

14.472 Public Finance II

Redistribution: Takeup and Self-Targeting (V_d):

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Incomplete take-up is widespread

- Well documented that take-up of social transfer programs is incomplete
- Nice overviews: Currie (2006); Ko and Moffitt (2022)
- Estimates of Takeup (Ko and Moffitt 2022):
 - ~30% for TANF
 - ~80 percent for EITC and SNAP
- Challenges in measuring takeup
- Main explanations offered for limited take-up:
 - Informational barriers to takeup (eligibility, benefits, application process)
 - Transaction costs associated with enrollment
 - Stigma associated with participation (could be a form of transaction cost)
- Optimization?
 - optimizing models: take-up if expected benefits $>$ expected cost
 - non-optimizing models

Some key questions

- Positive / descriptive
 - What are key barriers to take-up?
 - Relative roles of information, transaction costs and stigma
 - Who is the marginal person deterred by barriers?
- Normative implications: Is low take up bad?
 - Normative implications of increasing take up levels
 - Normative implications of self-targeting

Outline for lecture

- Some empirical evidence on barriers to take up:
 - Informational barriers: Bhargava and Manoli (2015) EITC experiment
 - Information and Transaction costs: Bettinger et al. (2012) FAFSA Experiment
 - Stigma: Anders and Rafkin (2022)
- Self-Targeting properties of barriers (Nichols and Zeckhauser 1982):
 - Alatas et al. (2016) self-targeting experiment in Indonesia
 - Deshpande and Li (2019) on disability insurance
- Normative implications: Finkelstein and Notowidigdo (2019)
- Some methodological themes:
 - A relatively large number of RCTs in this space (any thoughts on why?)

- Consumers may have limited information about eligibility or benefits
 - Costs involved in learning about eligibility and application rules (optimally may choose not to seek)
 - "Psychological frictions" - confusion, complexity, inattention

- "Why are Benefits Left on the Table?"
- Randomized experiment on incomplete take-up of EITC
- 25% incomplete take-up
 - 6.7 million non-claimants per year
 - Forgo on average $>$ one month's income
- Randomized experiment designed to assess various informational barriers to take-up
- Modify the information content and complexity of IRS reminder notices to 35,000 tax filers in CA who failed to claim their EITC despite presumed eligibility (*and receipt of initial reminder*)

Main experimental effects

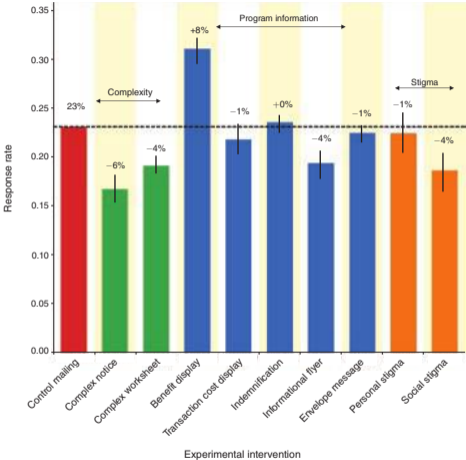


FIGURE 4. RESPONSE AND MARGINAL EFFECTS BY EXPERIMENTAL INTERVENTION

Notes: This figure depicts the response rates, and marginal treatment effects, associated with experimental interventions using estimates reported in column 1 of Table 4. The “Control mailing” refers to the simple notice and simple worksheet and reflects response averaged across the envelope and indemnity treatments.

Summary of results

- Take-up is sensitive to "frequency, salience and simplicity with which information is provided"
- Second mailing - just months after first - increases takeup by 14 percentage points!
- Nature of mailing has effects
 - Simplification (e.g. visually more appealing notice or shorter worksheet) raises enrollment from 0.14 to 0.23
 - Poorest individuals most deterred by complexity (Figure 6)
 - Stigma treatments have little effect.
 - Because they do not affect stigma or because stigma not important?

Interpretation

- Interpret results as evidence of low awareness of eligibility and benefits
 - Supplemental survey: Participants reviewed experimental interventions and then their beliefs are assessed
 - Suggests interventions shaped behavior by influencing beliefs (about eligibility and benefit size) and increasing attention paid to forms
- Difficult to rationalize with a traditional / rational model of takeup in which eligible individuals balance accurately perceived expectations of benefits and costs
 - Large impact of second notice
 - Large impact of reducing complexity or changing salience
 - Survey evidence suggested interventions increase awareness and reduce confusion
- Conclude there are "psychological frictions" and more work is needed to model and understand them

Information and Transaction Costs

- Bettinger et al. (2012) "The Role of Application Assistance and Information in College Decisions: Results from the H&R Block FAFSA Experiment"
 - Randomized experiment on low-income individuals receiving tax preparation assistance
 - Examining takeup of FAFSA (Free Application for Federal Student Aid)
- Experimental design:
 - Some individuals offered personalized aid estimates and immediate assistance filing forms
 - Others just offered personalized aid estimates
 - Controls (status quo)
- Outcomes: Completing FAFSA; applying for financial aid, attending college; receiving aid at college

Summary of results

- Information + Assistance has real effects
 - Increased aid applications, college enrollment, receipt of aid, and college persistence
- Information by itself has no effect

- Lack of effect of "information only" treatment
 - Compare to EITC experiment.
 - Hassles may be greater w FAFSA so fewer people on margin
 - Outcome is different (getting a refund vs going to college)
 - How did information treatment affect beliefs (about eligibility? expected benefits?)
- Unfortunately, cannot say much about targeting as study population relatively homogeneous to begin with
 - College persistence results could be suggestive

Role of Stigma

- Widely conjectured
- Many “null” results (eg. Bhargava and Manoli) but difficult to interpret
- Anders and Rafkin (2022): “The Welfare Effects of Eligibility Expansions: Theory and Evidence from SNAP”
 - Compelling empirical work that expanding income-eligibility raises enrollment among inframarginals (always-eligibles)
 - Possible explanations: increased information or reduced stigma. Evidence for both
 - Online experiment shows that interventions that increase beliefs about share of population eligible reduces a stigma index
 - Survey (FSPAS) evidence that demographic groups with the largest inframarginal effects are those with low levels of awareness

Is increased take-up a goal?

