

On the Existence of the Utility Premium for Being Free: or the Rational Irrationality*

Lasha Lanchava^a

Abstract

Several studies in various fields of economic research demonstrated somewhat peculiar results that can not be explained by conventional economic theory. These studies show that if individuals are denied the possibility to commit certain actions either by law, penalty or by any other enforcement mechanism, they are not deterred and in contrast more people violate the law. The authors of these studies propose various explanations, nevertheless, none of them sounds credible. The theory of psychological reactance (Brehm 1966), well known in social psychology, seems to explain all these peculiarities in a very simple manner as it predicts that once the freedom of individuals is threatened, then a form of psychological emotional state arises, which induces people to act to secure their self-determination. However, if it is not understood in the context of rationality the theory can not explain why people behave irrationally, when they are prohibited doing so. This is the first attempt to bring the theory of psychological reactance in economics and to document experimentally that people derive utility from having free choice. Moreover, I show that if anything prevents people to act as they will, then they will be happy to act irrationally if this action preserves their freedom.

*“A free agent is he that can do as he will,
and forbear as he will, and that liberty
is the absence of external impediments.”*

T. Hobbes

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^a CERGE-EI, P.O.Box 882, Politických veznu 7, 111 21 Praha 1, Czech Republic, Lasha.Lanchava@cerge-ei.cz

Introduction

According to medieval scholar and theologian St. Thomas Aquinas: *"Only an agent endowed with an intellect can act with a judgment which is free, in so far as it apprehends the common note of goodness; from which it can judge this or the other thing to be good. Consequently, wherever there is intellect, there is free will"* (Summa Theologiae, q. 59 a. 3). The Bible tells us that the only agent who is given ability of free choice is man: *"I have set before you life and death... choose life..."* (Deuteronomy 30:19). Through the course of the history of philosophy there have been given various accounts concerning the phenomenon of free will and free choice. Contrary to of ancient and medieval views that humans are capable of acting as free agents, contemporary theories appear to be questioning the conventional wisdom.

The question whether the individuals are indeed free in their will and in their actions is a subject of endless philosophical debate. There are Compatibilists such as Hume and Hobbes against Hard Determinists such as more contemporary Pereboom (2001), claiming that free will does not exist and its existence is not a necessary condition for moral responsibility. There are Determinists who argue that all human actions are caused by external forces and the individuals are unable to perform free action. On the contrary "Metaphysical Libertarians" such as Inwagen (1983) claim that individuals do have a free will and their actions are free thus free will is not compatible with Deterministic arguments. This line of argumentation continues ceaselessly.

However, if we put ourselves in a position which is one step removed from these debates and borrow an idea from social psychology about psychological reactance (Brehm 1966; Brehm 1981), a phenomenon which arises when one's domain of free actions is restricted and is aimed to regain the confiscated freedom, then we will be able to explain several somewhat peculiar results that emerged from various fields of economic research. These studies that will be discussed in the following section firmly suggest that humans perceive their freedom of choice and of action as a naturally or divinely appointed right and once they are forfeited the possibility of acting freely, they seem to use all means available to them to exercise their rights. If we want to be able to bring this psychological phenomenon in to economics, we have to assume that the individuals not only have free will, but they derive utility from being free and having freedom of choice. In addition, I claim that people derive utility from irrational behavior when they are forbidden to do so.

In this paper I would like to document experimentally that people derive utility from free choice. I claim that enjoyment from freedom becomes more salient when people's choice set is restricted. In particular, if a kind of behavior was irrational let is say in liberal case in restricted cases it

becomes rational if it serves to gain lost freedom, so that people derive extra utility from acting against restriction or from consuming the restricted set of goods. One can also say that individuals behave in a way, when limited in freedom of choice, that their actions would be irrational in the absence of restrictions. In an economic experiment the phenomenon will be realized in the manner that people once restricted in acting freely, will be willing to give up a certain amount of monetary payoff in order to exploit their freedom as much as possible in the context of experimental design.

