Naik (2025)
ReStud-NA Tour Discussion (UCalgary)

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Stanford $\rightarrow$ UBC

October 2025

This Presentation

1. Motivation and Paper Overview
2. Commentary on Welfare Framework

Motivation

Who takes up transfer programs? In U.S.:

- 13% of SNAP recipients are depressed — 2× eligible non-participants (Leung et al., 2015)
- 55–65% of program recipients had experienced domestic violence (GAO, 1998)
- 10% of TANF and Medicaid recipients have done illicit drugs (HHS 2011)

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- **Changes social marginal welfare weights**: As households are especially vulnerable
- **Behavioral PF**: Households may not optimize take-up or use of benefits
- **Heterogeneity**: In value of benefits or costs of ordeals → enter Canishk

Naik (2025) in one slide

RQ: What are the positive and normative impacts of transfer program "ordeals"?

- …when participants vary in need based on mental health

Paper in three acts:

1. Framework: welfare impact of ordeal vs. benefit changes depend on three statistics
   - Take-up levels, ordeal response, benefit response
2. Estimate each statistic in Dutch administrative data
   - Equal take-up by mental health status
   - Poor mental health $\rightarrow$ more elastic to ordeals and benefits
3. Perform welfare analysis
   - Findings substantiate public concern about targeting (Herd and Moynihan, 2025)

My Take

This paper is excellent and important!

- **Conceptually**: Simple framework to "cash out" welfare cost of ordeals
- **Empirically**: Important evidence on targeting (and value) by MH status

Goal with discussion: provide a broader perspective

- Contrast this paper's welfare metrics and calibration approaches with other work
- Consider how relaxing certain assumptions — although they are reasonable and perhaps necessary! — could affect normative conclusions

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Taxonomy of approaches

Trade-off: Ordeals may help targeting, but impose DWL on inframarginal enrollees

- **Empirical challenge**: How to get inframarginals' WTP for ordeal reduction (DWL)?

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Possible approaches:

- Elicit WTP directly: e.g., with surveys or experiments (never done?)
- Calibration: e.g., monetizing time cost of applying
  (e.g., Deshpandi-Li, 2019; Finkelstein-Notowidigdo, 2019; Anders-Rafkin, 2024)
- Convert revealed-preference responses into WTP with a model of behavior
  (e.g., Landais-Spinnewijn, 2021; Anders-Rafkin, 2022 WP; Haller-Staubli, 2024; Rafkin et al., 2025; **Naik, 2025)**

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Model-based approaches have strengths and limitations

- ∼ Uses revealed preference (vs. make a number up); but, households may be biased
- ✗ Model may be sensitive to parametric restrictions or misspecification

Parametric Restriction: Reform Shifts Cost Shocks Everywhere

Assumption: Reform raises ordeals homogeneously, independently of realized cost, benefit

- Can infer magnitude of DWL from behavior of marginals
- Marginals very elastic $\rightarrow$ big change in ordeals for **everyone**

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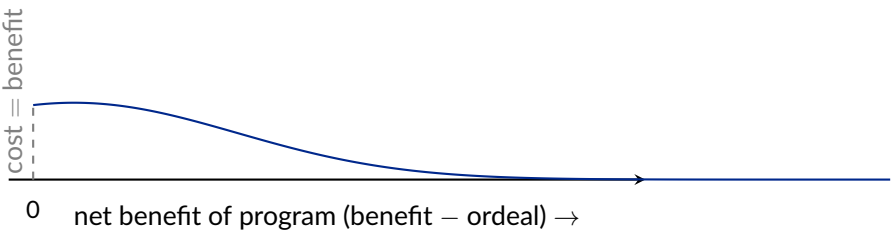

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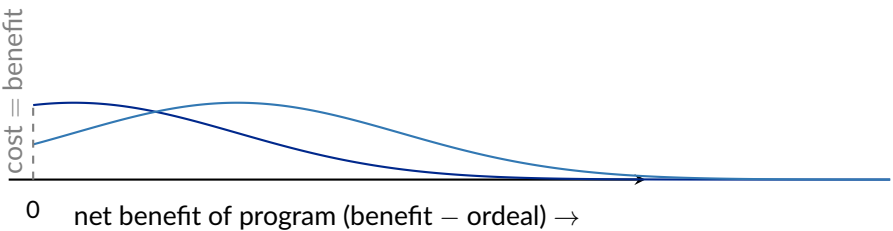

