Measuring Preferences and Values:
Survey and Experimental Techniques

David Huffman and Uwe Sunde

June 1st, 2007

Oxford Poverty and Human Development Initiative Workshop

Fundamental Preferences

- Agent-based models link outcomes (income, educational choice, lifestyle, etc.) to preference parameters, and beliefs, at the individual level.

- There is still a lot to be learned about the empirical distribution of fundamental preference parameters, within and across nations/populations.

  - Trust, reciprocity, willingness to take risks, impatience, preferences for redistribution, conception of social justice.

  - More evidence is needed, especially from developing countries.

Why is this relevant?

- Differences across individuals/groups have crucial implications for explaining important dimensions of poverty.

- Policy prescriptions must appreciate differences in preferences/culture.

- How can preference parameters and beliefs be measured, reliably and on a large scale?

- What environmental/background factors contribute to the formation of these behavioral traits and beliefs?
  - Age, gender, etc.
  - Parents.
  - Life events.
  - Poverty.

Measurement

- Choice experiments:
  - Simple experiments can be conducted in the field, with large representative samples.
    - Also in developing nations.
  - Compelling because measure actual behavior.
  - Useful complement to survey measures, not a substitute.
  - Examples of games usable in the field:
    - Trust game.
    - Simple social justice game with voting.
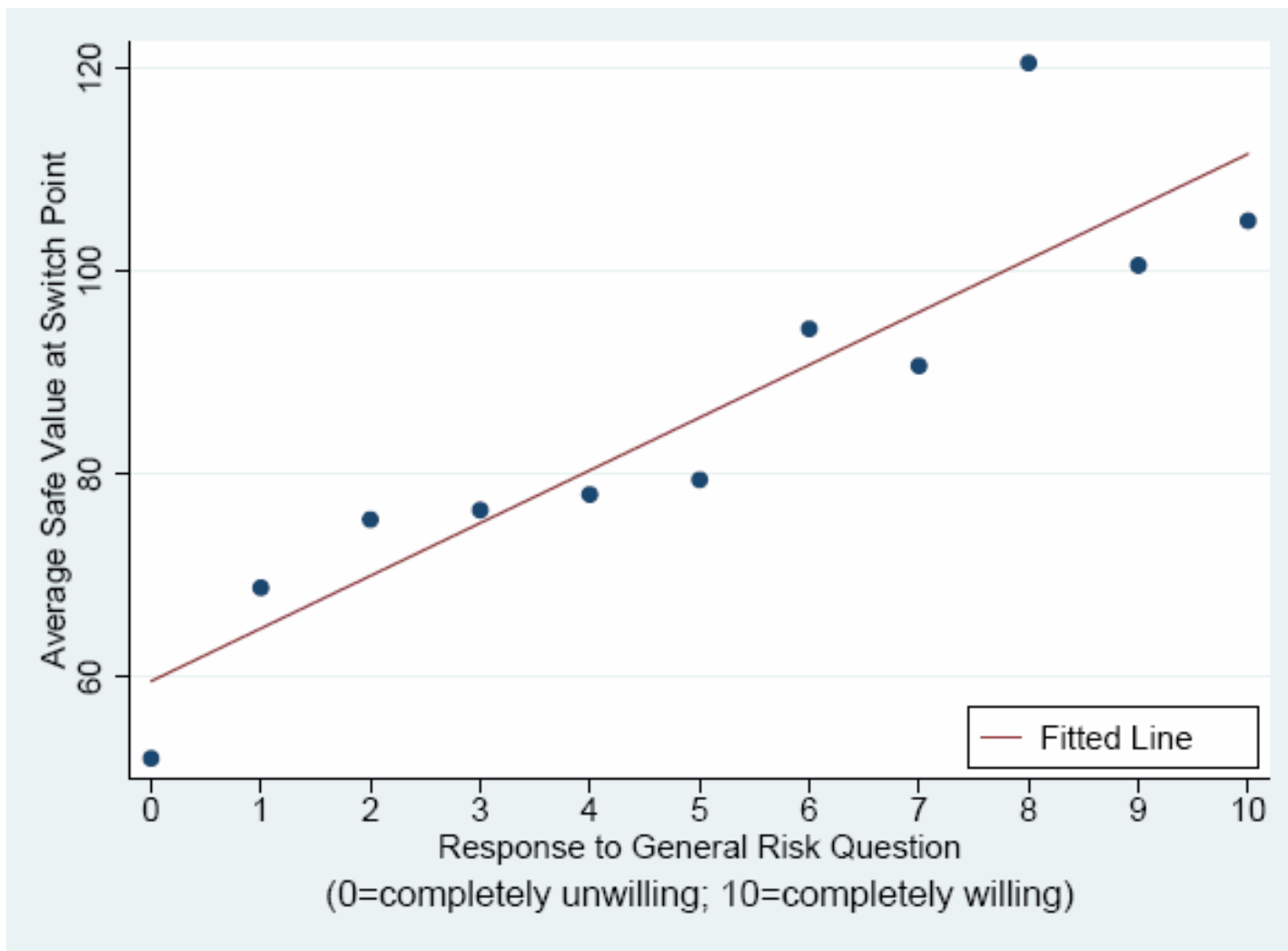   - Risk-taking experiment.
    - Impatience experiment.

