



Confucianism and preferences: Evidence from lab experiments in Taiwan and China[☆]



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ABSTRACT

This paper investigates how Confucianism affects individual decision making in Taiwan and in China. We found that Chinese subjects in our experiments became less accepting of Confucian values, such that they became significantly more risk loving, less loss averse, and more impatient after being primed with Confucianism, whereas Taiwanese subjects became significantly less present-based and were inclined to be more trustworthy after being primed by Confucianism. Combining the evidence from the incentivized laboratory experiments and subjective survey measures, we found evidence that Chinese subjects and Taiwanese subjects reacted differently to Confucianism.

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“The power behind the recent surge in Asia’s economy may have developed from the tenets of one of that continent’s earliest philosophers.”

Hofstede and Bond (1988)

1. Introduction

Confucian values are widespread throughout East Asia—China, Taiwan, Hong Kong, Singapore, South Korea, and Japan. Scholars have long hypothesized that that Confucian values affect social norms, influence individual decision making, and possibly contribute to economic growth. In particular, the Confucian emphasis on the accumulation of human capital, per-

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severance, and a future orientation can be key components of economic growth (see Hofheinz and Calder, 1982; Hofstede and Bond, 1988; Dai, 1989; Rozman, 1992; Ornatowski, 1996; Chan, 1996; Lam, 2003; Liang, 2010).¹ Surprisingly, however, little has been done in the way of empirical research to test these claims, and most of that work has been ethnographic in nature.

Whether there is a causal relationship between Confucianism and economic outcomes is extremely difficult to determine. This study takes the first step in probing this relationship with lab experiments. We adopt the priming method to investigate how Confucianism affects individual behaviors. To our knowledge, this is the first paper that primes the salience of Confucianism.

The priming method has been widely used in psychology and marketing (Turner, 1985; Macrae and Johnston, 1998; Dijksterhuis and Bargh, 2001; Wheeler et al., 2001). In recent years, several economic studies, including Afridi et al. (2012), Benjamin et al. (2010, 2012), have used this technique to study the impact of religion, race, and group identities. In one interesting example where cultural prime is used, Westernized Hong Kong-Chinese subjects were primed with either American or Chinese culturally laden icons, then they were shown a picture with one fish swimming ahead of four others and were asked to describe what they see (Hong et al., 1997; picture first used in Morris et al., 1995). When they were primed with American icons such as an American flag, subjects were more likely to describe that the lone fish was leading the others. Whereas subjects being primed with Chinese primes were more likely to describe that the lone fish was being chased by the other fish.²

In this study, subjects in the experiments were randomly assigned to receive Confucius-prime or neutral-prime. The primes were designed to introduce variation in the salience of Confucianism, so that the normally dormant aspects of the Confucian values may be temporarily activated by the Confucian prime. After randomly manipulating the salience of Confucianism to our subjects, we elicited subjects' risk preferences (risk aversion, loss aversion), time preferences (present bias and discount factor), and trust and trustworthiness using an incentive-compatible protocol. Others have shown that these individual preferences play a central role in economic outcomes (Shaw, 1996; Knack and Keefer, 1997; Laibson, 1997; La Porta et al., 1997). If there is any difference in their outcomes between these Confucius-prime and neutral-prime groups, we can attribute it to their reaction to the Confucius prime.

Our findings suggest that subjects became more trustworthy and risk loving, exhibited less present bias, and, interestingly, became more impatient when they were exposed to the Confucius prime. Our evidence also showed that subjects in Taiwan and in China reacted differently to the Confucius prime. In contrast to the control group, subjects in China became more risk loving, less loss averse, and more impatient, behaviors not in alignment with Confucian values. The subjects in Taiwan became less present-biased than the control group and also mainly drove the more trustworthy results, in accord with Confucian values. We performed validation checks of our priming instruments by asking subjects to rank on a scale of 1–10 how much they agreed with each of four different belief systems: Confucianism, rationalism, Eastern religion, and Western religion. We found that Chinese subjects, but not subjects in Taiwan, who were primed on Confucianism were more likely to rank Confucius lower and agreed less with Confucian values than the control group did.

There are many possible explanations for the observed differences in the priming effect across the two schools. Our regression analysis excludes background differences in the two samples as the main reason for the different reactions to Confucius prime. One important possibility is the different historical experiences in regard to Confucian values in the two places.

Although Confucian values have long influenced a number of Asian countries, Confucius was excoriated as a political swindler and Confucian values were denounced during China's Cultural Revolution (1967–1976) (Lu, 2004). Sociologists now suggest that as a result, Confucian tradition is better preserved and practiced today in Asian countries other than China, for example, in Taiwan (Ip, 2009). Nevertheless, some researchers, for example Herman Kahn and Geert Hofstede, have suggested that cultural traits can be rather sticky, and therefore difficult to change (for more discussion see Hofstede and Hofstede, 2005).³ Most Taiwanese trace their ancestry to China, share the same language, and have similar culture today as in China. In addition, Confucian values have been passed down in Taiwan from parents to children and from teachers to students. Based on our observation of Taiwanese subjects, we can conclude that the Confucianism cultural traits have persisted. However, our study also suggests that young generations of Chinese and of Taiwanese have diverging reactions to Confucianism. Whether this interruption and discourse of Confucian belief in China is caused by Cultural Revolution is beyond the scope of this paper, and it is a topic for future research.⁴

¹ Another line of studies suggests that Confucianism may be a barrier to capitalism because of the strict hierarchy of the social order and the avoidance of individual confrontation with the world. For example, Max Weber suggested that enthusiasm for action is rare in Confucianism and that active pursuit of wealth is unbecoming to proper Confucians (Bendix, 1960; Chung et al., 1989).

² This paper is also related to another line of literature discussing why culture matters in economics outcomes, some papers in the literature include Inglehart and Baker (2000), Guiso et al. (2006), Fernandez (2011), and Gorodnichenko and Roland (2013).

³ Some economic papers suggest that certain traits can be quite sticky. For example, Nunn and Wantchekon (2011) suggest that although the slave trade took place in Africa more than 400 years ago, it has a long-lasting impact on mistrust even today. Similarly, Alesina et al. (2013) find that beliefs about women's roles in different societies today can be traced to different agricultural practices hundreds of years ago.

⁴ The subjects in our sample were too young to have had direct exposure to Cultural Revolution, but their parents would have experienced the Cultural Revolution. If their views of Confucius have changed as a result of the Cultural Revolution, it suggests that the Cultural Revolution has had a long-lasting impact that extends beyond the generation that experienced it directly.

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