Interventionist Preferences and the Welfare State: The Case of In-Kind Nutrition Assistance

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Motivation

- Welfare systems often rely on in-kind transfers. We focus on food stamps. (Other examples: education, medical system)
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- Some theoretical explanations
  - Screening ("ordeal" mechanism), insurance (less exposure to price risk), improving efficiency of tax system (fewer distortions), pecuniary effects, etc.
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- Some theoretical explanations
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- This paper: paternalistic preferences?
Do paternalistic concerns constrain redistribution to happening in-kind?
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If so, what do Paternalists (Choice Architects) seek to achieve?
Our Approach

Lab-in-the-field experiment in which nationally representative citizens decide about how to expand the consumption opportunities of SNAP participants (food stamp recipients; SNAP = supplemental nutrition assistance program).
Specific Questions (for Today)

A. Nature of restrictions
1. Do Choice Architects (CA) restrict at all?
   - Do restrictions reflect cost-benefit tradeoffs or inflexible deontological stances?
2. How do beliefs about recipient preferences affect restrictions? Are these beliefs biased, implying misguided restrictions?

B. Determinants of restrictions
1. What do Choice Architects seek to achieve?
   - Specific egalitarianism (calories or health?)
   - Ward paternalism
2. Recipient demographics (stereotypes?) & CA demographics

C. External validity
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Hypothesis 1: Specific Egalitarianism

The Specific Egalitarianism hypothesis (Tobin, 1970; Harberger 1984): everybody should achieve an assured universal minimum of specific commodities (e.g. nutrition, healthcare).
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Specific egalitarianism is about ensuring minimum consumption of “good” items (Enough food? Enough healthy food?)
Hypothesis 2: Ward Paternalism

He who pays the piper, calls the tune — and why shouldn’t the tune be, ‘Get your life in order’? ... Why can’t taxpayers ... protest, ‘It’s our money and you’ll use it as we think best’?

— Bryan Caplan
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Ward paternalism is about ensuring limited consumption of “bad” items (e.g. alcohol, video games, “luxuries”)
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C. External Validity
Experimental Design
Overview

**Lab-in-the-field experiment**

- Choice Architects (US general population sample) decide on the options that will be available to a recipient paired with them
- Recipients: Supplemental Nutrition Assistance Program (SNAP, i.e., food stamp) participants in the USA

**Incentives**

- 1 in 20 Choice Architects see a real SNAP participant, others decide about hypothetical participants. Do not know whether their participant is real.
- One decision selected at random for implementation
- No material incentives for Choice Architects’ main decisions
- But incentivized belief elicitation
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Environment

Decisions
All decisions involve:

A. Monthly deliveries of a food box for half a year
B. Monthly deliveries of cash equivalent for half a year
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Food Boxes

- Two different types: (i) Healthy, (ii) Representative
- Each Choice Architect makes decisions about only one of them; does not learn of the other one.
The Healthy Food Box

Contents satisfy intake of macronutrients recommended by the American Heart Association for 2 weeks for a 2000 calorie diet

Cost: $51.68 (walmart.com, Sacramento CA, June 2022)
The Representative Food Box

Contents chosen to match the macronutrient and food group intake of the average SNAP participant for 2 weeks (Zhang et al., 2018)

Cost: $51.73 (walmart.com, Sacramento CA, June 2022)
Cash equivalent

Goal: Cash equivalent that cannot buy groceries

- **Necessities**: Inexpensive clothing, home improvement, gas, and spending at gas stations other than alcohol and tobacco
- **Luxury**: full service restaurants, travel, fine clothing stores
- **Comfort**: on-screen entertainment and consumer electronics, fast food, and hot foods purchased at gas stations
- **Sporting goods**
- **Addictive goods**: alcohol, tobacco (through gas station gift cards)
Types of Decisions (Scenarios)

One scenario randomly selected for implementation

Scenario 1: How do individuals restrict recipients?
  ▶ Paternalistic choice. Yields enforcement price
Scenario 1: Paternalism Decision

Choose one of the following

- Welfare recipient gets the Healthy Food Box monthly (no choice)
  - Morgan will receive the food box.

