Changing Preferences: An Experiment and Estimation of Market-Incentive Effects on Altruism

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1 What is the main question?

1. Could behavioral changes due to interaction between preferences and market and incentive?
2. How to refute hypothesis that markets and incentives change preferences?

2 Why should we care about it?

Traditionally, people almost always assumed preference as exogenous as in Arrow-Debreu for example. Besides, preference shaped by things economists do not quite understand. Until recently, some decision theory, behavioral economics try to figure out this puzzle. Last but not least, usually markets and incentives are usually studied under given preferences, but can markets, incentives change preferences? Those are the limit of preference study recently, so this study try to dig in those topic.

3 How did the author get there? (Strategy)

It is an experiment and the detailed design is following. (1) The design: Between-subject design Monopoly, Duopoly, Quadropoly
(2) Price, cost, benefit: each binary
(3) Total 24 games for each subject
(4) When: sessions in October 2017, April 2018
(5) Where: University of Cologne.
(6) Who: 361 subjects, most of them Cologne students Average age, 24 years; 55% female. Subjects of study: 131 in law and social sciences, 22 in medicine, 42 in arts and humanities, 49 in mathematics and natural sciences, 35 in theology, and 82 others, non-students, unavailable (7) What: played normal form games, exactly those above
4 What is author answer? (Finding)

(1) Framing: health care quality
(2) Incentives: price, cost, patient benefit
(3) Markets: Monopoly, Duopoly, Quadropoly
(4) Preferences changed by incentives
(5) Preferences changed by markets Markets have stronger effects than incentives
(6) Subjects become less altruistic
(7) preferences exhibit less variance