The importance of the phenomenon could be following. First of all, if detected it is indeed an interesting behavioral characteristic of humans that they possess a utility premium to have boundless freedom of action. On the other hand, conventional economic theory of crime, (Becker (1968); Ehrlich (1973); Polinsky & Shavell (2007) and others) employing a general equilibrium analysis of crime and punishment, implies that the optimal level of fines and kind of parameters must be equal to the monetary gains that criminal offenders get from violating a certain law. However, if criminals derive additional enjoyment on top of monetary gain from violating the law in order to defend their right of freedom, then the optimal level of punishments derived earlier without acknowledging the phenomenon above would not be socially optimal any more. The later argument hinges on the fact that government officials who are occupied with enforcement of the law must be very careful when designing the enforcement mechanisms. That is, without accounting for unconventional characteristics of human behavior, the enforcement of law may result in more crime than without any external intervention, a somewhat odd fact that I am going to discuss in the next section.

Related Literature

In his letter in 1932, American philanthropist John D. Rockefeller Jr. claimed: *“When Prohibition was introduced, I hoped that it would be widely supported by public opinion and the day would soon come when the evil effects of alcohol would be recognized. I have slowly and reluctantly come to believe that this has not been the result. Instead, drinking has generally increased; the speakeasy has replaced the saloon; a vast army of lawbreakers has appeared; many of our best citizens have openly ignored Prohibition; respect for the law has been greatly lessened; and crime has increased to a level never seen before.”*¹ The reference has been made to the period of American history known as The Noble Experiment or Prohibition in the United States. During this time, which included the years from 1920 to 1933, any kind of alcohol production or consumption was outlawed nationwide. Nevertheless, as we see from the quote, the effects of the policy were not as

¹ Okrent D., *Great Fortune: The Epic of Rockefeller Center*, New York: Viking Press, 2003. (pp.246/7)

straightforward as it may once have been imagined. And yet controversy prevailed. Scientific literature seems to acknowledge that the policy was a failure, though without clear explanation why for example alcohol consumption increased on the contrary of all predictions based on economic theory.

The first may be somewhat surprising an academically documented fact is that the prohibition did not lower alcohol consumption as it ought to have according to conventional predictions. There are various controversial studies on the issue, however a major conclusion one can draw from these studies is that prohibition even increased alcohol consumption in certain circumstances.

Several studies, as Dills & Miron (2003); Miron & Zwiebel (1991); Miron & Zwiebel (1991) for example, use the cirrhosis rate as a proxy to estimate the effect of the prohibition on the alcohol consumption. These studies considering the existence of the pre-1920 federal anti-alcohol policies, alcoholic beverage taxes, income and other important factors show that the prohibition had a small, nevertheless statistically insignificant effect on the cirrhosis rate, thereby implying that it had little impact on alcohol consumption. However, the fact demonstrated by Thornton (1991a) that alcohol prices rose by approximately 500% during the prohibition period, suggests that alcohol consumption and therefore the cirrhosis rate should have fallen significantly due to the huge increase in the price of alcohol, unless alcohol is an astonishingly price inelastic commodity. Although, the theory about rational addiction (Becker and Murphy (1988)) does not predict that addictive goods are price inelastic. One more fact that adds curiosity to the results demonstrated so far is that once the prohibition was abolished in 1933, there was no dramatic increase in alcohol consumption, but it decreased. The insight of the many speculations that tries to explain all the unexpected findings shown above is best expressed in this quote: *Some evidence even suggests Prohibition made consumption more desirable by endowing drinking with an illicit romance and sense of adventure*². An argument with similar sentiment can be found in earlier literature. As Lee (1963) put it: *“Men were drinking defiantly, with a sense of high purpose, a kind of dedicated drinking that you don't see much of today”*.

