

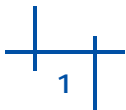


Is the willingness to take risks contagious?

A comparison of immigrants and native-born in the United States

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Is the willingness to take risks contagious? A comparison of immigrants and native-born in the United States.

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Outline

- I. Willingness to take risks among immigrants and native-born: previous research.
- II. Research question, experimental design, and hypotheses.
- III. Results.
- IV. Discussion.
- V. Limitations and future research.

Immigrants vs. native-born

- Self-selection: those who tend to migrate are riskier than those who stay (*Boneva and Frieze, 2001*).
- Immigrants have a higher likelihood of being self-employed (*Meissner et al., 2006*).
- Immigration rate has a positive effect on the rate of entrepreneurship in the U.S. (*Shane, 1996*).
- Immigrants are more willing to take risks than native-born (*Balaza and Williams, 2011; Barsky et al., 1997; Dohmen et al., 2005; Halek and Eisenhauer, 2001; Heitmueller, 2005*).
- In Germany immigrants are less willing to take risks compared to native-born (*Bonin et al., 2006*). Depends on the region of origin: e.g., North American and western European immigrants are more willing to take risks than native Germans (*Jaeger et al., 2007*).

Research Question

Taking risks is *contagious*, that is, if others make risky decisions, individuals will be more willing to take risks.

Is this effect different among immigrants and native-born?

Hypotheses and Experimental Design

Experimental Design

Control
condition

Lottery-choice tasks

Risk shift
condition

Showing response distribution.

The percentage of riskier alternatives are modeled as from 3 to 12 times higher than the real preferences in the representative survey.

Experimental Design

Control condition

Scenario 2

You are presented with the option to take \$1,000, or to bet on a coin flip to have either nothing (\$0) or make \$2,500.

Would you take **\$1,000**, or try to make **\$2,500**?

\$1, 000 for sure



50% chance=\$0

50% chance=\$2, 500



Experimental Design

Experimental condition

Participants' results, scenario 1

51%:
\$1,000 for sure

49%:
50% chance=\$0
50% chance=\$2,000

Scenario 2

You are presented with the option to take \$1,000, or to bet on a coin flip to have either nothing (\$0) or make \$2,500.

Would you take \$1,000, or try to make \$2,500?

\$1,000 for sure



50% chance=\$0

50% chance=\$2,500



Experimental Design

Factorial survey: 3 factors x 2 levels

Negative
consequences

Scope

Current position

Risk willingness is highly domain specific

3 domains: career, financial, health domains

Number of vignettes: $2^3 \times 3 = 24$

Experimental Design

Factors	Levels in the career domain
Negative consequences	
Large	income/profit can be cut by half
Small	income/profit can be cut by 20 percent
Scope	
High	running a big business corporation
Low	having a paid job
Current position	
Poor	low-paying job/business is not going well
Good	well-paying job/business is going well

Experimental Design

Career

Suppose you are running a big business corporation. It is NOT going well and you are thinking about business expansion to improve financial situation. There is a 50-50 chance that it will double your profit, and a 50-50 chance that it will bring new costs and cut your profit in half. Would you expand your business?

0 – 10

Please indicate how risky you think it is to expand your business.

0 – 10

Please indicate how beneficial you think it is to expand your business.

0 – 10

Experimental Design

Health

Suppose you have a severe heart disease. A reputable pharmaceutical company tests a new drug and offers you to participate in testing: there is a 50-50 chance you will completely recover quickly, and a 50-50 chance it will require hospitalization and emergency surgery. Would you test the new drug?

0 – 10

Please indicate how risky you think...

0 – 10

Please indicate how beneficial you think...

0 – 10

Hypotheses

1. Willingness to take risks is contagious, however, immigrants are more likely to be influenced by the risk shift condition in their willingness to take risks than the native-born.

1.The “risk shift” phenomenon

Individuals tend to select riskier options after group discussions. Providing the answers of other people from the control condition even without any group discussion still produced the “risk shift” phenomenon.

2. “Risk-power”

Those with a greater power motivation are driven to be more risk-taking (Anderson and Galinsky, 2006; Keltner, Gruenfeld, and Anderson, 2003). Immigrants tend to be power motivated. Increasing the sense of the power has a positive effect on risk-taking behavior.

Hypotheses

2. Immigrants will evaluate situations as less risky and more beneficial in the risk shift condition compared to native-born.

Those who are willing to take risks either perceive the activity as not risky or beneficial.

