

Do as I Do: Paternalism and Preference Differences in Decision Making for Others

Georgia Buckle and Wolfgang Luhan
University of Portsmouth

Background

Little research has examined paternalism, but examples range from parents, to schools, to governments.

Ambuehl et al. (2021) show that people are mostly paternalistic by imposing their ideals onto others, but it is unclear **why**.

One reason may be **belief dissonance**; a distaste for encountering different beliefs from one's own (Molnar & Loewenstein, 2020).

This may also explain why money managers invest for clients as they invest for themselves (Linnainmaa et al., 2021).

- **RQ1:** Will agents impose risk preferences onto others paternalistically?
- **RQ2:** Will agents impose their preferences more, the more agents disagree with the other's preference?

Experimental Design

Gneezy and Potters (1997) investment game.

£2.25 endowment to invest in a risky asset in 25p increments, with 2/3 chance of losing the investment and 1/3 chance of retaining it plus 250% return.

- **Stage 1:** Participants invest for their own payoff.
- ↓
- **Stage 2:** Participants invest for another, conditional on the 10 possible investments their recipient could have made in Stage 1, so they have complete information of their recipient's preferred investment.
- ↓

- **Questionnaire:** We also elicit SVO and EQ score.

Theories and Predictions

1. Ideals Projective Paternalism (Ambuehl et al. 2021)

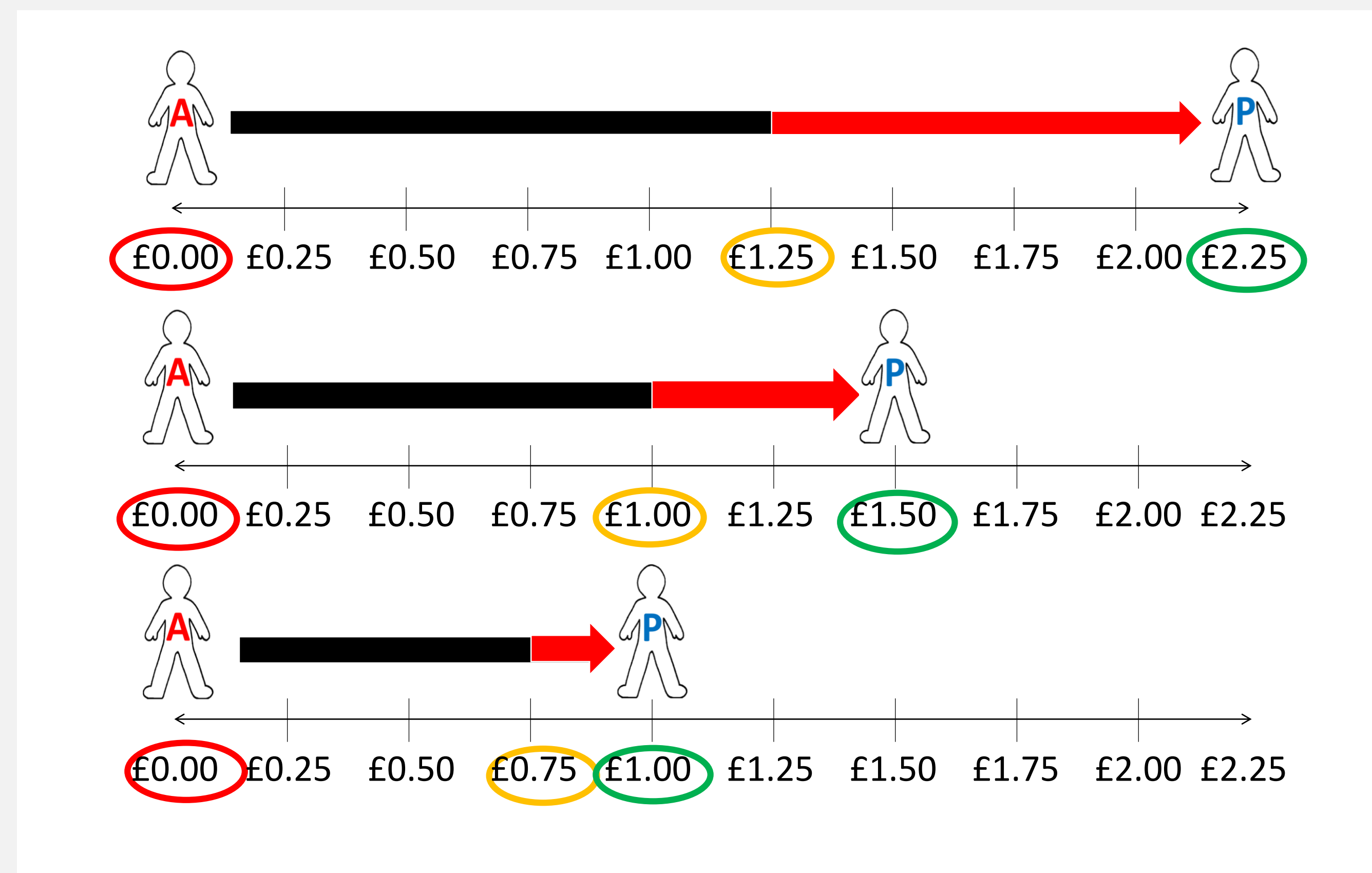
- **H1A:** Agents will invest for the other as agents invested for themselves.
- **H1B:** Agents will be influenced by their own risk preferences.