And this was indeed the case. Darrow and Yarros (1927) claim that prohibition induced people to consume alcohol in a very exotic manner. In particular people started to drink medicinal and sacramental alcohol. According to the Thornton (1991b), the quantity of the alcoholic liquors sold by doctors and medical institutions doubled. Moreover, the sales of the medicinal alcohol, which contains 95% ethanol, increased by 400% during the era of prohibition. The effects were much more dramatic than it seemed with Miron's studies. According to Warburton (1932), the places where people could

² Miron J.A. and Zwiebel J., "Alcohol Consumption during Prohibition," American Economic Review: 1991,81(2), 242-47.

drink illegal alcohol proliferated. Coffey (1975) shows that the death rate from poisoned alcohol achieved ever increasing numbers in 1925, as it was four times as much as in 1920.

Other studies of the prohibition period show that violence increased significantly during the prohibition era. Friedman (1991) and Miron (1999), trying to explain the unusually high homicide rates that has occurred twice thorough U.S. history during 1920-1934 and during 1970-1990, when drug prohibition was enforced. They claim that prohibition was a primary cause of these unfortunate results. The analysis done by Thornton (1991b) concludes the same. Again, the strikingly peculiar fact is that the abolishment of prohibition resulted in a significant decline in homicide rates, burglaries and other violent crimes (Miron (1999); Thornton (1991b)). Ferdinand (1967) and Pandiani (1982) regard this decline of crime rate “mysterious”, and according to Thornton (1991b) there is no clear account in crime related economic theory why the decline happened.

There is some more evidence in other areas of economic research that illustrate somewhat unexpected outcomes of the prohibition. It is true that in those studies the form and the level of prohibition is not as unmasked and as severe, respectively, as it was in the case of alcohol prohibition. Although, the general conclusions one can draw from all these facts are particularly the same as they degenerate to a sole speculation which will be discussed in more detail below.

In a famous experiment by Gneezy and Rustichini (2000) in day care centers in Israel, the authors tried to force parents, who usually were late, to come on time and to pick up their children after the center finished its working hours. They introduced a small monetary punishment for late-coming parents in certain day care centers. As a result the number of the parents, who came late doubled in these centers. The authors acknowledge that standard deterrence theory is unable to explain the result. They develop their own simple, informal model in the spirit of incomplete contracting to give a rationale to their findings. Their reasoning is the following: parents think that by paying fine, which goes to teachers, they acquire rights to use teachers’ service that is to force teachers to take extra care of their children. However, a very interesting outcome occurred when the fine was abolished. The number of parents’ delays remained unaltered. The later fact does not seem to be explained by the argumentation developed by Gneezy and Rustichini, a fact the authors themselves are aware of.

Another controversial result emerged from a randomized control experiment in Minnesota conducted by Slemrod, Blumenthal and Christian (2001). The authors try to explore the impact of an inflated probability of an audit for the tax evasion. Traditional economic theory predicts that tax avoidance is negatively correlated with the probability of detection and with the size of the penalty imposed (Allingham and Sadamo (1972); Spicer (1974)). As the authors of the experiment report, everything went smoothly with low and middle income groups, so that the extent of average tax

evasion was reduced for these individuals, compared to control group. Nevertheless the behavior of high income group individuals seemed not to be predictable by conventional economic analysis. The average tax compliance for high income group was attenuated. Slemrod, Blumenthal and Christian (2001) call this behavior “perverse”. The authors seek to explain the result in two ways. In their first argument they claim that the high income individuals have more opportunities to hire professional lawyers, who by some wizardry can reduce their tax compliance. Their second argument is much more dubious.