OR

- Welfare recipient chooses between Healthy Food Box monthly and monthly gift cards
  - Morgan will choose between the monthly food box delivery and the monthly gift cards.
Please decide on each line whether Morgan can choose between the monthly food box and the monthly gift cards, or must receive the monthly food box.

If the gift card allowance is $130 each month:

**Choice:** Morgan chooses between the monthly food box OR $130 in gift cards each month

- Food box (no choice): Morgan will get the monthly food box
- Recommend food box
- Recommend gift cards

If the gift card allowance is $105 each month:

**Choice:** Morgan chooses between the monthly food box OR $105 in gift cards each month

- Food box (no choice): Morgan will get the monthly food box
- Recommend food box
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If the gift card allowance is $85 each month:

**Choice:** Morgan chooses between the monthly food box OR $85 in gift cards each month

- Food box (no choice): Morgan will get the monthly food box
- Recommend food box
- Recommend gift cards

Decisions for values $0, $25, $45, $60, $70, $85, $105, $130
Types of Decisions (Scenarios)

One scenario randomly selected for implementation

Scenario 1: How do individuals restrict recipients?
- Paternalistic choice. Yields enforcement price

Scenario 2: What do people believe recipients should consume (net of willingness to act on that judgment)
- Surrogate choice. Yields surrogate reservation price

Scenario 3: What do people believe recipients would choose absent restrictions?
- Belief elicitation. Yields reservation price beliefs
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Scenario 1: How do individuals restrict recipients?
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Scenario 2: Surrogate Choice

Choose one of the following

- **Welfare recipient gets monthly food box**
  - Morgan will get the food box each month

- **Welfare recipient gets monthly gift cards**
  - Morgan will select the gift cards she will get each month.

Cannot leave choice to the recipient
If the gift card allowance is $130 each month:

**Gift cards:** Morgan selects gift cards worth $130 for each month (no food box, no groceries)

**Food box:** Morgan will get the food box each month.

If the gift card allowance is $105 each month:

**Gift cards:** Morgan selects gift cards worth $105 for each month (no food box, no groceries)

**Food box:** Morgan will get the food box each month.

If the gift card allowance is $85 each month:

**Gift cards:** Morgan selects gift cards worth $85 for each month (no food box, no groceries)

**Food box:** Morgan will get the food box each month.

If the gift card allowance is $70 each month:

**Gift cards:** Morgan selects gift cards worth $70 for each month (no food box, no groceries)

**Food box:** Morgan will get the food box each month.
Types of Decisions (Scenarios)

One scenario randomly selected for implementation

Scenario 1: How do individuals restrict recipients?

- **Paternalistic choice.** Yields *enforcement price*

Scenario 2: What do people believe recipients should consume (net of willingness to act on that judgment)

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Scenario 3: What do people believe recipients would choose absent restrictions?
  ▶ Belief elicitation. Yields \textit{reservation price beliefs}
Scenario 3: Belief Elicitation

If the choice is between $130 in gift cards every month for half a year and the food box each month, what is the chance Morgan will opt for the food deliveries?

Choice Architect matched with real recipient may be paid for accuracy on this prediction (up to $5).
Types of Decisions (Scenarios)

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Treatment Variation

- Healthy vs. Representative food box (→ Specific Egalitarianism)
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- Healthy vs. Representative food box (→ Specific Egalitarianism)
- Demographics of the recipient
  - Race (black, white): unobtrusively conveyed through pixelated mugshot
You are now making decisions about the following welfare recipient.

Morgan (and her two-year old child)

(Image pixelated for anonymity.)

Age: 20-29
Children: One two-year old
Marital status: No partner present
Citizenship: US
Collects SNAP benefits ("food stamps")
Place of residence: FL, rural area.

