

ESSAYS ON OTHER-REGARDING PREFERENCES

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CERTIFICATE

Certified that Mrs Monami Sinha was permitted to work for her Ph.D degree in Economics at the IIT, Delhi, on the topic, entitled “ESSAYS ON OTHER-REGARDING PREFERENCES”. She has faithfully carried out her study under our guidance and supervision and the accompanying thesis is her genuine and original work.

The results contained in this thesis have not been submitted, in part or full, to any other University or Institute for the award of any degree or diploma.

Mrs Monami Sinha has completed necessary course work and put in the required attendance in this Department.

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(Monami Sinha)

Abstract

What is pro-social or “other-regarding behaviour”? It is behaviour in which the underlying motivation is to benefit others. Of the different types of other-regarding behaviour that are modelled, the most interesting is altruism, i.e., intrinsically motivated voluntary action intended to benefit another, acts motivated by concern for others or by internalized values, goals, and self-rewards rather than by the expectation of concrete or social rewards or the avoidance of punishment (Eisenberg and Mussen, 1989).

Contrary to the rationality and selfish interest serving assumptions about human behaviour in classical economics, human beings often behave in an altruistic manner and sacrifice some of their own well-being to help others, cooperate in group activities which help serve group welfare while lowering their individual welfare, trust other individuals, and sacrifice some of their own welfare to punish those who have been selfish. But giving to others in the absence of any reciprocal motivation is individually costly. For some people the costs associated with monetary loss may be more than compensated by their *other-regarding* preferences. These preferences may manifest as altruistic behaviour, which has been well documented in experimental games among anonymous individuals (Forsythe, et al., 1994; Eckel and Grossman, 1998; Andreoni and Vesterlund, 2001; Andreoni and Miller, 2002 and Andreoni, Harbaugh and Vesterlund, 2008).

Since it would not be very easy to observe real life situations to filter out the above motivations, experimental economists and psychologists have designed laboratory experiments to study other-regarding behaviour and pro-social behaviour in human agents. The field of experimental economics (not to mention experimental social psychology) stands at the centre of this debate on observed deviations from rational theoretical prediction.

For decades, laboratory experiments in the behavioural sciences involved primarily undergraduate students from industrial nations as subjects. Henrich et al. (2010) show that the behaviours in a variety of decision-making situations differ significantly in this larger slice of humanity from that displayed by subjects from what they refer to as the WEIRD societies. WEIRD stands for Western, Educated, Industrialized, Rich, and Democratic. They conclude that members of WEIRD societies are among the least representative populations one could find for generalizing about humans. This brought about the diversification of the subject pool and gave a new tool for experimental studies i.e. ‘artefactual field experiments’. Fortunately artefactual field experiments (field experiments henceforth) give us a chance to study decision makers in the field in controlled situations involving subjects who would be difficult to get to a laboratory in an urban setting. What we present here is an artefactual field experiment using a non-university (primary and middle school) subject pool and standard laboratory preference elicitation tasks in an urban area of a developing country.

How does altruism evolve in human beings? To study the evolution of altruism it would be interesting to study children and the choices they make, whether they behave altruistically or selfishly and what determines their behaviour, whether it is passed on to them by their parents or is it determined by the circumstances surrounding them. We can study the extent of reciprocity in children, and whether the altruistic behaviour of one child encourages altruistic behaviour in another.

Our study tries to identify how other-regarding preferences in children are determined by age, gender and demographics. The experiment was run at three schools – JD Tytler School (JD), St. Mary's School (STM) and Mothers International School (MIS). All are private high schools located in New Delhi. Each of these schools was chosen, because they belong to different socio economic strata. Whether a school was considered to belong to upper, middle

or lower demographic is based on their fee structure and the demographics of parents of the students who studied in that school. Specifically, JD was assigned the tag of low socioeconomic school and reflected low demographics in terms of family income and parental education. STM was the school with medium demographics and MIS was the school which was given the high socioeconomic tag.¹ Please note that the tags were given based on the relative student demographics and fee structure of each school with the other. In each school, two groups of students were studied, the 2nd graders (approximately 7 years of age) and the 8th graders (approximately 14 years of age).

The five laboratory experiments or games which we use to elicit other-regarding preferences are based on the Dictator Game (Forsythe et al., 1994), Trust Game (Berg et al., 1995), Ultimatum Bargaining Game (Guth et al., 1982), Prisoner's Dilemma Game (Axelrod, 1984) and the Public Goods Game used by Walker and Thomas (1984) and Isaac and Walker (1988a, 1988b).

¹ Please note that the tags were given based on the **relative** demographics of each school with the other. In a global sense all three are in the Indian middle class with JD representing the lower edge of this middle class, while MIS would be on the upper end of this middle class. Average yearly tuition fee for a child studying in JD is INR 19, 800. For STM this amount is INR 41,350 while for MIS it is INR 70000

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