The “risk-power” approach: power-motivated individuals tend to have more positive view of the risks (*Anderson and Galinsky, 2006*).

Data Collection

• Amazon's Mechanical Turk service

• The survey incentive: \$0.50

• 10 minutes survey

• Fieldwork: June-August, 2014

• 558 respondents (285 native-born and 273 immigrants)

Pretesting:

- Expert and cognitive interviews
- Pretesting: 100 MTurk respondents

Sample composition

	Immigrants N=273	Native-born N=285	Chi-squared (<i>df</i>)
<i>Age group</i>			
18-24	22.4%	18.0%	$\chi^2(4)=14.56^{**}$
25-34	47.0%	39.2%	
35-44	17.5%	18.4%	
45-54	9.0%	13.1%	
55 and older	4.1%	11.3%	
<i>Gender</i>			
Males	54.9%	45.4%	$\chi^2(1)=5.07^*$
Females	45.1%	54.6%	
<i>Race</i>			
White	47.3%	81.8%	$\chi^2(1)=72.84^{***}$
Asian	33.3%	6.0%	$\chi^2(1)=66.91^{***}$
Black	8.4%	9.8%	$\chi^2(1)=0.33$
<i>Hispanic or Latino origin</i>	31.1%	10.2%	$\chi^2(1)=37.68^{***}$

Sample composition

Origin	Immigrants
Asia	31%
Europe	27%
Latin America	27%
Africa	6%
North America	4%
Middle East	3%
Australia and New Zealand	2%

Model

Linear hierarchical models: 1-st level – vignettes, 2-nd level – respondents.

- **“Risk shift condition x immigrants”**: A positive interaction effect: a stronger positive effect on willingness to take risks among immigrants. A negative interaction effect: a weaker or a negative effect on willingness to take risks among immigrants.
- **“Immigrants”**: the difference in willingness to take risks between immigrants and native-born in the control condition.
- **“Risk shift condition”**: the difference in willingness to take risks among native-born in the control and risk-shift condition.

Results

The risk shift effect

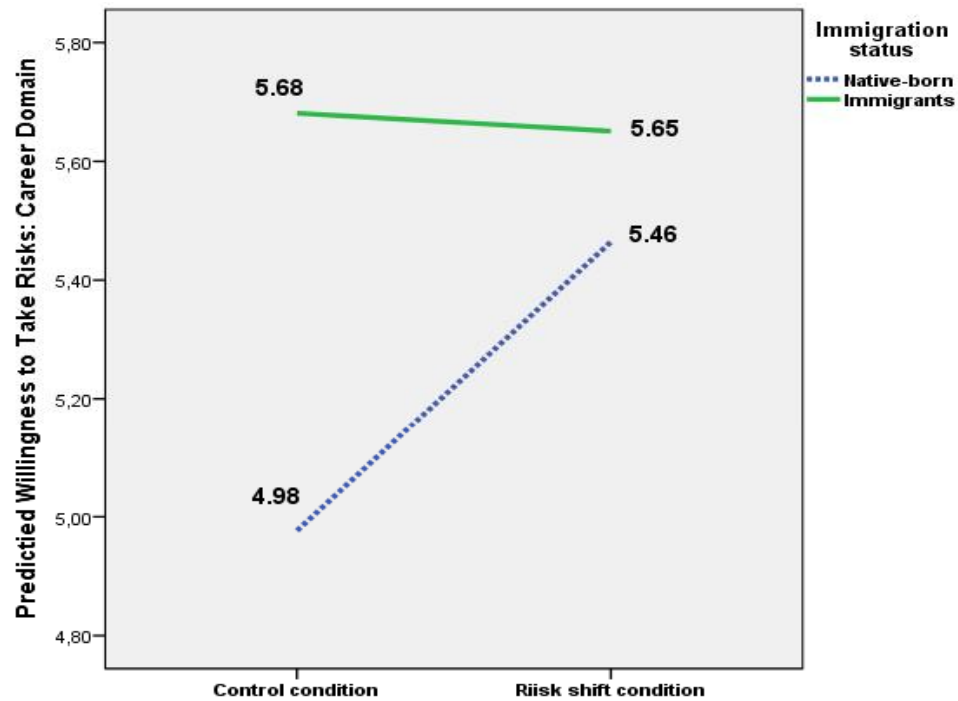
Scenarios	Control condition	Risk shift condition	Chi-squared ($df=1$)
Scenario 1	14.7%	17.9%	1.05
Scenario 2	24.6%	24.2%	0.01
Scenario 3	43.0%	51.1%	3.70
Scenario 4	48.4%	51.6%	0.59
Scenario 5	51.8%	66.5%	12.49***
Scenario 6	57.6%	74.2%	16.87***
Scenario 7	8.4%	17.0%	9.23**
Scenario 8	22.2%	37.5%	15.62***
Scenario 9	42.5%	57.2%	12.07***

