Don't Tell on Me: Experimental Evidence of Asymmetric Information in Transnational Households

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Motivation
Information asymmetries have not received much attention in the literature on household land allocation which has focused both theoretically and empirically on how barriers to downward adjustment influence decisions in markets including local and national land markets. (Zellner and Hanson, 2001; Lundberg and Pollakos, 1990, Lundberg, Pollakos, and Winters, 1990; Duff, 2003, Dall, 2002, Ambler, 2012). However, recent experimental studies show that information can significantly influence opportunities to take advantage of investment opportunities and contracts from others (Abt and Field, 2007; Ambler, Field and Lee, 2010).

Experimental Process

Migrant Hypotheses
Migrant sends remittances as part of an implicit contract with recipient
Migrant may deviate from contract if they will not be detected
Migrant in "not told" groups will receive more

Recipient Hypotheses
Recipient adheres to migrant preferences as part of implicit contract with migrant
Recipient may deviate from contract if they will not be detected
Recipient in "not told" groups will receive more
Recipient in "told" groups will receive less

Samples

Migrants:
- 50% are female
- Average age is 37
- Average years in US is 11

Recipients:
- 65% are students, 40% are guards
- 65% are female
- 85% have received remittances

Migrant Results

Figure 1: Average Amount Kept and Percent Keeping Anything

Recipient Results

Figure 2: Percent Allocated to Different Spending Categories

Recipient Results

Figure 3: Average Total Migrant-Recipient Difference

Recipient Results

Figure 4: Amount Kept by Migrants: By Closeness of Ties

Recipient Results

Figure 5: Average Migrant-Recipient Difference: Moral Hazard Experiment: By Closeness of Ties

Recipient Results

Figure 6: Average Migrant-Recipient Difference: Communication Experiment: By Closeness of Ties

Conclusions
Results show that moral hazard is a characteristic of both migrant and recipient resistance decisions. This implies that recent working financial tools to help mitigate migrant recipient moral hazard should be informed and complemented by a discussion of migrant moral hazard. Additionally, the communication experiment shows that some deviation by recipients may be inadvisable and improved communication could be an inexpensive method of bringing migrants and recipients closer together.

The results also add to the growing literature on information asymmetries in household decision making by showing that information problems can affect various stages of the resource allocation process (saving and spending) and exist in the extended family. The heterogeneous results by closeness are suggestive that while information problems are important, they do not matter for all families in which resources are shared.