2. Simulated Perspective Taking (Tunney & Ziegler, 2015)

- **H2A:** Agents will invest for the other as the other invested for themselves.
- **H2B:** Agents will be influenced by the other's risk preferences.

3. Belief Dissonance (Molnar & Loewenstein, 2020).

- **H3:** Agents will invest further from the other's preference, the more it differs from their own.



To illustrate, see above each theoretical prediction in three example scenarios.

Contact Information

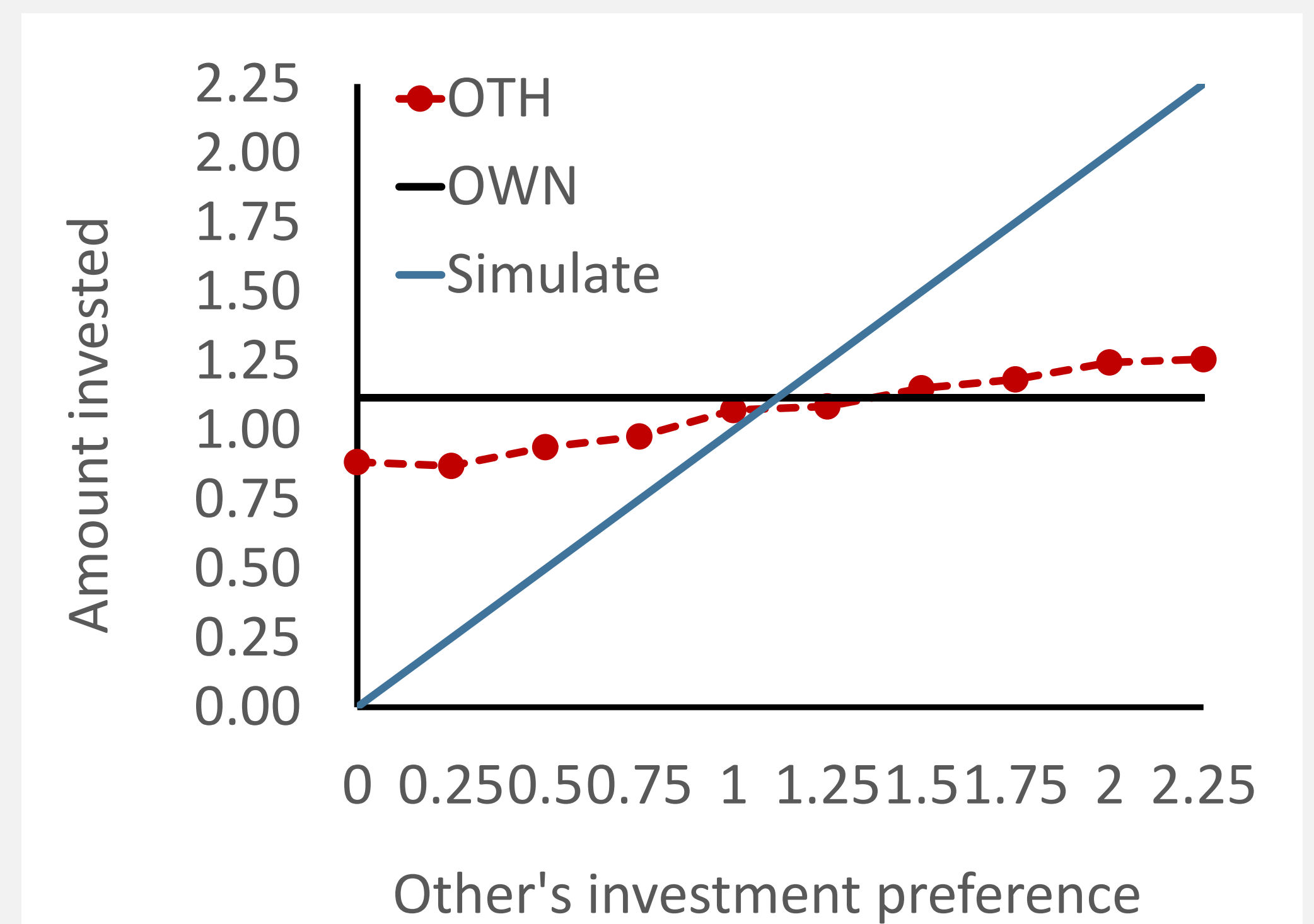
Georgia Buckle
• Email: georgia.buckle@port.ac.uk

Key Results

Paternalism (H1B): Agents significantly imposed their preferences onto the other's investments.

Simulation (H2B): Agents also significantly took the other's preferences into account.

Belief Dissonance (H3): Agents invested significantly further from the other's preference, the further it was from their own.



References

- Ambuehl, S., Bernheim, B. D., & Ockenfels, A. (2021). What Motivates Paternalism? An Experimental Study. *American Economic Review*, 111(3), 787–830.
- Gneezy, U., & Potters, J. (1997). An Experiment on Risk Taking and Evaluation Periods. *The Quarterly Journal of Economics*, 112(2), 631–645.
- Linnainmaa, J. T., Melzer, B. T., & Previtro, A. (2021). The Misguided Beliefs of Financial Advisors. *The Journal of Finance*, 76(2), 587–621.
- Molnar, A., & Loewenstein, G. (2020). The Othello Effect: People are more disturbed by others' wrong beliefs than by different beliefs. *Working Paper*.
- Tunney, R. J., & Ziegler, F. V. (2015). Toward a Psychology of Surrogate Decision Making. *Perspectives on Psychological Science*, 10(6), 880–885.