- Policy makers and advocates talk about goal of increasing takeup
- Private welfare gain from increased takeup depends critically on whether individuals are making optimal decisions
 - If so, no first order welfare gain from increasing takeup by reducing barriers (envelope theorem)
 - But if individuals are (sub-optimally) unaware / inattentive / failing to apply, could have first order welfare gain
- Social welfare: Incomplete takeup may actually be a desired (constrained) optimum
 - With imperfect information about individual's type, takeup barriers may improve self-targeting efficiency of redistributive program (or they may not)
 - This is what the self-targeting literature is about
- Private takeup decisions impose a negative fiscal externality on government, creating wedge between private and social optimum
 - Public administrative costs, decreased tax revenue on earnings etc.

Self-targeting: Nichols and Zeckhauser 1982

- Recall Nichols and Zeckhauser (1982) - already covered
- Want to redistribute based on an unobserved characteristic (e.g. ability).
 - If demand for specific goods is correlated with unobserved characteristic, can transfer more efficiently by sacrificing productive efficiency
 - Exploit single crossing feature: people of different ability have different marginal utility (disutility) from specific goods
- Previous example: in kind vs cash transfers
- Now consider: pure deadweight costs - "ordeals"

Self-targeting: Ordeals

- NZ (1982) implies may be optimal to have “ordeals” in transfer programs: i.e. pure deadweight cost e.g.
 - Tedious administrative procedures
 - Stigma
- May enhance target efficiency if benefits from transfers vary across potential recipients
 - Suppose intended get 100 utils from transfer
 - Suppose imposters get 10 utils
 - Then ordeal that imposes an 11 util loss in order to qualify for the transfer would be an effective screening device
- Example: make people fill out lots of forms / wait in long lines to apply
 - Pure deadweight loss / ordeal
 - Nevertheless, may be a good screen for those whose marginal utility of receipt is low

An alternative take on ordeals

- Bertrand, Mullainathan and Shafir (AEA P&P 2004)
 - Hassle costs (e.g. 36 page food stamp application with confusing question) deter the low ability people you want to transfer to
- Mullainathan and Shafir (2013) "Scarcity"
 - Ordeals screen out those with limited "bandwidth" / consume cognitive resources
 - Poverty as a bandwidth tax: poor face many concerns and have to "tunnel" attention on a few

Research Questions:

- Descriptive: Who is the marginal person deterred by current program rules?
 - someone who looks like we wouldn't want to redistribute to them (N-Z) or someone we would like to (BMS)
- Normative: How do the targeting properties of rules relate to their welfare implications?

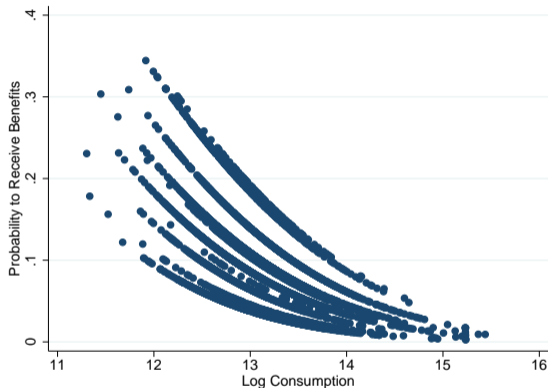
Information-based screening model - Alatas et al. (2016)

- "Self Targeting: Evidence from a Field Experiment in Indonesia"
- Randomized evaluation across 400 Indonesian villages of different methods of enrolling in a large conditional cash transfer program
 - Targets poorest 5% of population that also meet certain demographic requirements (e.g. pregnant woman or young kid in household)
 - Cash assistance of about 4-13% of average yearly consumption
 - Requirements of school attendance, pre-postnatal checkup, and completed vaccinations

Self targeting Experiment

- Government problem: determine who is eligible
 - Status quo: automatically screen for eligibility and enroll based on easy to observe assets (size of house, materials of roof etc)
 - "Proxy means test" (Imperfect proxy)
- Experimental alternative to status quo
 - Self-targeting: households have to apply to program
 - Note: Same asset tests applied. Key difference is active applying (self-targeting) vs automatic screening
 - Within self-targeting villages, also randomly vary application costs
 - Distance: Where application site is located relative to village center (max is 1/2 day's time, which is trivial compared to benefits)
- Researchers conduct their own detailed baseline consumption survey ("truth")

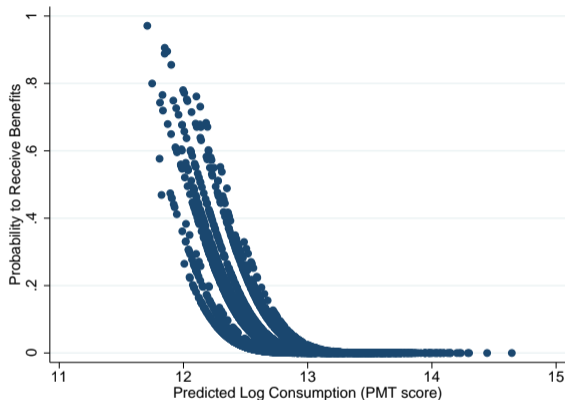
Proxy means test an imperfect proxy for consumption



