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When Paying Online, People Like to Be Anonymous

A STUDY BY BOCCONI RESEARCHERS GAVE STUDENTS A CHOICE OF PAYMENT METHODS TO GAUGE THEIR PREFERENCES FROM AMONG THREE FACTORS

The literature on payment instruments has focused on two main features: liquidity risk, i.e. the likelihood that the currency does not perform or underperforms its task, and the opportunity cost, expressed by the expected return. Little is known about a third feature that is typical of cash and new cryptocurrencies: anonymity. **Emanuele Borgonovo**, **Stefano Caselli**, **Alessandra Cillo**, **Donato Masciandaro** and doctoral student **Giovanni Rabitti** investigated the value of anonymity by conducting an experiment.

Last June, eighty students were called upon to make a number of choices between payment tools each with a different combination of risk, return and anonymity. They were incentivized to perform real choices by knowing that, at the end of the experiment, a number of them would receive a reward that would put into effect one of their choices. The researchers analyzed the results in order to elicit participants' preferences.

"All other things being equal, anonymous payment methods are preferred by far to non-anonymous ones", Alessandra Cillo says. "When two payment instruments differ in terms of liquidity risk and return, anonymity remains surprisingly relevant, although less important than the aforementioned features. Moreover, risk attitude does not seem to affect the preference for anonymity". Authors tried to understand what ratio between return and risk makes anonymous payment instruments attractive. They discovered that when the ratio is less than 2 to 1, people allocate only 20% of their budget to an anonymous and risky currency. Return has to be 5 times higher than risk for convincing people to allocate 50% of their budget to new currencies.

Cryptocurrencies guarantee anonymity, but they are only attractive if the expected return is much higher than the risks.

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