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Journal of Policy Modeling xxx (2016) xxx–xxx

Journal of
Policy
Modeling

www.elsevier.com/locate/jpm

Impatience and academic performance. Less effort and less ambitious goals[☆]

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Received 23 March 2016; received in revised form 12 September 2016; accepted 4 November 2016

Abstract

Using data from a sample of Italian undergraduate students, we find a negative relationship between time preferences and academic performance. We also find that impatient students, even those who were pretty sure, at the moment of enrollment, of being able to accomplish their degree within the regular time, are more likely to drop out or to be late in their educational career. Our results do not suffer from reverse causality problems and are robust controlling for a large number of individual characteristics, such as family income, cognitive abilities and risk aversion.

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JEL classification: I20; D03; D91; J01

Keywords: Impatience; Human capital; Academic success; Time consistency; Dropout

[☆] We would like to thank for useful comments Vincenzo Scoppa, Giuseppe Rose, Alessandra Antonelli, Michela Ponso and seminar participants to the European Society for Population Economics conference, Aarhus, 2013, the European Association of Labour Economists conference, Turin, 2013, the International Workshop on Applied Economics of Education, Catanzaro, 2013, the Italian Economic Association conference, Bologna, 2013. Financial support from Regione Calabria (European Social Fund) and from Economic and Social Research Council is gratefully acknowledged.

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<http://dx.doi.org/10.1016/j.jpolmod.2016.11.001>

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Please cite this article in press as: De Paola, M., & Gioia, F. Impatience and academic performance. Less effort and less ambitious goals. *Journal of Policy Modeling* (2016), <http://dx.doi.org/10.1016/j.jpolmod.2016.11.001>

1. Introduction

Human capital investment decisions involve trade-offs between costs and benefits occurring at different points in time (Becker, 1964; Mincer, 1958).¹ Individual level of impatience, defined as the preference for well-being in the present or in the immediate future rather than in the distant future, plays a crucial role in such inter-temporal decisions. Impatient individuals, having high discount rates, are expected to invest less both in education and training: the cost of effort is immediate while the benefits deriving from human capital and from high quality human capital may be years away.

The relationship between human capital accumulation and inter-temporal preferences has been empirically scrutinized only by few very recent papers. Golsteyn, Grönqvist, and Lindahl (2014), using a Swedish longitudinal dataset, highlight a substantial adverse relationship between high discount rates and educational performance. Castillo, Ferraro, Jordan, and Petrie (2011) show that children with higher discount rates are more likely to receive disciplinary referrals in school. Cadena and Keys (2015), using the National Longitudinal Survey of Youths (NLSY), find that present-oriented individuals do worse in terms of educational attainment and show dynamically inconsistent behaviors, for example, by starting an educational program but failing to accomplish it. Non and Tempelaar (2014) show that students who highly discount future outcomes obtain a weaker academic performance, but they do not seem to exert less study effort.

In this paper, we offer new evidence on the relationship between time preferences and educational outcomes using a sample of Italian undergraduate students observed over a period of three years from their enrollment. We suggest that a high discount rate affects students' academic performance by influencing negatively both the level of effort they decide to exert in studying activities and the objectives they set in terms of grades at exams.

As students' academic performance is affected by time preferences through these two channels, the direction of the relationship between academic success and discount rate may vary according to the measure of human capital considered. If we consider as a measure of success the average grade obtained at exams the effect of a high discount rate is clear-cut: more impatient individuals assign a lower value to the future benefits deriving from the accumulation of human capital and from its quality; therefore, they exert less effort in studying activities ending up with a lower average grade at exams. Instead, when we consider the effect of impatience on the number of credits earned in a certain period of time, the two channels described above operate with contrasting effects. On the one hand, since more impatient individuals assign a lower value to the future benefits of human capital and exert less effort, they acquire a small number of credits in a given period of time and delay the time of graduation. On the other hand, since more impatient students are less concerned about the quality of their human capital, they set less ambitious objectives in terms of grades and are more likely to acquire a larger number of credits. The global effect of impatience on this measure of academic success depends on the relative strength of these two factors.

¹ Healthy eating habits, physical exercise, job search activities and saving are other examples of such type of choices. DellaVigna and Paserman (2005) show that high discount rates are negatively correlated to the exit rate from unemployment. Drago (2006) finds that high discount rates predict workers' mobility into better paid jobs. Suen (2014) considers time preferences to explain wealth inequality. Meier and Sprenger (2010) study the relevance of time preferences for credit card borrowing, while Chabris, Laibson, Morris, Schuldt, and Taubinsky (2008), Golsteyn et al. (2014), Scharff and Viscusi (2011) and Sutter, Kocher, Glätzle-Rützler and Trautmann (2013) focus their attention on substance use, smoking habits and nutrition.

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