

Publication

Does Voluntary Risk Taking Affect Solidarity? Experimental Evidence from Kenya

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In this study we experimentally investigate whether solidarity, which is a crucial base for informal insurance arrangements in developing countries, is sensitive to the extent to which individuals can influence their risk exposure. With slum dwellers of Nairobi our design measures subjects' willingness to share income with a worse-off partner both in a setting where participants could either deliberately choose or were randomly assigned to a safe or a risky project. We find that only a subgroup of subjects reduces willingness to give when risk exposure is a choice. Responses are limited to donors in the risky project, whereas donors in the safe project do not adjust their willingness to give. This difference in behaviour can be explained by differential giving in the absence of choice. Lucky winners with the risky project show a particularly high degree of solidarity with unlucky losers compared to donors and partners assigned to the safe project when they face risk for exogenous reasons. The possibility of free project choice removes these differences in generosity and we show that this is driven by attributions of responsibility for neediness. Our results suggest that crowding out of informal support might be less severe than suggested by the studies from Western countries and the evidence on formal insurance from developing countries.

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