

Rich boys more competitive in economic experiments

July 4 2014



Lab experiments indicate that Norwegian girls and boys are more or less equal in terms of self-esteem and belief in their own skills. But in terms of competition, boys are more willing to take the chance on performing better than average.
Credit: colourbox.com

Why do we make the choices that we do? Are we born this way or have we become this way? The behavioural economists are looking for answers by the use of economic and math exercises in the laboratory.

Fifty boys and girls from the ninth grade are each sitting in front of a computer in a large hall. The pupils have travelled by bus from their randomly chosen secondary school to The Norwegian School of

Economics (NHH) in Bergen. They are some of the 523 pupils who are taking part in a research project at NHH's Choice Lab.

The 15 year old participants are not aware in advance that they are taking part in a study which focuses on [gender differences](#). They have been invited to spend a day at NHH, where they are asked to make some [financial choices](#). They are also invited to take the personality test The Big Five Inventory.

The computer hall is a laboratory, and the pupils are about to do math exercises on which they can make money. If they get as many points as the average they will make 50 Norwegian kroner in the first round.

In the second round, they may earn one Norwegian krone per correct answer; this is the safe choice. But they can also chance to give a better solution to the exercise than the average and make three kroner per right answer. If they don't make it they get nothing.

There are no gender differences when it comes to the pupils' belief in their own skills, which is often found outside Scandinavia. But whereas 51 per cent of the boys chose the last alternative – the competitive alternative – only 31 per cent of the girls did the same.

"The result is striking," says Bertil Tungodden, who is one of the behavioural economists behind the study and project leader at The Choice Lab.

"In terms of [competitiveness](#) the gender differences are as big here in Norway as in other places in the world."

Class and culture matters

The lab experiment on gender and competitiveness in Bergen is inspired

by a similar American [study](#) from 2007, where 73 per cent of the men chose to compete, against only 35 per cent of the women. This was a groundbreaking study within the field of behavioural economics and similar studies have since been carried out in a number of countries.

A well-known [study](#) was carried out among Maasai people in Tanzania, who belong to a highly patriarchal culture, and among the Khasi people in India, which is a matrilineal group. Among the Maasai people the men were the most competitive. But among the Khasi people women were most competitive, they were even slightly more competitive than the Maasai men.

"Based on these finds it has been argued that competitiveness is culturally determined," says Tungodden.

"While it is one thing to look at cultures which are extreme in terms of gender differences, what may be found in the most gender equal society in the world? If measures towards gender equality works in regard to competitiveness the gender differences ought to be smaller in countries such as Norway."

This, however, is not the case.

Both in the Choice Lab paper Willingness to compete in a gender equal society, and in the article Willingness to compete: Family matters, Tungodden and his coauthors focuses on the fact that Norway is the world's most gender equal country.

"Are you making too much of a point of this? Everybody knows that Norway is not gender equal although we get top scores on a number of measures?"

"We do have one of the most gender segregated labour markets, so

obviously we are not completely gender equal. So perhaps we do make too much of a point of this. Perhaps we exaggerate a bit. But the UN's Gender Equality Index observes things that are quite particular for Norway," says Tungodden.

The lab experiment was later connected to information about the pupils' family background. It then became clear that class is an important factor in terms of the boys' competitiveness.

Boys from families with a low socio economic status were on the same level as girls from a similar background. Only among those coming from families with a high [socio economic status](#) there was a big gender difference. The rich boys were more competitive.

Born that way or become that way?

Although studies have shown that both class and culture are decisive factors, Tungodden and the other researchers claim that it is absolutely necessary to identify whether or not the gender gap regarding competitiveness is about women's low self-esteem ("a lack of female empowerment"), or whether there are innate biological differences at play here which make women less competitive.

If biology is the decisive factor it has consequences for politics, say the researchers.

"How are you going to find the answer to that?"

"The formulation is perhaps a bit strong. Our point is that if the difference in competitiveness is a result of women being discriminated or oppressed it lends legitimacy to politics which aims to balance this difference."

"However, if our finds primarily reflect basic biological differences the challenge becomes how to relate to this. Of course it is never only the one or the other. We believe that both culture and biology are at play here," says Tungodden.