(A) Probability of Obtaining Benefits vs.
Log Per Capita Consumption

Shows predicted probability of receiving benefit conditional on apply (from probit model of benefit receipt on log per capita consumption)

Uncertainty about benefit receipt even conditional on proxy



(B) Probability of Obtaining Benefits vs.
PMT score

Shows predicted probability of receiving benefit conditional on apply versus predicted consumption based on Proxy Means Test (PMT)

Information-based screening model

- Government program that delivers benefit b if deemed eligible
- Government wants to target transfers based on consumption (y)
- Issue 1: Government only observes a part of consumption y^o , where $y = y^o + y^u$ and observes y^o
 - y^o is the proxy means test
- Issue 2: Imperfect and costly measurement technology for y^o
 - Costly government survey / verification process to measure y^o
 - y^o measured with error - conditional on applying, probability of being deemed eligible is $\mu(y^o)$ with $\mu'(y^o) \leq 0$
 - see preceding figure: uncertainty about benefit receipt conditional on proxy (y^o)
- Note: government faces two problems:
 - Costly verification process (fiscal externality on government from individual applying)
 - Unobservables (would like to target on y , not y^o)

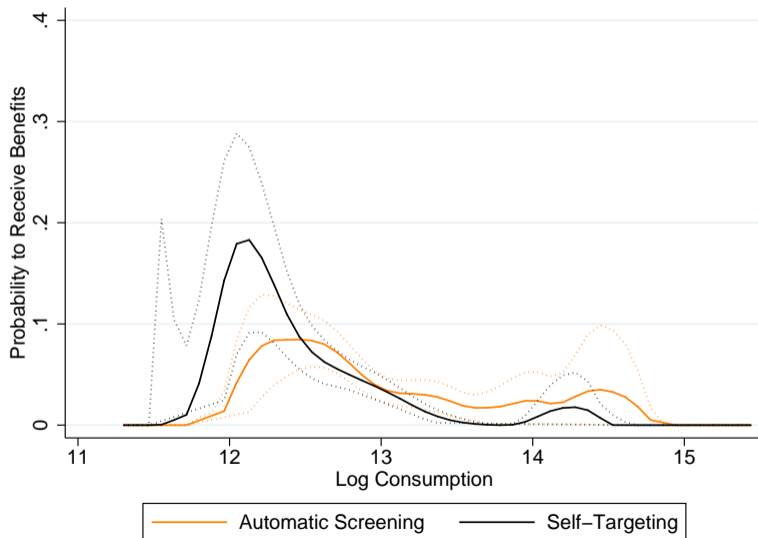
Individual's problem

- Individuals:
 - know y
 - cost to individual of applying $c(l, y)$ - l is distance to application site
- Two types of individuals
 - Sophisticated: know that eligibility is determined by $\mu(y^o)$ - i.e. depends only on observable consumption
 - Unsophisticated: do not know what government observes; but see empirical probability of someone receiving program conditional on applying $\lambda(y)$
- Individuals apply if expected benefit exceeds expected cost
 - Note that sophisticated calculates expected benefit based on y^o , unsophisticated based on y

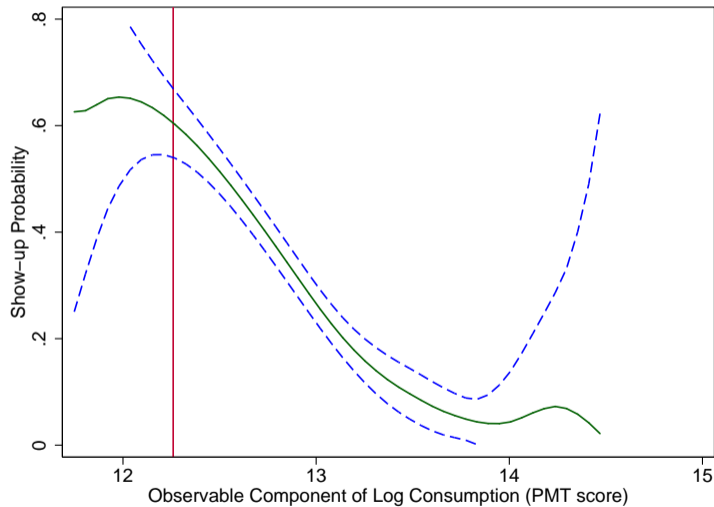
Government options: automatic screening vs. self-targeting

- Automatic screening:
 - Government incurs cost of measuring y^o for everyone and decides eligibility
- Self-targeting: people must apply before government will measure y^o and decide eligibility
- Two theoretical advantages to self-targeting:
 - Sophisticated individuals won't apply if y^o is high - reduces fiscal externality on government
 - Unsophisticated individuals won't apply if y is high - reduces fiscal externality and also improves selection on unobservable y^u