Falk and Kosfeld’s (2004), experimental study explores the effect of the restriction of the set of effort levels on workers performance in principal agent setting. The results show that the control imposed by principal significantly lowers agents’ performance in compare with the cases when agents have freedom in to choose effort level. To be able to interpret the agents’ perception of control, the authors asked the subjects to state the rationale of their actions. From those agents who reacted negatively to the principal’s decision, 49% stated that they perceive this decision as distrust, which hurt them emotionally. Interestingly enough 48% of those subjects reported that while controlling, the principal threatens their autonomy of action. Surprisingly, the authors are more inclined to favor the idea about distrust as they disregard the later pool (48%) of subjects and conclude that the primary cause of the agents’ reaction is indeed the principal’s inability to trust. These authors were only ones in the economic literature have come close to discovering the idea I am developing in this paper, however they could not escape the boundaries of the standard mechanism design literature where trust is considered to be an important instrument in team building or in other related issues.

The most peculiar characteristic of these indeed peculiar studies is that none of its authors acknowledge the long existing theory in psychological literature about “psychological reactance” developed by Brehm in 1966. If they did so, then they might be able to explain their somewhat odd but interesting results in a very simple manner and their papers would be free from the somewhat complicated speculations as they do to make their findings tolerable.

The theory of psychological reactance implies that a reactance occurs when the individuals think that their freedom is threatened (Brehm 1966), that is if people are restricted from performing a certain action, they will react by reestablishing their freedom, in a way that they will try to commit the restricted actions. Moreover, Brehm and Sensenig (1966) and Worchel (1972) imply that prohibition induces attractiveness of the prohibited substance. In addition, Wicklund (1974) argues that reactance induces aggression and cruelty towards the agent who is perceived as the one who threatens freedom. It is only in economics where the theory did not find its application; however, it has been widely tested (Kapf 1978); Carver and Scheier (1981); etc), developed (Caissy (1994)) and used consciously and

unconsciously worldwide. A very interesting example in urban design develops this point. Dutch traffic engineer Hans Monderman conducted an experiment named “Living Street” in the streets of Netherland’s cities in the 1970s. Attempting to improve public safety in terms of reducing traffic accidents, he removed all traffic lights and signs in streets. The result was that the average traffic speed fell significantly and the number of car accidents fell sharply. Monderman insisted: “*If you treat drivers like idiots, they act as idiots. Never treat anyone in the public realm as an idiot, always assume they have intelligence*”³. Monderman’s model has been successfully tried and developed not only in the Netherlands but all over the world (Hamilton (2008); Langdon (2008)). We can reinterpret the phenomenon and say that when car drivers were prohibited from driving fast, they were hitting the gas with greater ecstasy. However, once the prohibition was removed, the drivers became more careful towards themselves and towards pedestrians as well. Although in a different context, the drivers’ behavior in Dutch land resembles to U.S. residents’ deeds before and after The Noble Experiment.

Now one may say why, once prohibited, alcohol became such an attractive commodity that people did not hesitate to drink poisonous alcohol and to die from overdoses and why the number of the homicide rates achieved its apogee in the U.S during the prohibition era. Furthermore, one can easily explain why, in Gneezy and Rustichini’s (2000) experiment, more parents liked to come late when they were implicitly directed not to do so. A theory of psychological reactance explains why high income taxpayers behaved “perversely”, when they were warned to be more honest in their tax reports. Psychological reactance theory implies that the primary reason for decreased agents’ performance in Falk and Korsfeld’s (2004) experiment could be their feeling of lack of autonomy and not distrust as the authors argue.

Presumably, one may not find all the above mentioned facts as uniform and systematic as to be able to give the psychological reactance theory unquestionable supremacy over other explanations. One may legitimately argue that if the theory had any predictive or explanatory power, then it ought not to happen that the removal of the restriction in one situation causes the abandonment of prohibited behavior as it was in the case of alcohol prohibition, whereas in Gneezy and Rustichini’s (2000) experiment liberation does not alter parents’ willingness to come earlier. Another critical question to ask would be why tax evasion behavior was different for high income than for low and middle income groups in the Minnesota experiment. Here we reach the point where the explanatory power of the theory of psychological reactance is exhausted and one can not hope to obtain an answer. On the other hand, not everything is as pessimistic as it might seem. Fortunately, we reached the point in the

³ The quote is retrieved from: <http://www.timesonline.co.uk/tol/comment/obituaries/article3167372.ece>, 30.10.2010

argumentation where the concept of the utility and the rationality will find their brilliant application. This is the situation where economists should enter the room in full armour.

