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Can social preferences explain gender differences in economic behavior?

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ABSTRACT

This study examines whether gender differences in some economic behaviors are due to differences in social preferences as measured by dictator allocation decisions. We find that, compared to men, women are significantly more likely to be inequity averters and significantly less likely to be social surplus maximizers. These differences in social preferences explain to a large extent why women send less than men in trust games. Inequity averters can ensure equal payoffs if nothing is returned by sending one-fourth of the endowment while surplus maximizers can increase total payoffs by a factor of three for each dollar sent. Social preferences also help explain the size of gifts in dictator games and choice of compensation method for simple tasks, however, after controlling for social preference type, gender is still influential in these decisions. Women give significantly more to charity than men even after accounting for our measure of social preferences. Women prefer egalitarian payment systems both because they are inequity averters and because low self-confidence may lead them to believe they will earn more with equal sharing.

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1. Introduction

Experimental evidence reveals that men and women exhibit differences in economic behavior. However, the findings vary among studies and there has been little work that attempts to explain these gender differences. In their survey on gender differences in preferences, [Croson and Gneezy \(2009\)](#) suggest that some behavioral differences between men and women arise because women are more sensitive to context. This paper examines a complementary hypothesis: differences in some economic behaviors of men and women may be partially explained by gender differences in social preferences (ways in which people are prosocial).

Based on the experimental literature, we identify three potential gender differences that have been found in U.S. samples¹:

- Women “trust” less than men, evidenced by women sending smaller amounts as first movers in trust games.

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¹ While these gender differences have been found for U.S. samples, they may not exist in other cultures so generalization to other countries is not possible.

- Women are more generous than men, evidenced by women sending larger amounts in dictator games and donating more to charity.
- Women prefer egalitarian payments and men prefer competitive payments, evidenced by women choosing more equal payoffs while men more often choosing competitive payoffs in games that allow subjects to choose how they will be compensated for performing a task.

Numerous laboratory studies find that men are more likely to be surplus maximizers while women are more often classified as inequity averters (Andreoni and Vesterlund, 2001; Dickinson and Tiefenthaler, 2002; Fehr et al., 2006; Kamas and Preston, 2009, 2012b). In this study we use dictator allocation decisions to classify laboratory participants into four different social preference types: self-interested individuals; inequity averters; and two types of social surplus maximizers, efficiency maximizers and compassionate social surplus maximizers.² While both types of surplus maximizers seek to maximize total payoffs, compassionate social surplus maximizers express greater concern about payoffs to those who are the worst off while efficiency maximizers do not. Similar to other studies, we show that men and women differ in their representation in these categories. We hypothesize that these gender differences in social preference types lead to gender differences in economic behavior.

To test our hypothesis, we first examine how social preference type affects economic behavior in trust games, dictator games, and choice of compensation experiments.³ We then test whether gender differences in these behaviors still exist after controlling for social preference types.⁴ While a simple classification of social preferences such as the one we offer cannot be expected to capture all aspects of preferences, we are able to use this categorization to explain some important gender differences in economic behavior.

2. Categorizing social preferences

We use the Fehr and Schmidt (1999) inequity aversion utility function, and by specifying values of the parameters, we can identify different social preference types.⁵

$$U_i(\boldsymbol{\pi}) = \pi_i - \alpha_i \left[\frac{1}{(n-1)} \right] \sum_{j \neq i} \max\{\pi_j - \pi_i, 0\} - \beta_i \left[\frac{1}{(n-1)} \right] \sum_{j \neq i} \max\{\pi_i - \pi_j, 0\} \quad (1)$$

where $\boldsymbol{\pi}$ is a vector of payoffs to individuals $i = 1, \dots, n$.

Because the self-interested care only about income to themselves, not what others receive, $\alpha_i = \beta_i = 0$, and their utility function becomes $U_i(\boldsymbol{\pi}) = \pi_i$. Inequity averters care about their own income, but they also prefer to minimize differences in income between themselves and others. Therefore, for an inequity averting individual i , $\alpha_i \geq 0$, $1 > \beta_i \geq 0$ for all i , and α_i reflects aversion to earning less than others while β_i reflects aversion to earning more than others. Because surplus maximizers care about income to themselves as well as the total income received by all (the social surplus), the social surplus maximizing individual i will give a positive weight to the payoff of any individual j , π_j , in his or her utility function. As a result, $\alpha_i < 0$ and $\beta_i > 0$. We separate surplus maximizers into those who are indifferent about who other than themselves receive income (efficiency maximizers) and those who value payoffs going to lower income people more than payoffs going to higher income people (compassionate social surplus maximizers). For efficiency maximizers, $-\alpha_i = \beta_i$ and for compassionate social surplus maximizers, $\beta_i > -\alpha_i \geq 0$.⁶

The four preference types are illustrated in Fig. 1, which shows the utility for person i as a function of payoffs to the other, π_j , given some payoff to self, π_i . Utility to the self-interested is unaffected by income going to others (Fig. 1A), inequity averters maximize utility (given own payoff) where payoffs are equal (Fig. 1B), and surplus maximizers increase utility as payoffs to others rise (Fig. 1C and D). The figures illustrate the differences in preferences between inequity averters whose

² These four social preference types have been identified based on the work by Fehr and Schmidt (1999), Charness and Rabin (2002), and Engelmann and Strobel (2004). We believe it important to distinguish pure efficiency maximizers who care only about the total surplus from those who also care about the distribution of the surplus among people other than themselves. The latter prefer to give more to those with lower incomes and are willing to trade off some surplus in order to improve the lot of those worse-off, yet they do not act as inequity averters in being willing to reduce income to those earning high incomes at the cost of lower surplus.

³ There is a growing literature on the consistency of social preferences and economic behavior when playing multiple games. Social preference categorizations similar to those used here are utilized by Andreoni and Miller (2002), Fisman et al. (2007), Kamas and Preston (2010, 2012a), Blanco et al. (2011), and Balafoutas et al. (2012). The decomposed ring game to categorize prosocial preferences is used by Offerman et al. (1996), Carpenter (2003), van Dijk et al. (2004), Vyrastekova and Garikipati (2005), and Kanagaretnam et al. (2009). Papers using comparisons between behavior as first and second movers include Chaudhuri and Gangadharan (2007), Altmann et al. (2008), Baran et al. (2010) and Gächter et al. (2012). A more complete discussion of this literature is provided in Kamas and Preston (2012a).

⁴ Some of the findings of this paper are from experiments that were reported elsewhere (Kamas and Preston, 2009, 2010, 2012a). However, the results regarding gender differences provided here have not previously been analyzed or published.

⁵ This analysis builds off Fehr and Schmidt (1999), Charness and Rabin (2002), Engelmann and Strobel (2004), and Kamas and Preston (2009, 2010, 2012a,b). Engelmann (2012) notes that including a term for efficiency concerns in inequity aversion utility functions does not add to explanatory power so we have utilized his approach by specifying constraints on α and β for surplus maximizers.

⁶ For these individuals we further assume that $\beta_i(1 - \gamma) - \alpha_i\gamma < 1$ where γ represents the proportion of j individuals who have higher income than self. This assumption assures that an extra dollar of payoff to self always increases own utility.

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