Self-targeting improves targeting

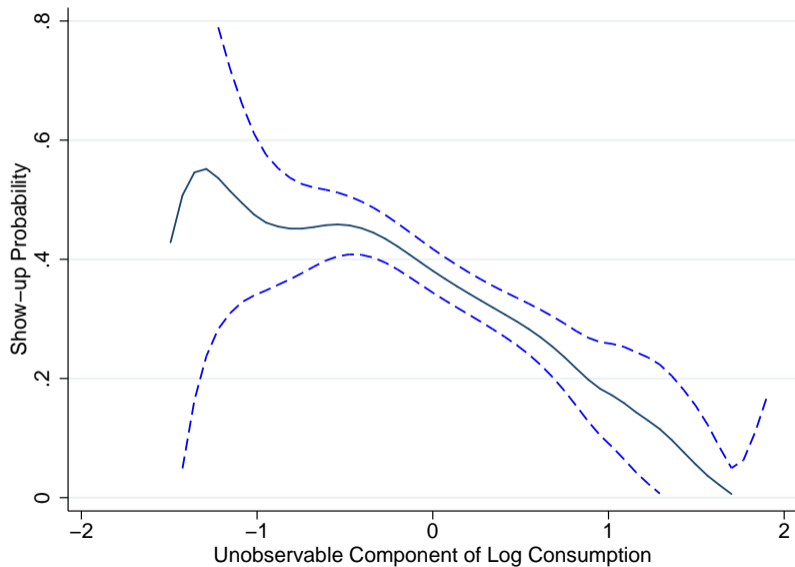


Self-targeting (applying) on observables



(A) Show Up as a Function of Observable Consumption (y_i^o)

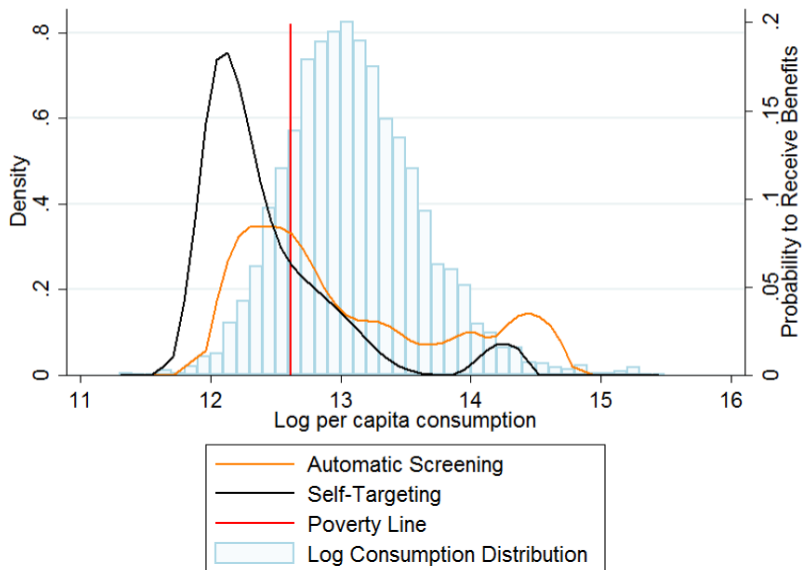
Self-targeting on unobservables (unsophisticated)



Summary of results

- Self targeting screens out higher consumption individuals relative to automatic screening
 - Savings on fiscal externality
 - Better selection on unobservables (unsophisticated self selection on y , not y^o)
- But marginal increases in application costs (via distance) do not further improve targeting (see paper). Why?
 - Long tail of people with low probability of passing screen = where mass of people are
 - So large mass of people w very small probability of receipt get weeded out by small application cost

Why additional application costs do not improve targeting



Possible US applications

- Medicare added to DI (w 2 yr wait period) in 1972
 - This increases “value” of DI. But is the marginal value of health insurance higher for the truly disabled or not? (Depends in part on access to health insurance through other means).
 - Similarly what about reducing two year waiting period?
- Food stamps: electronic benefit transfer
- Distance to social service office - Deshpande and Li (2021)

- "Who is screened out? Application Costs and Targeting of Disability Programs"
- Natural experiment: timing of closing of 125 out of 1230 Social Security field offices between 2000 and 2014
 - apply for SSDI and SSI in field office (or over phone or on line)
 - field offices process applications
- Study how closings affect level (and characteristics) of application and enrollment

Summary of results

- Compelling evidence of role of "transaction costs" in deterring applications and enrollment
 - Closings produce an 11% decline in applications and 13% decline in enrollment
- Heterogeneous response: Closings disproportionately affect low SES and lower severity conditions
 - Welfare implications unclear. What do we want to target?
 - Follow on work: Despande and Lockwood (EMA 2022): Beyond Health: Non-Health Risk and the Value of Disability Insurance
 - receipt vs not of DI correlated with proxies for consumption (especially the "less severe" recipients)
- What is "mechanism" for decreased applications?
 - Closings increase travel time to nearest open field office by about 40 percent (10 minutes by drive; 36 minutes by public transit)
 - Evidence of congestion effect (i.e. increased walk-in time in neighboring offices)
 - Applicant time costs would have to be implausibly large to explain decline in applications

Normative analysis of take-up and self-targeting

- Will present model from Finkelstein and Notowidigdo (2019)
- Goals:
 - Framework for how to interpret the prior empirical results normatively
 - nests Nichols and Zeckhauser model as a special case
 - Provides guide to what empirical objects are needed for normative analysis

Overview of normative model

- Recall standard (i.e. Nichols and Zeckhauser) framework on ordeal mechanisms.
 - Key assumptions:
 - Individual types (abilities) unobserved;
 - decisions are privately optimal
 - labor supply response is the only source of fiscal externality (greater for higher types)
 - Result: ordeal that impose greater utility cost on higher types can improve social welfare over and above an optimal non-linear income tax
- This theoretical result does not generalize when we allow for either:
 - Individuals may not make privately optimal application decisions
 - OR flexible relationship between individual type and fiscal externality from her enrollment on government budget
 - (or ordeals do not impose greater utility cost on higher types)
- Key empirical questions for welfare implications of targeting:
 - Relative behavioral biases (if any) across types
 - Relative fiscal externalities across types
 - Relative behavioral response (enrollment) to ordeals across types