Willingness to take risks

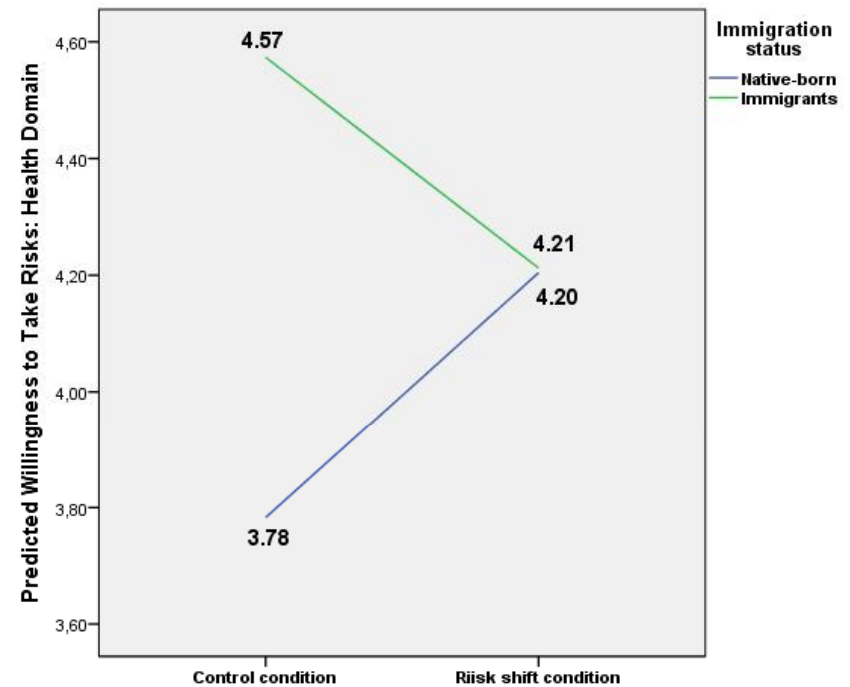
	Career domain	Financial domain	Health domain
Intercept	6.45*** (0.23)	7.19*** (0.24)	4.39*** (0.25)
Large negative consequences	-1.78*** (0.10)	-1.06*** (0.10)	-2.25*** (0.10)
Large scope	0.54*** (0.10)	0.23* (0.10)	1.27*** (0.10)
Poor current position	0.18 (0.10)	-1.05*** (0.13)	1.08*** (0.10)
Risk shift condition	0.52*** (0.14)	0.24 (0.14)	0.37** (0.15)
Immigrants	0.73*** (0.14)	0.70*** (0.15)	0.74*** (0.15)
Risk shift condition x Immigrants	-0.53** (0.26)	-0.09 (0.21)	-0.73*** (0.21)
Social desirability	-0.01*** (0.00)	-0.02*** (0.00)	-0.01** (0.00)

Willingness to take risks

Career



Health



A negative risk shift effect on willingness to take risks among males compared to females and the self-employed compared to the non-self-employed

Perceived risks and perceived benefits

- The lower perceived risks and the higher perceived benefits of the situation, the more willing individuals are to take risks.
- Predicting perceived benefits: the native-born found the vignettes more beneficial in the risk shift condition than in the control condition. Immigrants found them less beneficial in the risk shift condition.

Discussion

- The risk shift condition decreased or had almost no effect on the willingness to take risks among those who typically display a higher level of power motivation: immigrants, as well as males and self-employed.
- Immigrants tend to have a higher power motive. Changing the experiencing of power among power-motivated individuals can result in a conservative shift (Maner et al. 2007).
- The conservative shift may result from a less optimistic evaluation of risky situations among power-motivated individuals.

Limitations and future research

ü Measuring if feedback that reflects actual preferences has an effect on willingness to take risks among individuals (control condition).

ü Providing feedback in different situations other than gambling-types of questions could produce different effects.

ü Immigrants and the native-born may react differently if the reported behavior was for individuals who were more alike.

Thank you!

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