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Risky Choices and Solidarity: Disentangling Different Behavioural Channels

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We investigate whether informal support is sensitive to the extent to which individuals can influence their income risk exposure by opting into risk. In a laboratory experiment with slum dwellers in Nairobi, we measure subjects' transfers to a worse-off partner under both random assignment, and self-selection into a safe or risky project. Our experimental design allows us to discriminate between different possible explanations for why giving behaviour might change when risk exposure is self-selected. We find that solidary support is independent of the partners' choice of risk exposure, which contradicts attributions of responsibility for neediness and ex-post choice egalitarianism. Instead, we find that support depends on donors' risk preferences. Risk-takers seem to feel less obliged to share the profits they earn from their choices compared to subjects who earn equally high profits by pure luck. Our results have important implications for anti-poverty policies that aim at encouraging risky investments.

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