Model set up

- Individuals of type $j=L$ or H . Each type has unobserved wage θ_j , with $\theta_H > \theta_L$
- Individuals make hours choice h_j and also choose whether to apply to safety net program
- Net-of-tax earnings: $y_j = \theta_j h_j - \tau(\theta_j h_j)$
- Program application pays benefits B if earnings are below some threshold r^*

Model set up (con't)

- Common utility function across types:
 - If individual does not apply: $u(x_j) - v(h_j)$
 - If individual applies: $u(x_j) - v(h_j) - (\Lambda\kappa_j + c)$
 - $(\Lambda\kappa_j + c)$ is private cost of applying
 - Type specific utility cost: κ_j (NZ assume $\kappa_H > \kappa_L$)
 - Individual-specific utility cost with type-specific distribution $f_j(c)$
- Allow for misperception of benefits (ϵ_j) so that perceived benefit from applying is $(1 + \epsilon_j)B$

Application decision and private welfare

- Individuals make application and labor supply decisions to maximize private utility, given their (possibly incorrect) perceptions
 - Apply if EU from applying (given optimal hours choice if apply) $>$ EU from not applying (again given optimal hours choice)
- For low-ability individuals, assume either hours choice would leave them below the earnings eligibility threshold r^*
- For high ability individuals, assume hours choice if they do not apply puts earnings ability eligibility threshold r^*
 - Therefore if they apply set hours $= r^* / \theta_H$ so they are at income threshold
- Note: both types choose weakly fewer hours of work if apply (due to potential income effects) but for H types there is an added reduction in hours from applying because of the need to reduce hours to meet income eligibility threshold
 - This will be important; makes for a higher fiscal externality from H applying than L

Application decision and private welfare

- Individuals apply if expected utility from applying (given optimal hours choice if apply) exceeds expected utility from not applying (again given optimal hours choice)
- V_j denotes private welfare of type j

We define c_j^* to be the threshold level of c such for $c < c_j^*$, type j chooses to apply.

Total private welfare of type j , V_j , can therefore be written:

$$\begin{aligned} V_j &= Pr(\text{apply}) * E[u()|\text{apply}] + Pr(\neg\text{apply}) * E[u()|\neg\text{apply}] \\ &= \int_0^{c_j^*} (u(y_j^A + B) - v(h_j^A) - (\bar{\Lambda}\kappa_j + c)) dF_j(c) \\ &\quad + \int_{c_j^*}^{\infty} [u(y_j^{-A}) - v(h_j^{-A})] dF_j(c) \end{aligned}$$

- Assume a utilitarian SWF

Total social welfare, W , can therefore be written: $G_j^A = \tau(h_j^A \theta_j)$ and $G_j^{-A} = \tau(h_j^{-A} \theta_j)$

$$W = \underbrace{V_L + V_H}_{\text{Private Welfare}} - \underbrace{[B(A_L + A_H)]}_{\text{Program Cost}} + \underbrace{[A_L G_L^A - (1 - A_L) G_L^{-A} + A_H G_H^A + (1 - A_H) G_H^{-A}]}_{\text{Fiscal Externality}}$$

where $A_j = F_j(c_j^*)$ is the expected number of applications from type j individuals.

- Note that (for expositional ease) we are using G to denote the net fiscal externality from type j applying (or not applying)

Social Welfare: Program Costs

Total social welfare, W , can therefore be written: $G_j^A = \tau(h_j^A \theta_j)$ and $G_j^{-A} = \tau(h_j^{-A} \theta_j)$

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where $A_j = F_j(c_j^*)$ is the expected number of applications from type j individuals.

- Note that instead of subtracting mechanical program costs from W could instead "close" the government budget by having these costs "paid for" out of individual consumption
 - Our approach assumes costs of program born by someone with average marginal utility of consumption in society (i.e. W is a "money metric" SWF, normalized by average marginal utility of consumption in the population)

Social Welfare: Fiscal Externalities

- "Standard" negative fiscal externality: if individuals choose fewer hours of work as a result of applying for benefits, applying imposes a social cost - above and beyond the mechanical program cost (B) - via reduced income tax revenue
 - and note this fiscal externality is greater for H type (why?)
- if individuals privately optimize with accurate beliefs, too many people will apply relative to social optimum

Nests standard result

- Social optimum will involve a non-zero ordeal utility cost (i.e. $\Lambda > 0$) even in the presence of an optimal nonlinear income tax (Currie and Gahvari 2008)
 - Intuition: with unobserved ability θ_j and endogenous hours choices, optimal non-linear income tax has binding IC on high ability (prevent H from mimicking L) that prevents first best amount of redistribution (equal consumption across types)
 - Adding ordeals that are more costly to high ability types ($\kappa_H > \kappa_L$) can relax IC constraint and allow for more redistribution
- Key assumptions for standard result:
 - Ordeals impose higher utility costs on high ability type ($\kappa_H > \kappa_L$)
 - Individual choices are privately optimal ($\epsilon_j = 0$)
 - Only source of fiscal externality is through tax revenue (therefore high ability impose greater fiscal externality)
- These are all empirically testable
 - And if don't hold, can reverse standard result