If we analyze the cases more thoroughly employing the idea of rationality, then things would probably become clearer. In particular, in the example of alcohol prohibition people were denied to commit an irrational act that is to drink alcohol and to die from the excess of it. On the contrary, in the Israeli experiment, by forcing them to come earlier, the people were restricted in enjoying their time at the expense of others, namely teachers, and it is always pleasurable to enjoy anything, not only free time at the expense of strangers. Nobody will dispute that it is much more difficult to deprive oneself from pleasure than from sufferance. As it follows, the parents, once they penetrated the prohibited space of behavior, did not want to change after the restriction had been removed. They did so because they were getting utility from being late and it was a rational act for them. However, the people who drink alcohol or who commit violence do not seem that they are getting much pleasure from it. After the repeal of alcohol prohibition, they were happy to abandon their irrational behavior. Needless to say, it was rational for these people to drink during prohibition. It may sound as a paradox, but it was certainly so because people derive additional pleasure when they act against any enforcement. Immediate implication of this analysis is that it will be more difficult to fight with “rational” crime, than with “irrational” one.

The case of tax evasion is less clear. However, if again we translate everything into utility terms, we will be able to derive reasonable conclusions. In this situation one has to think in terms of the relative size of the punishment. For low and middle income group, the size of the punishment relative to income looks so high that individuals find it disastrous not to obey the law. In this case, prohibition may not alter behavior. Moreover, they do not have much to hide, so their tax evasion can be considered as an “irrational crime”. However, high income group individuals were inclined to show their good will by not evading taxes. Although, after they were threatened that they will be controlled, they felt insulted and they felt they were losing their freedom of choice; they could not be deterred any more and “rational” crime occurred. One needs to be very careful with definitions here. By no means do I say that in the absence of the threat of auditing, tax avoidance is rational behavior for wealthy Minnesota residents. This is not true. On the contrary, it is irrational for them to evade taxes because they feel esteemed as they consider themselves candid people and derive enjoyment from being so. However, as I already stated, in a restricted situation it becomes rational to disobey the law because they derive utility from disobedience.

As one can already see, the psychological reactance theory alone can not explain certain phenomena observed in various fields of economic research. However, the theory of psychological

reactance armed with rationality arguments can be a powerful tool not only for explaining the above mentioned studies but for not making the law enforcement mechanisms harmful for the society. My intention in this paper is to document experimentally that individuals not only derive utility when they are free but they will pursue irrational behavior if anybody tries to threaten their autonomy. Once documented, the phenomenon may explain the theory of rational addiction as well, a term coined by Becker and Murphy (1988), but from different perspective.

Experimental Design & Procedures

The main question this study addresses is whether people intentionally commit irrational behavior when they are denied the possibility of free choice.

To detect the later fact in the laboratory I conducted a randomized experiment using the Dictator Game. Subjects in the control group were asked to make a decision similar to a standard protocol. Treatment group participants were told to do the same, but in addition they were told that they were not allowed to contribute more than 50% of their endowment⁴. The choice of 50% is not arbitrary here. According to Camerer (2003), the average donations in the Dictator Games that has been done so far are about 20% of the initial endowment and if I wanted to observe statistically significant improvements in the average donation, 50% was reasonable choice.

If in the treatment group I observe significantly higher offers in comparison with control group, then I argue that people behave irrationally when their choice set is constrained. This is so because if in control group I observe an average offer say 20%, it means that for these individuals it is rational thing to do so and it is irrational to give more money to the recipient. However, if in the treatment group I observe a statistically significant increase in the average offers, we can say that these people behaved irrationally compared to the normal case, but in this context it is rational behavior because they appreciate more to act against authority, the experimenter in this case. One important factor to acknowledge is that I am not speaking in individualistic terms; rather my claims are based on the average behavior of the pool of individuals.