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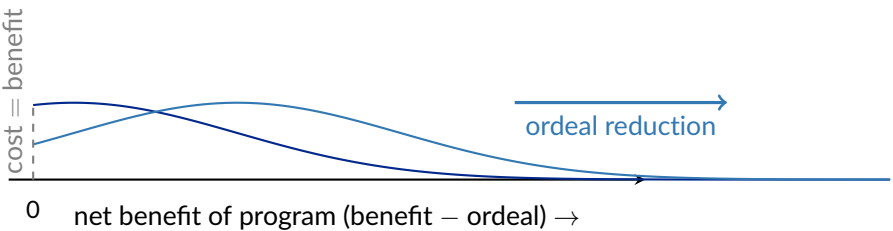

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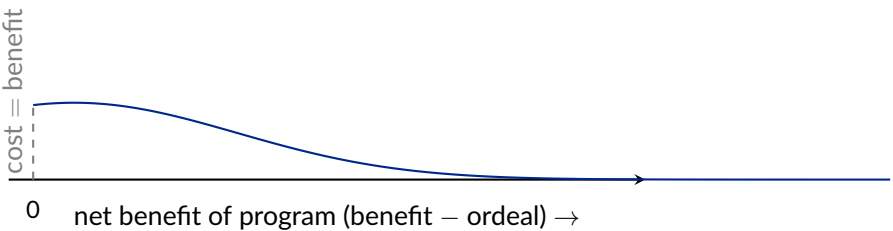

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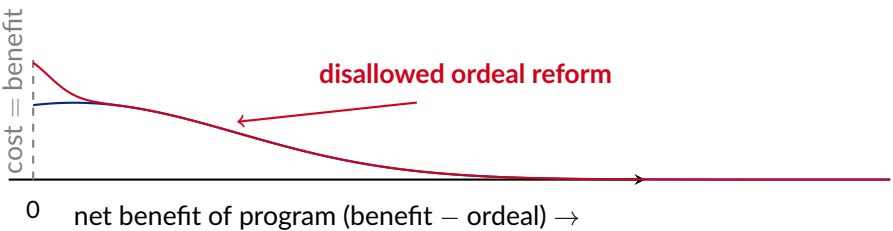

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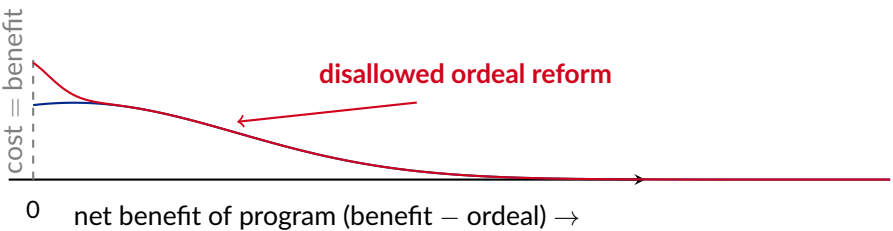

Upshot: not innocuous that big behavioral responses → big ordeal gains to inframarginals

- e.g., if already enrolled are those whose distaste for paperwork is small

Model Misspecification: Behavioral Bias

Paper carefully considers objection that people with poor MH do not optimize

- See Canishk's beautiful paper on normative analysis with policy uncertainty re: bias (Naik and Reck, 2025)

✓ Naik (2025)'s revealed-preference approach may **understate** benefits of ordeals ↘

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But, behavioral bias can also reduce benefits of ordeal reductions

- If people build up ordeals' magnitudes (e.g., $\beta - \delta$), they are "too responsive" to ordeals
- Then, ordeal reductions won't change "real" costs on inframarginals much
- Paper: policy conclusions are robust if $>$ 35% of "perceived" ordeal cost is real
- **Is $<$ 35% so implausible?** Many papers find take-up falls a lot from small ordeal changes

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- **Is $<$ 35% so implausible?** Many papers find take-up falls a lot from small ordeal changes
- Households give up \$1,000's to avoid a little hassle: is ordeal really worth \$1,000?
  - **My view**: large response to ordeals *could* represent bias or a mistake

↪ **Valuable next paper**: quantifying how much is behavioral, e.g., via surveys or experiments

Zooming out: Paper sidesteps key motives for focus on mental health

Mental health functions like any type of heterogeneity in the paper

- Of course, much normatively relevant heterogeneity besides mental health
- e.g., consumption given income (Alatas et al., 2016; Deshpande-Lockwood, 2024; Rafkin et al., 2025)

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- ✗ Could lead to behavioral bias
- ✗ Yields within-household insurance motive
- ✗ Program could improve mental health status, or create moral hazard in treating it
- ✗ Pure redistributive motive because poor MH types are extra vulnerable

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Overall, the paper takes a natural starting point for normative analysis

- But paper's welfare metric sidesteps core policy motivations

↪ My hope is that future work considers these aspects in more detail!

Thank you!

Great paper — likely to be a core reference in this literature!

- Useful framework, important empirics
- **My suggestion**: clarify restrictions imposed in the framework and welfare metric