Impact of Information on Social Welfare

Definition. Define $\mu_j \equiv u(y_j^A + B) - u(y_j^A + (1 + \epsilon_j)B)$

Proposition 1. *The effect of the Information Only treatment on welfare is given by:*

$$\frac{dW^{Information\ Only}}{dT} = \underbrace{\mu_L \frac{dA_L}{dT} + \mu_H \frac{dA_H}{dT}}_{\text{Change in Private Welfare}} - \underbrace{\left[B \left(\frac{dA_L}{dT} + \frac{dA_H}{dT} \right) \right]}_{\text{Change in Mechanical Program Costs}} + \underbrace{\left[[G_L^A - G_L^{-A}] \frac{dA_L}{dT} + [G_H^A - G_H^{-A}] \frac{dA_H}{dT} \right]}_{\text{Change in Fiscal Externalities}} \quad (1)$$

Neoclassical setting

- Assume no misperceptions ($\epsilon_H = \epsilon_L = 0$). Therefore intervention has no effect on private welfare ($\mu_L = \mu_H = 0$)
 - Individual decisions are already privately optimal
 - marginal individuals is indifferent between applying and not, so change in behavior has no first-order impact on private welfare
 - with misperception (e.g. $\epsilon_j < 0$) intervention increases private welfare for marginal applicants of each type by μ_j
 - Size of private welfare gain increasing in amount of under-estimation
- Assumes change in fiscal externality for marginal applicant is larger (more negative) for H type
 - Remember the changes hours more in response to applying (bc needs to mimic L)

Some definitions

- Treatments (i.e. ordeal reductions) (T) :
 - "Information only": reduces misperceptions ($dT = d\epsilon$)
 - "Information plus assistance": reduces misperceptions and private application costs ($dT = d\epsilon, -d\Lambda$)
- Targeting $e = (E_L / (E_H + E_L))$
 - Share of enrollees who are low type (low ability / productivity)
 - Treatment T increases targeting if $de/dT > 0$
- $\mu_j = u(y_j^A + B) - u(y_j^A + (1 + \epsilon_j)B)$
 - difference for type j between the actual and perceived utility when applying
 - if individuals under-estimate benefits of applying ($\epsilon_j < 0$), $\mu_j > 0$

Relationship between targeting and social welfare

Proposition 2. *Holding constant the change in applications due to an intervention, the change in social welfare in response to an improvement in targeting ($de/dT > 0$) from an Information Only (or Information Plus Assistance) treatment is given by the following expression:*

$$\frac{\partial}{\partial(de/dT)} \left(\frac{dW}{dT} \right) \Big|_{\frac{dA}{dT}} = [(\mu_L - \mu_H) + (G_L^A - G_L^{-A}) - (G_H^A - G_H^{-A})] (E_H + E_L) \quad (3)$$

- In neoclassical case: the targeting property is
 - Unrelated impact on private welfare (which is zero by envelope theorem)
 - Depends solely on fiscal externality (which is larger for H by assumption)
- Once allow for misperceptions, can increase private welfare
 - $u'(y_j)$ higher for L-types
 - But, welfare gain also depends on ϵ_j which could have any relationship with type

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- Even without misperceptions ($\epsilon_j = 0$) another “free parameter” in relationship between targeting and welfare is how size of fiscal externality varies with type
 - By assumption it’s higher for H than L in standard model
 - What if there are other fiscal externalities such as impact of program enrollment on health and public health expenditures?
 - Empirically ambiguous which type creates bigger fiscal externalities

Relationship between targeting and social welfare

- Without misperceptions ($\epsilon_H = \epsilon_L = 0$)
 - $\mu_L - \mu_H = 0$
 - Change in targeting has no effect on private welfare
 - Relationship between change in social welfare and change in targeting therefore depends solely on how change in targeting changes fiscal externality from applying
- "standard" setting (i.e. Nichols and Zeckhauser): no misperceptions and only fiscal externality is through earnings margin
 - improved targeting (i.e. inducing L to apply instead of H) lowers the (negative) fiscal externality from applying
 - recall: reductions in earnings for H types induced to apply are larger than for L types induced to apply
 - therefore an increase in targeting increases social welfare
- Could break this if generalize G to include other fiscal externalities from applying
 - Could be positive or negative
 - relative magnitude across types also ambiguous

Relationship between targeting and social welfare

- With misperceptions ($\epsilon_j \neq 0$), change in social welfare from an increase in targeting is also increasing in $(\mu_L - \mu_H)$
 - Intuition: thought experiment of increasing targeting "swaps" an H applicant for an L applicant so μ_L enters positively and μ_H enters negatively
- For $\epsilon_j < 0$, μ_j increasing in two type-specific factors: marginal utility of consumption, and magnitude of underestimation
- Sufficient condition for an increase in targeting to increase private welfare is that under-estimation is non-zero for at least one type and weakly higher (in absolute value) for L type (i.e. $\epsilon_L \leq \epsilon_H \leq 0$, with at least one inequality strict)
 - e.g. behavioral frictions larger for L type (Mullainathan and Shafir)
 - e.g. both underestimate by same (proportional) amount: $\epsilon_H = \epsilon_L < 0$

Empirical objects for welfare analysis of targeting

- Misperceptions by type
- Fiscal externality by type
- But "type" (θ) is inherently unobserved. So what can you do empirically?
 - Need joint distribution of misperceptions and fiscal externalities
 - And perhaps marginal utility of consumption (if there are misperceptions)

Questions about targeting


- Empirical: who is screened out?
 - i.e. what is the impact of a given intervention on targeting (de/dT)
 - neoclassical theories assume ordeals improve targeting, while behavioral theories assume they worsen targeting
 - e.g. NZ assume ($\kappa_H > \kappa_L$) while "scarcity" hypothesis is opposite ($\kappa_L > \kappa_H$)
- Conceptual: how does the targeting impact of the intervention relate to its social welfare impact?
 - See above theory: not obvious that it does!

