



Factors affecting soldiers' time preference: A field study in Israel

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ABSTRACT

The current field study examines how the day of the week, optimism level and other personal characteristics influence the time preference of soldiers. To do this, we compare the time discount of soldiers in the Israel Defense Forces at the beginning of the work week (Sunday in Israel) and just prior to the weekend (on Thursday afternoon in Israel). The soldiers were asked to answer questionnaires regarding their time preferences, and dispositional optimism. We found that the soldiers have a higher subjective discount rate on Thursday when they need money for weekend activities. In addition, we found that optimism, being a firstborn sibling, having parents with higher earnings, and time remaining until discharge are negatively related to subjective discount rate. Conversely, having a balanced bank account is positively related to subjective discount rate.

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1. Introduction

The subjective discount rate is the rate at which individuals trade current value for future outcome. This rate varies from person to person, depending on each one's willingness to wait. In general, an individual who values the present more than the future will have a higher subjective discount rate than a person who places more value on the future. Initial research in the field of time preferences focused primarily on monetary questions, and found that subjective discount rates vary according to age,² time delay, amount of money, risk and direction of trade (see Benzion et al., 1989; Chapman and Elstein, 1995; Frederick et al., 2002; Laibson, 1997; Myerson et al., 2003; Prelec, 2004; Stevenson, 1992; Thaler, 1981).³

Lahav et al. (2011) compared the time preferences of soldiers, university students and high school students in Israel. During compulsory service, the soldiers live in a violent atmosphere where they face great uncertainty about the near future and a high risk of

mortality. University students and teenagers live in much calmer environment, and are tested for performance only periodically. The soldier-subjects showed relatively high subjective discount rate when compared to the other two groups. The authors concluded that the higher subjective discount rate among soldiers could be the result of high perceived risk⁴ they face in the army or higher mortality risk.

In the current paper, we examine how the day of the week, optimism level and other personal characteristics influence the time preference of soldiers. To do this, we compare the time discount of soldiers in the Israel Defense Forces at the beginning of the work week (Sunday in Israel) and just prior to the weekend (on Thursday afternoon in Israel). The day of the week is known to have its effect on people's feelings. For example, the phrase "Monday blues" is widely used in songs and literature to express how people feel on Monday mornings, while people are presumed to feel better on the weekend. In Israel, Saturday is the day of rest and many people do not work on Friday. However, Sunday is an ordinary workday, equivalent to Monday in other western countries, while Thursday evening is similar to the western Friday evening.

The soldiers in Israel are a unique group because they are drafted at young age, prior to beginning their tertiary education, and all earn similar, very low salaries. By law, soldiers serve full-time for two (females) or three (males) years, and then continue serving

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¹ <http://www.colman.ac.il/english/Pages/default.aspx>.

² The research on the effect of age on subjective discount is not consistent. Some found decreases with age and others found curvilinear relationships (Green et al., 1994, 1997, 1999; Harrison et al., 2002; Lahav et al., 2010; Read and Read, 2004; Sozou and Seymour, 2003; Thaler and Shefrin, 1981).

³ There are also many articles regarding non-monetary questions, such as choices for various durable items (Gately, 1980; Ruderman et al., 1987), and even for beers and bags of chips (Tsukayama and Duckworth, 2010).

⁴ Perceived risk is the subjective judgment of risk that people attribute to a situation. According to the sociological approach, perceptions are socially constructed by institutions, cultural values, and ways of life (Wildavsky and Dake, 1990).

in the reserves. Those who continue in the military career earn a full salary, according to their rank and position. Their “employer” is a harsh and total institution,⁵ with very clear values. They are intensively trained and tested from the first day of basic training. During compulsory service, most soldiers are stationed at bases that are at least a few hours’ drive from home, and spend their weeks on the base. On Thursday afternoon, many return home where they “hang out” with their friends during the weekend.

In order to prevent a selection bias, we distributed the questionnaires to the soldiers when they were traveling on the train, in their way to or from base. The benefits of this method are discussed in greater detail below in the experimental design section. We found that the soldiers have a higher subjective discount rate on Thursday when they need the money for weekend activities. In addition, we found that optimism is negatively related to subjective discount rate. Furthermore, subjective discount rate is negatively related to gender (females show lower subjective discounting), being a firstborn sibling, risk aversion, higher parental earnings, time until discharge from the army and higher education level. Conversely, having a balanced bank account is positively related to subjective discount rate. To the best of our knowledge no previous research linked the day of the week to time preference. There are studies on the effect of the day on investment in the stock markets (Kenourgios and Samitas, 2008; Pettengill, 2003; Rystrom and Benson, 1989) but not on time preference. The current study shows that a specific situation such as a stronger need for money at the weekend can have a strong effect, and can cause a person to repeatedly change his time preferences depending on day of the week.