Procedures

The experiment took place in October 2010 in Czech Republic at the Laboratory of Experimental Economics (LEE) at The University of Economics, Prague (VSE). 50 undergraduate students from the same university participated in the experiment. The experiment consisted of two

⁴ See detailed instructions in the Supplementary material section.

sessions with 20 and 30 subjects participating in each. Subjects were randomly allotted the roles of dictator and recipient. Thus there were 25 dictators and 25 recipients. The recipients were asked to leave the room. The dictators were given endowment of 100 CZK (approximately 5 USD) and were asked to make their decision according to the instructions. They were informed that they were making offers to random person in the recipients group and that recipients would not be told who was giving them and how much. After dictators made their decisions they were paid in cash and were asked to leave. When all dictators left then recipients were invited and the offers were assigned randomly. After recipients were paid experiment was over. Each session lasted approximately 25 minutes.

Results

Figures 1 and 2 in Appendix summarize the giving behavior of individuals in the experiment. The fresh look on figures reveals that in control group the offers are skewed towards zero while in treatment group nonzero and modestly high offers are more common. In particular in control group the nonzero offers were 64% whereas in treatment group nonzero offers have risen to 88%. The mean offers in control and treatment groups were 14.70 CZK and 25.04 CZK respectively. The difference is significant according to nonparametric Mann Whitney U test at the 10% level of significance ($p < 0.054$). Surprisingly, one person in the treatment group even gave 60% of the endowment which would automatically imply that the money was “burned”.

Judging from the above mentioned results we can say that when people behave irrationally (compared to normal case) when their freedom is threatened. This is so because, when they were granted absolute freedom to decide how much to give, (in case of control group) it was rational for them to give 14.70% on average of the initial endowment. However, the prohibition induced people to react against it and to give more than they would usually do. As a result average offers in treatment group rose up to 25.04% which was rational decision for each person in a given scenario but was irrational relative to case of liberty because they had to forgo more money in order to satisfy their need of individual liberty.

Discussion and Further Research Agenda

In this experimental study, I attempted to give the psychological reactance theory an economic sense. As the theory predicts, I observed that once the freedom is threatened individuals develop a state of sensation which induces them to act against restrictions and which results in irrational behavior.

This study however has its own limitations. First of all, the subject pool is too small and therefore conclusions drawn from this study can not be readily generalized. Also from methodological

perspective one may argue that increased average offers in treatment group are due to anchoring (however data gives no evidence for that) and not due to love of freedom.

In a planned research which is recently processing, I would like to address above mentioned issues and also to conduct more detailed study which will make possible to quantify the extent of reactance in utilitarian/monetary sense and to establish the monotonic relationship between the strength of reactance and the amount of confiscated freedom. I would like to also show that not only individuals behave irrationally when their freedom is limited but they even pay price to commit such actions and to restore the confiscated freedom.

In general the phenomenon can find its application in law enforcement and in economics of tax evasion. That is, if not carefully designed and analyzed from different perspectives, certain law enforcement mechanisms may generate unexpected and undesirable criminal activity. The results may also help to facilitate debates concerning decriminalization of certain type of crimes and may suggest that policymakers must acknowledge humans' need for individual liberty for successful implementation of regulation mechanisms. On the other hand, if prohibition will be designed carefully, one may generate desirable outcomes for the society. In particular, as this study shows if one puts prohibition in correct context, it may generate higher monetary contributions to charitable organizations and its application may become of interest of fundraising companies. Also prohibition may induce improvement in public good provision.