Empirical application

- SNAP (Food stamp) takeup particularly low among elderly (~40% compared to 80% overall)
- Non-profit (Benefits Data Trust) tries to increase takeup
 - Gets information from state on people not enrolled in SNAP (SNAP enrollment data) but likely eligible (enrolled in Medicaid)
 - Contacts these individuals to inform them of their potential eligibility and offer to assist them with document collection and application
- RCT on ~30,000 elderly not enrolled in SNAP but likely eligible
 - Information only: informs of likely eligibility
 - Information plus assistance: also provides help with application
 - Control group: status quo
- Questions:
 - how does takeup respond to these interventions
 - who is the marginal person affected (targeting properties)
 - what are the normative implications?

Figure A1: Standard Outreach Materials: Information Plus Assistance

Letter



Sample A. Sample
2 Logan Square, Ste 550
Philadelphia, PA


Dear Sample A. Sample,

Good news! You may qualify for help paying for groceries through the Supplemental Nutrition Assistance Program (SNAP).

We want to help you apply for SNAP!

We are working closely with the PA Benefits Center to help you get SNAP. Thousands of older Pennsylvanians already **get an average of \$119 a month** to buy healthy food.

Please call the PA Benefits Center today. It could **save you hundreds of dollars each year.**


Sincerely,

 Ted Dallas
 Secretary of the Pennsylvania
 Department of Human Services

Ted Dallas
 Secretary of the Pennsylvania
 Dept. of Human Services


Beneficiary ID#:
 #####

Apply now!
 Call us at **1-800-528-9594**
 Monday - Friday
 9:00AM - 5:00 PM

 The call is free.
 Our friendly staff
 will help you.


 ##### (000)

Postcard



Dear Pennsylvania Resident,

We haven't heard from you!

Our records show you may qualify to receive help paying for groceries through the Supplemental Nutrition Assistance Program (SNAP).


Don't miss this opportunity! We are working with the PA Benefits Center to make sure you get the help you deserve.

- Thousands of older Pennsylvanians already **get an average of \$119 a month** to buy healthy food.
- It is **FREE** to apply for SNAP.
- You may be able to apply using a simple fast track application.

Apply for SNAP now!

Call us for FREE at: **1-800-528-9594**
 Monday - Friday, 9:00 AM - 5:00 PM

Call the PA Benefits Center today. It won't take long and could **save you hundreds of dollars each year.**

Sincerely,

 Ted Dallas
 Secretary of the Pennsylvania
 Department of Human Services

Envelope




PA Benefits Center
 PO Box 30100 Philadelphia, PA 19101

PA 1001
 PERM
 POSTAGE WILL BE PAID BY ADDRESSEE

Figure A1: Standard Outreach Materials: Information Plus Assistance

Letter



Sample A. Sample
2 Logan Square, Ste 550
Philadelphia, PA


Dear Sample A. Sample,

Good news! You may qualify for help paying for groceries through the Supplemental Nutrition Assistance Program (SNAP).

We want to help you apply for SNAP!

We are working closely with the PA Benefits Center to help you get SNAP. Thousands of older Pennsylvanians already **get an average of \$119 a month** to buy healthy food.

Please call the PA Benefits Center today. It could **save you hundreds of dollars each year.**

Sincerely,

Ted Dallas
Secretary of the Pennsylvania
Department of Human Services

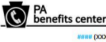
Ted Dallas
Secretary of the Pennsylvania
Dept. of Human Services

Beneficiary ID#:
#####


Apply now!

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
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Monday - Friday, 9:00 AM - 5:00 PM