He and the other researchers at The Choice Lab are now part of a project where they are looking at whether or not nature is a decisive factor for the financial choices we make. In 2010 the researchers Uri Gneezy and Moshe Hoffman showed that there was a difference in competitiveness between right handed and left handed people. They found that left handed women and men were more willing to take risks and to compete than right handed people

"It may be indicative of something if we find big differences between left handed and right handed people. These finds are small pieces in a much larger research picture," says Tungodden, who does not want to say too much about the project yet.

Behavioural economists have also made use of brain scanning in order to study the brain activity when financial choices are being made.

Generous dictators

Gender has not previously been the main theme in Tungodden's research. He has focused on justice; what is justice, how ought society to be organised, what motivates individuals and how important is moral for motivation.

"Economists have based their work on the idea that people are self-interested and superrational. Behavioural economics have revolutionised economics as a field by challenging these ideas," says Tungodden.

Economists have defined giving and helping as something which is done

out of self-interest. Through giving one is showing off in order to get a good reputation. However, the so-called dictator experiment has shown that people act out of moral motivation. In the dictator experiment a person with money – the dictator – may choose to share the money with someone without money or keep everything to oneself. Everything happens anonymously and nobody else will know whether you have chosen to keep the money to yourself or share them.

"The beautiful thing about this experiment is that according to standard economic theory nobody would share in such a situation. But the dictator experiment has been carried out in many different settings and time and again we see that people do share," says Tungodden.

"There is absolutely no reason why you should share the money except that you think it is the right thing to do."

Strict method

Not everybody shares equally, some keep a little more to themselves. For instance, those who study economy are less willing to share equally than others. But the result remains:

"Experiments such as these were the last nail in the coffin for the economists who disregard moral motivation."

"Much of the insights from these economic experiments, that people's behaviour is not only dictated by self-interest, are well established within various social sciences. Why hasn't this convinced the economists?"

"Economists are methodologically oriented. Real life behaviour is not enough. Qualitative research does not convince economists. They are convinced by experimental methodology and well-designed experiments," says Tungodden.

"But when one finally became open to these thoughts, economists have been influenced by all kinds of other fields, including anthropology, sociology and psychology. We are, however, trying to do it our own way, which is typically more stringent."

The lab and the real world

Tungodden compares economic behavioural experiments to medical experiments. In the same way as medics give placebo, an ineffective agent, to control groups, the economists make use of control groups who are not given an agent or who are given another agent than the one which is being investigated.

He is also of the opinion that the lab gives the researchers a high degree of control over the experimental situation.

"We could have performed this study differently and made the pupils very aware of their gender, and we have thought about doing that. But we haven't done it yet. The lab provides opportunities to control the situation and to remove many of the arguments for why girls and boys behave differently," says the professor.

A common critique of lab experiments is that they only show what happens in the lab, not in the real world.

Tungodden argues that the patterns found in the lab often reflect the real world when the lab results are connected to the background data.

"Those who donate much money in the lab also donate more in the real world. And there are systematic differences in terms of one's field of study and the degree of generosity. If the lab was very artificial it wouldn't have been possible to retrieve the patterns in the [real world](#)."

Cracking the top executive code

According to Tungodden there are dramatic gender differences among the top executives in Norway. Only approximately ten to fifteen per cent of the top executives are women. He willingly repeats the following quote both to the media and in his lectures: men who ought to play fourth division are playing top division.

"A revolution is required in the business sector in order to recruit more female leaders. We have to crack that code," he says.

This is not necessarily about women having to become more competitive. The experiment with the pupils from Bergen showed that boys tend to compete too much, and not necessarily according to their actual performances.

"The studies indicate that a lack of competitiveness may be a reason why women don't become top leaders. This does not necessarily mean that they ought to compete more. Perhaps we need to think differently about the way we recruit top leaders. The most competitive candidate is not necessarily the best leader."

The Choice Lab was recently awarded a large sum of money from the Norwegian Research Council. The aim is to become the best in their field in Europe. Among other things, the funding will be spent on studying why there are such differing attitudes towards whether or not gender quota in boards are fair.

Tungodden have also performed economic experiments in East Africa, and is currently working on a large field experiment in Tanzania which involves 80 schools. The project looks at girls, family planning and entrepreneurship.

And the study of the 523 pupils from Bergen is still ongoing. When they choose their education and have careers we will find out whether their competitiveness in the lab that day in 2011 predicted their future or not.

Provided by Norwegian School of Economics

Citation: Rich boys more competitive in economic experiments (2014, July 4) retrieved 19 April 2024 from <https://phys.org/news/2014-07-rich-boys-competitive-economic.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.