these groups in managing their forest commons. We find a significant positive association between commons management outcomes and leaders who reveal a concern for equality and efficiency in the experiment. For anti-social leaders, the association is negative and significant. Further analyses corroborate a causal interpretation of these associations. Our results highlight the importance of leaders in collective action, emphasizing the role of leaders’ other-regarding motives for cooperation outcomes.

Discussant: Christine Binzel

Mark Rosenzweig

Title: Selling Formal Insurance to the Informally Insured

Unpredictable rainfall is an important risk for agricultural activity, and farmers in developing countries often receive incomplete insurance from informal risk-sharing networks. We study the demand for, and effects of, offering formal index-based rainfall insurance through a randomized experiment in an environment where the informal risk sharing network can be readily identified and richly characterized: sub-castes in rural India. A model allowing for both idiosyncratic and aggregate risk shows that informal networks lower the demand for formal insurance only if the network indemnifies against aggregate risk, but not if its primary role is to insure against farmer-specific losses. When formal insurance carries basis risk (mismatches between payouts and actual losses due to the remote location of the rainfall gauge), informal risk sharing that covers idiosyncratic losses enhances the benefits of index insurance. Formal index insurance enables households to take more risk even in the presence of informal insurance. We find substantial empirical support of these nuanced predictions of the model by conducting the experiment (randomizing both index insurance offers, and the locations of rainfall gauges) on castes for whom we have a rich history of group responsiveness to household and aggregate rainfall shocks.

Discussant: Justin Valasek

Johannes Urpelainen

Title: Solar Lighting in Rural India: Understanding Policy Preferences

In India, more than 400 million people do not have access to electricity for household lighting. Most of these people live in rural areas and use inefficient kerosene lamps for their lighting needs. One technological alternative to kerosene lamps is to use solar lanterns, but expanding their use is difficult without supportive policy. This project analyzes the determinants of public support for solar lighting and kerosene subsidies in rural India. We present results from an experimental study with 400 subjects in two villages in the Shahjahanpur district of Uttar Pradesh, India. We examine if information about the benefits of solar lighting and the disadvantages of kerosene has prompted increased policy support. We also investigate if the effects are epiphenomenal or survive over time.

Bilal Zia

Title: Who You Train Matters: Identifying Complementary Effects of Financial Education on Migrant Households

There has long been a concern among policymakers that too much of remittances are consumed and too little saved, limiting the development impact of migration. Financial literacy programs have become an increasingly popular way to try and address this issue, but to date there is no evidence that they are effective in inducing savings among remittance-receiving households, nor is it clear whether such programs are best targeted at the migrant, the remittance receiver, or both. The authors conducted a randomized experiment in Indonesia which allocated migrants and their families to a control group, a migrant-only training group, a family member-only training group, and a training group in which both the migrant and a family member were trained. Three rounds of follow-up surveys are then used to measure impacts on the financial knowledge, behaviors, and remittance and savings outcomes of the remaining household. They find that training both the migrant and the family member together has large and significant impacts on knowledge, behaviors, and savings. Training the family member alone has some positive, but smaller effects, whilst training only the migrant leads to no impacts on the remaining family members. The results show that financial education can have large effects when provided at a teachable moment, but that this impact varies greatly with who receives training.

Discussant: Marta Serra Gracia

Conference Venue & Contact Information

Conference Venue

WZB Berlin Social Research Center
Reichpietschufer 50
10785 Berlin
Room A 300

Conference Organization

Caroline Heuer, Room B 112

fon: +49 30 25491 415

mobile: +49 177 2405508

mail: ConfJune_2013@wzb.eu

Louise Schnitzer

mobile: +49 179 8669670

Ferdinand Vieider, Room D 107

fon: +49 30 25491 426

mobile: +49 176 27777749

mail: ferdinand.vieider@wzb.eu

How to get to the WZB

By Plane from Schönefeld Airport

Take the S-Bahn (S9) in direction to Spandau until the station Baumschulenweg, change for the S47 towards Südkreuz, get off and take the S2 in the direction to Buch until Anhalter Bhf, get off and continue by bus M29 to Roseneck until Gedenkstätte Deutscher Widerstand, 3 minutes walk.

By Plane from Tegel Airport

Take the bus 109 in direction to Zoologischer Garten until Bleibtreustraße, change for the Bus M29 in direction to U-Bhf Hermannplatz until Gedenkstätte Deutscher Widerstand, 3 minutes walk

By Train from Berlin Hauptbahnhof

Take the Bus M85 in direction to Lichterfelde Süd , get off at Potsdamer Brücke (9 stations), 3 minutes walk.

Conference Dinner / Locations

Al Contadino Sotto Le Stelle Weinbar

Gormannstrasse 10

10119 Berlin

fon: +49 (0)30-27592102

SAGE Restaurant

Köpenicker Str. 18 - 20

10997 Berlin-Kreuzberg

fon: +49 (0)30-75549407-1