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Sincerely,

Ted Dallas
Secretary of the Pennsylvania
Department of Human Services

Envelope

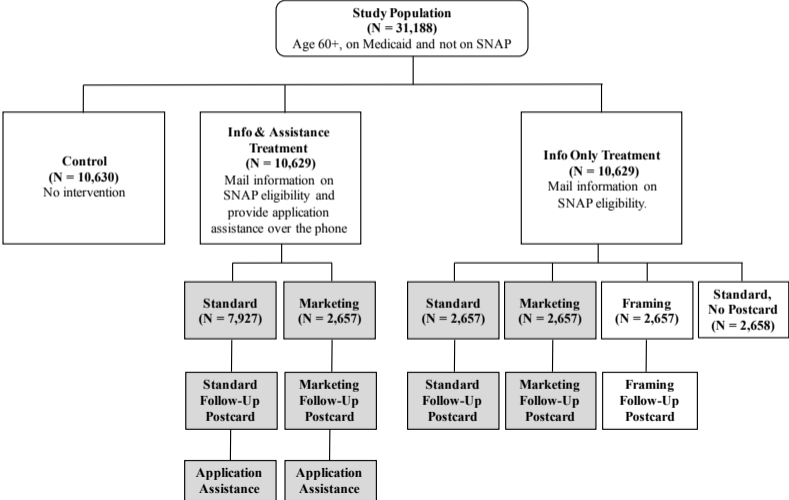


PA Benefits Center
170 Elm Street - Philadelphia, PA 19102

PA DEPT. OF HUMAN SERVICES
1700 MARKET STREET
PHILADELPHIA, PA 19102



Figure A3: Experimental Design



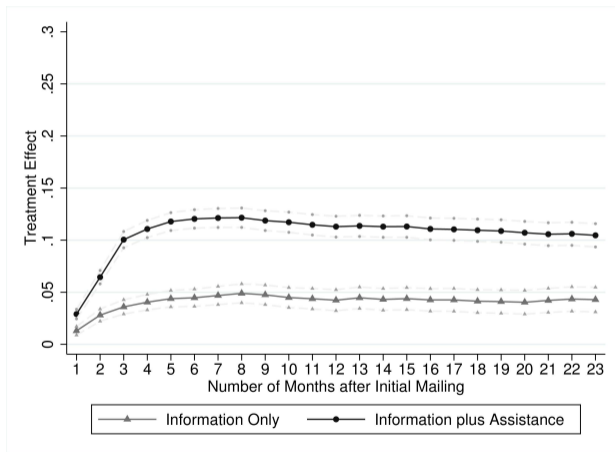
Takeup results

Table 2: Behavioral Responses to "Information Only" and "Information Plus Assistance"

	Control	Information Only	Information Plus Assistance	P Value of Difference (Column 2 vs 3)
	(1)	(2)	(3)	(4)
SNAP Enrollees	0.058	0.105 [0.000]	0.176 [0.000]	[0.000]
SNAP Applicants	0.077	0.147 [0.000]	0.238 [0.000]	[0.000]
SNAP Rejections among Applicants	0.233	0.266 [0.119]	0.255 [0.202]	[0.557]
Callers	0.000	0.267 [0.000]	0.301 [0.000]	[0.000]
Adjusted Callers	0.000	0.289 [0.000]	0.301 [0.000]	[0.156]
SNAP Applicants among Non-Callers	0.077	0.086 [0.063]	0.081 [0.324]	[0.363]
SNAP Applicants among Callers	0.000	0.313 [0.000]	0.602 [0.000]	[0.000]
SNAP Enrollees among Non-Callers	0.058	0.061 [0.442]	0.059 [0.713]	[0.688]
SNAP Enrollees among Callers	0.000	0.226 [0.000]	0.450 [0.000]	[0.000]
Observations (N)	10,630	5,314	10,629	

Time pattern of enrollment

Figure 1: Time pattern of enrollment responses



NOTE: Figure shows, by month, the (cumulative) estimated treatment effects on enrollment (relative to the control) for the Information Only arm and the Information Plus Assistance arm. 95 percent confidence intervals on these estimates are shown in the dashed light gray lines.

Takeup results

- "Information only" increases enrollment less but may be more cost-effective
 - 9-month enrollment: 6% (control), 11% (info only); 18% (info plus assistance)
 - Applications increase proportionally - no change in approval rate
 - Cost per additional enrollee: ~\$20 (info only); \$60 (info + assistance)
- Reminder postcard
 - Info only without reminder postcard has about 20% lower applications and enrollment
 - Suggestive of inattention?

Targeting results

- Both interventions decrease targeting in a similar manner:
- Marginal applicants and enrollees are "less needy" than average enrollees
 - Lower benefits (progressive benefit formula)
 - Better health
- Note: do not observe "ground truth" (i.e. what social planner would like to target on):
 - marginal utility of consumption?
 - Compare to Alatas et al.

”Calibrating” model

- Results consistent with misperceptions
 - Impact of reminder postcard
 - Given empirical rejection rate of applications and resulting expected benefits from applying, and estimates of time cost of applying, absent misperception of acceptance rate need implausibly high non-time cost of applying to rationalize (e.g. \$3,000)
 - Alternatively, if assume zero non-time cost, estimate substantial misperceptions for marginal individual (higher for low income / high benefit individuals by construction)

Using model to interpret results

- Given our estimates of misperceptions, we can calculate the MVPF of the interventions
- Estimates suggest MVPF would be worse if targeting were worse
 - but this is because the higher need individuals have higher misperceptions (to rationalize non take up of higher benefits)
- Key point is that whether improved targeting improves social welfare depends not just on need (marginal utility of consumption) but also on misperception.
 - Implicit assumption in prior work that those in greater need had greater failures of rationality
 - Needs empirical examination

Areas for future work

- Attractive features of this area
 - Rich, interesting and inconclusive theory
 - Relative paucity of empirical evidence
 - Positive and normative questions
- Fertile ground for research
 - Impact of reducing barriers to takeup on takeup, screening, and welfare
 - Policy question: should we have auto enrollment?
 - Stigma - could be substantively important; empirically challenging
 - Estimating optimal *level* of hassles
 - Recertifications (see next slide)
- Normative analysis:
 - What we really want is the joint distribution of fiscal externalities and behavioral frictions
 - Now that we know this, we might have designed a different RCT!

Fruitful area for work: Recertification

- Some advantages:
 - Solves a key empirical challenge with takeup studies: defining the denominator
 - Relatedly: rich data on denominator from enrollment
 - Rules out “don’t want to receive government benefits” type explanations
- Small amount of work:
 - Pei (AEJ 2017) on optimal length of recertification
 - Homonoff and Somerville (AEJ 2021) on failures to recertify in SNAP (most cases quickly re-enroll)
- Separately, failure to recertify can be a useful instrument for estimating causal effects
 - Hastings and Shapiro (AER 2018): MP to consume food out of food stamps vs cash
 - Finkelstein and Notowidigdo (in “progress”): impacts of food stamps vs cash on health

Methodological Comment

- Feasibility of RCTs in this space
 - Letters are cheap (e.g. EITC)
 - Partners interested in improving or demonstrating their efficacy (BDT)
- Yet implementing and expositing compelling quasi-experimental design in this space very valuable
 - often have larger samples (important for power to examine heterogeneity of effects)
- Key advantage of RCT is can design / choose your variation