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Appendix

Figure 1

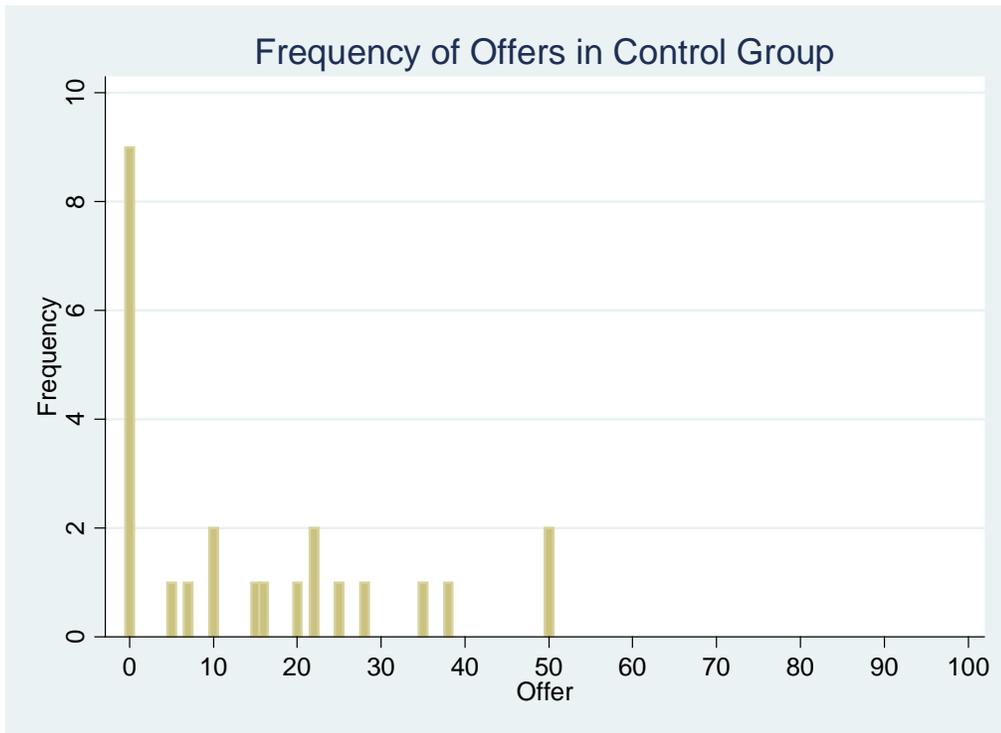
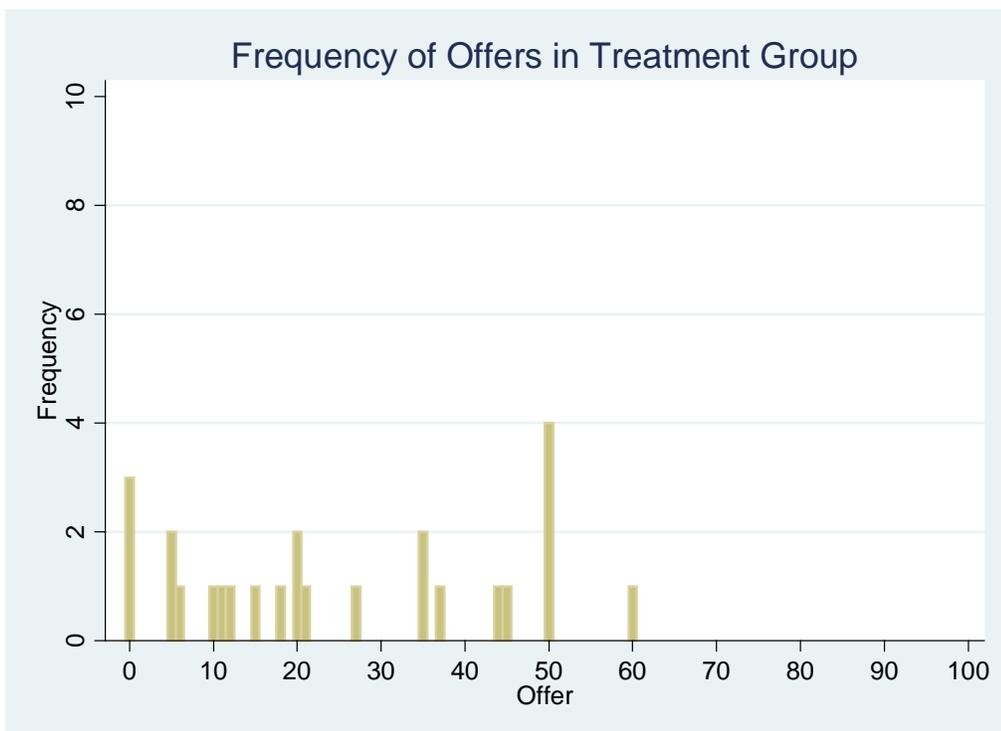