Furthermore, this paper is the first to link personal characteristics such as optimism or birth order with time preference. In addition to personal characteristics, we also test the correlation between different army status or decisions such as the time left until discharge, or deciding to prolong the army service, and time preference. When time until discharge is longer, or when the subject has decided to prolong service, we find a lower subjective discount rate. A possible explanation for this relation is the consequence of a cushion effect (Weber and Millman, 1997) generated by the “totalness” of the army institution. We discuss this issue in greater detail below in the hypotheses and in the conclusion sections.

The rest of the paper is organized as follows: in the next section, we discuss time preferences, day of the week and optimism effects, and relate them to our research. Then we present the hypotheses and describe the experimental design, followed by the results, summary and conclusions.

2. Time preferences, optimism, and day of the week

Personal characteristics such as risk aversion, impulsivity and compulsivity are argued to influence time preferences (Andersen et al., 2008; Frederick et al., 2002; Frederick, 2003; Loewenstein et al., 2001). For example, a more impulsive person may have a harder time resisting present consumption, and therefore have difficulty saving for the future. Such behavior is related to a stronger present preference, and a higher subjective discount rate. Optimism, a positive view of events in life, is another personal characteristic that has been found to influence decision making. Scheier and Carver (1985) suggested that people tend to be either generally optimistic or generally pessimistic. “Dispositional optimism” is the generalized expectancy that good things will happen in the future and bad things will be minimal (Scheier and Carver, 1992). An individual who is more optimistic will face life events, whether

good or bad, with an overall positive outlook. An individual who is more pessimistic will view these events in the opposite way, believing that their outcome will be negative (Hayes and Weathington, 2007). Optimism, when viewed as a relatively stable personality characteristic, may account for the method by which individuals regulate their actions (Peterson, 2000; Scheier and Carver, 1985). If individuals take an optimistic approach to difficult situations, they may be better able to adjust and overcome challenges. For example, Scheier and Carver (1992) found that college students scoring higher in levels of optimism reported less depression, loneliness, and stress. Taylor and Brown (1988) found that people with high optimism level exhibited higher levels of motivation, determination, and performance. Optimistic athletes exhibited a higher ability to cope and stronger mental health (Nicholls et al., 2008). Heaton (2002) argued that corporate managers are considered too optimistic, leading them to overvalue their own corporate projects, and undervalue the possibility of bad performance.

Emotions and optimism have also been related to the day of the week. Early research on this issue, using student-subjects, found that Monday is associated with more negative emotions (Farber, 1953; Pecjak, 1970; Rossi and Rossi, 1977). Christie and Venables (1973) examined a wider age range of male subjects, aged 23–53, and found their mood to be lower on Monday and higher on Friday. This day of the week also has a well-known effect on equity markets (Kenourgios and Samitas, 2008; Pettengill, 2003; Rystrom and Benson, 1989).

3. Hypotheses

3.1. Day of the week affect

Beside the mortality and morbidity risk, during mandatory service soldiers face uncertainty about daily activities: their commanders control their schedule, and can change it instantly if the soldier, or even other soldiers, misbehaves in any way. For example, it is quite common for soldiers to have weekend leave canceled for misbehavior or for not achieving a training goal. In some cases, they can be grounded on base for weeks as a punishment.⁶

At the beginning of the week (Sunday morning), soldiers have no immediate need for money, as the army takes care of their personal needs, such as food, clothing and a place to sleep. Compulsory service soldiers earn an extremely low salary,⁷ but have no immediate need for money until the end of the week. On Thursday afternoon, just after they leave their base on their way home, their need for money for the upcoming weekend leisure activities increases. The soldiers usually go out nightly during the weekend, to clubs, pubs and similar places, to unwind the stress of a week in the army. Financing these activities can be quite difficult for them, considering that their monthly salaries are less than 10% of the average monthly salary in Israel.

As a result of the difference in need for money we expect to find that:

H1. The subjective discount rate of the soldiers will be higher on Thursday, in comparison to Sunday.

⁶ In Israel, most forces are posted within a few hours’ drive of their homes and soldiers usually receive a few days leave at least once every three weeks, and often every week.

⁷ The salary of a soldier during mandatory service ranges from about NIS (New Israeli Shekel) 350/month for non-combat positions to about NIS 750/month for combat positions. The average monthly salary in Israel at the time of the experiment was NIS 8477 (source: <http://www.cbs.gov.il/hodaot2011n/26.11.100t2.pdf>). The exchange rates at the time of the experiment were NIS 3.623 to USD 1 and NIS 5.895 to GBP 1 (source: <http://www.bankisrael.gov.il/heb/shearim/index.php?day=1&month=3&year=2011>).

⁵ A total institution is an institution where all parts of life of individuals under its authority are subordinate to and dependent upon the hierarchy of the organization.

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