This welfare recipient has no food restrictions. She has access to a fridge, to a freezer, and to a cooking appliance such as a stove.
Treatment Variation

- Healthy vs. Representative food box (→ Specific Egalitarianism)
- Demographics of the recipient
  - Race (black, white): unobtrusively conveyed through pixelated mugshot
  - Gender (male, female)
  - Age (20-29, 50-69)
  - Parental status (only for young women)
  - Place of residence {NY, CA, TX, FL}, {urban, suburban, rural}
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Recipient description

- Only single individuals (to obviate inference about partner or need to describe that person)
- If children, then one two-year old
Data and Results
Data

- 152 SNAP participants (recipients)
- 2,157 Choice Architects, online (provider: Kantar)
- August – October 2022

(New wave of data collection underway)
Specific Questions

A. Nature of restrictions

1. Restrictions are common. 45% deontological, 55% tradeoffs.
2. Restrictions more severe than Choice Architects think they are. Restrictions are (partially) misguided.

B. Reasons for restrictions

1. Ward paternalism rather than specific egalitarianism
2. Weak role of recipient demographics on interventions (except for race)
3. Choice Architects more restrictive if politically conservative and older

C. External validity

1. Experimental behavior correlated with SNAP policy views
Paternalistic interventions

Enforcement price = switching point (midpoint) in paternalistic decision
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- Many “libertarians” ($s = 0, \sim 17.5\%$) & “authoritarians” ($s = 130, \sim 27.5\%$)
Paternalistic interventions

Enforcement price = switching point (midpoint) in paternalistic decision

- Many “libertarians” (\(s = 0, \sim 17.5\%\)) & “authoritarians” (\(s = 130, \sim 27.5\%\))
- Tradeoff-types (\(0 < s < 130\)) \sim 55\%
Enforcing one’s own view of what’s right

- Surrogate price: What CA considers appropriate for recipient
- Enforcement price: What CA considers appropriate + how much she enforces that view

Overall, remarkably little respect for respondent autonomy
Enforcing one’s own view of what’s right

- Surrogate price: What CA considers appropriate for recipient
- Enforcement price: What CA considers appropriate + how much she enforces that view

- Over half of CAs: Fully enforce what they think is right
- Vast majority of other half: some limited discretion
  → Overall, remarkably little respect for respondent autonomy
Decisions correlate with beliefs

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Note: *, **, and *** indicate statistical significance at 0.10, 0.05, and 0.01 levels.
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- Yes, Choice Architects account for recipient preferences
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*Observations: 1,970 (1), 2,040 (2)*

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*Are beliefs biased? Are they a cause for misguided restrictions?*
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▶ Yes, Choice Architects account for recipient preferences

Are beliefs biased? Are they a cause for misguided restrictions? Yes!
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B. Reasons for restrictions

C. External validity
Hypothesis 1: Specific egalitarianism

- If Choice Architects are specific egalitarians \textit{and} care about ensuring healthy nutrition:
  - Higher enforcement prices for healthy box

- If Choice Architects are specific egalitarians who exclusively care about calorie intake (and believe that recipient needs more calories):
  - Higher enforcement prices for the representative box (15\% more calories)
Healthiness of Food Box Has No Effect

Difference: $0.60 (p > 0.1)
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Actual recipient reservation prices:
$38.64 (representative box), $32.09 (healthy box), p < 0.05
Healthiness of Food Box Has No Effect

- Difference: $0.60 (p > 0.1)
- Rules out both versions of specific egalitarianism

Actual recipient reservation prices:
$38.64 (representative box), $32.09 (healthy box), p < 0.05
Hypothesis 2: Ward Paternalism

- Ward paternalists seek to limit consumption of “inappropriate” items
  → Beliefs about use of gift cards should be highly predictive of enforcement prices
## Evidence on Ward Paternalism

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<td>Alcohol &amp; Tobacco</td>
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B. Reasons for restrictions
1. Ward paternalism rather than specific egalitarianism

C. External validity
Effects of Recipient Demographics

Controls: CA demographics, beliefs about food box cost, type of food box.
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A. Nature of restrictions

1. Restrictions are common. 45% deontological, 55% tradeoffs.
2. Restrictions more severe than Choice Architects think they are. Restrictions are (partially) misguided.

B. Reasons for restrictions

1. Ward paternalism rather than specific egalitarianism
2. Weak role of recipient demographics on interventions (except for race)
3. Choice Architects more restrictive if politically conservative and older

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C. External Validity
   1. Experimental behavior correlated with SNAP policy views
Conclusion
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Ongoing work: structural model of paternalistic decision-making
Thank you!