Figure 2



Supplementary material

Instructions to Control Group

Welcome! You are about to participate in an economic experiment and you may earn cash money.

In this exercise, each of you will be randomly paired with a different person from the group, which just has left the room. You will not be told who this person is either during or after the experiment. Neither the person you are paired with will be told, with whom he or she was paired.

You will notice that there are other people in the same room with you who are also participating in the exercise. You will not be paired with any of these people. The decisions that they make will have absolutely no effect on you nor will any of your decisions affect them.

The exercise will be conducted as follows: you will be given **100CZK**. The subjects left outside have not been given anything and their role in this experiment is completely passive. You can decide how to share the **100CZK** between yourself and the person outside, you are paired with. More specifically, you will decide:

How much of this money (**100CZK**) you would like to send to the person outside. You can send any amount from **0** to **100 CZK**.

For example if you choose to send **X CZK**, then the person you are paired with will get exactly **X CZK** and you will be left with **100-X CZK**, which will be paid to you in cash after you make your decision.

To make your decision, please write the amount of money, you would like to send to the person outside, in the box below.

After you make your decision, you will be paid in private (no one else will be able to see your earnings) according to the rules of the experiment above. This completes the exercise and you may leave.

Finally, after all subjects from this group leave, the subjects from the outside group will enter the room and the nature of the decision task will be explained to them. Then each of them will in private be paid the amount of money you decided to send them

Please make your decision

The amount of money you are sending to the person outside:

-----**CZK**

Instructions to Treatment Group

Welcome! You are about to participate in an economic experiment and you may earn cash money.

In this exercise, each of you will be randomly paired with a different person from the group, which just has left the room. You will not be told who this person is either during or after the experiment. Neither the person you are paired with will be told, with whom he or she was paired.

You will notice that there are other people in the same room with you who are also participating in the exercise. You will not be paired with any of these people. The decisions that they make will have absolutely no effect on you nor will any of your decisions affect them.

The exercise will be conducted as follows: you will be given **100CZK**. The subjects left outside have not been given anything and their role in this experiment is completely passive. You can decide how to share the **100CZK** between yourself and the person outside you, are paired with. More specifically, you will decide:

How much of this money (**100CZK**) you would like to send to the person outside. However:

You are not allowed to send more than **50 CZK!**

For example if you will choose to send **X CZK** (from **0 CZK** to **50 CZK**), then the person you are paired with will get exactly **X Czk** and you will be left with **100-X CZK**, which will be paid to you in cash after you make your decision.

If you will decide to send more than **50 CZK**, then the person outside you are paired with will get nothing (**0 Czk**) and you will get the rest of **100 CZK**.

For example if you will decide to send **60 CZK**, the person you are paired with will get **0 CZK** and you will be paid **40 CZK**.

To make your decision, please write the amount of money, you would like to send to the person outside, in the box below.

After you make your decision, you will be paid in private (no one else will be able to see your earnings) according to the rules of the experiment above. This completes the exercise and you may leave.

Finally, after all subjects from this group leave, the subjects from the outside group will enter the room and the nature of the decision task will be explained to them. Then each of them will in private be paid the amount of money you decided to send them

Please make your decision

<p>The amount of money you are sending to the person outside:</p> <p>-----CZK</p>
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