Measurement

- Survey questions:
  - Low cost, can be used on a very large scale.
  - More direct elicitation than revealed preference approach used in experiments.
  - Need not be cardinal.
  - E.g., qualitative questions asking:
    - "How willing are you to take risks, in general?"
    - "How much can people be trusted these days?"
    - Response scale from 0 to 10.
  - Can be validated, or cross-checked, with cardinal measures from experiments.
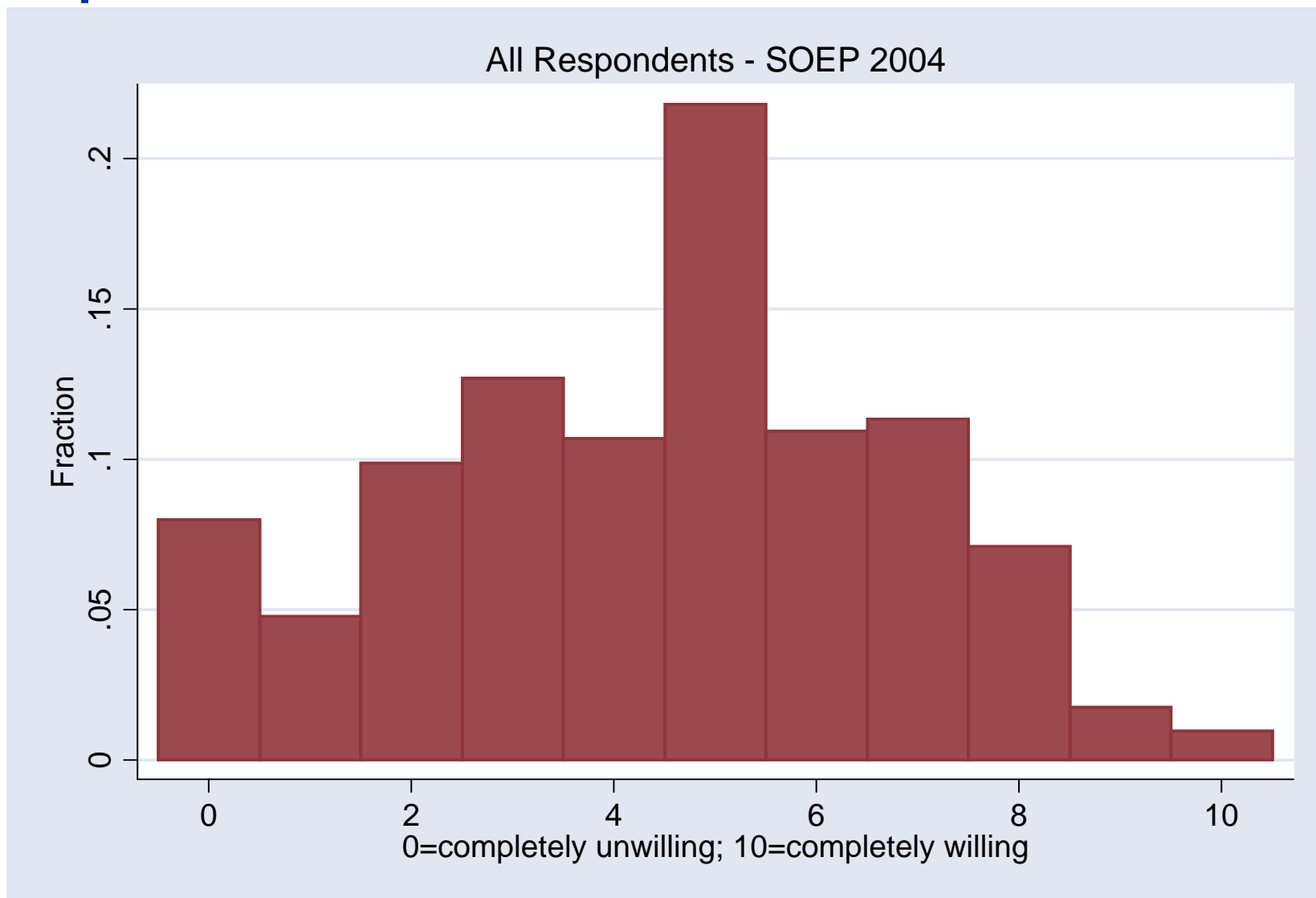
Recent Projects of our Group

- Risk Attitudes in a population (Germany).
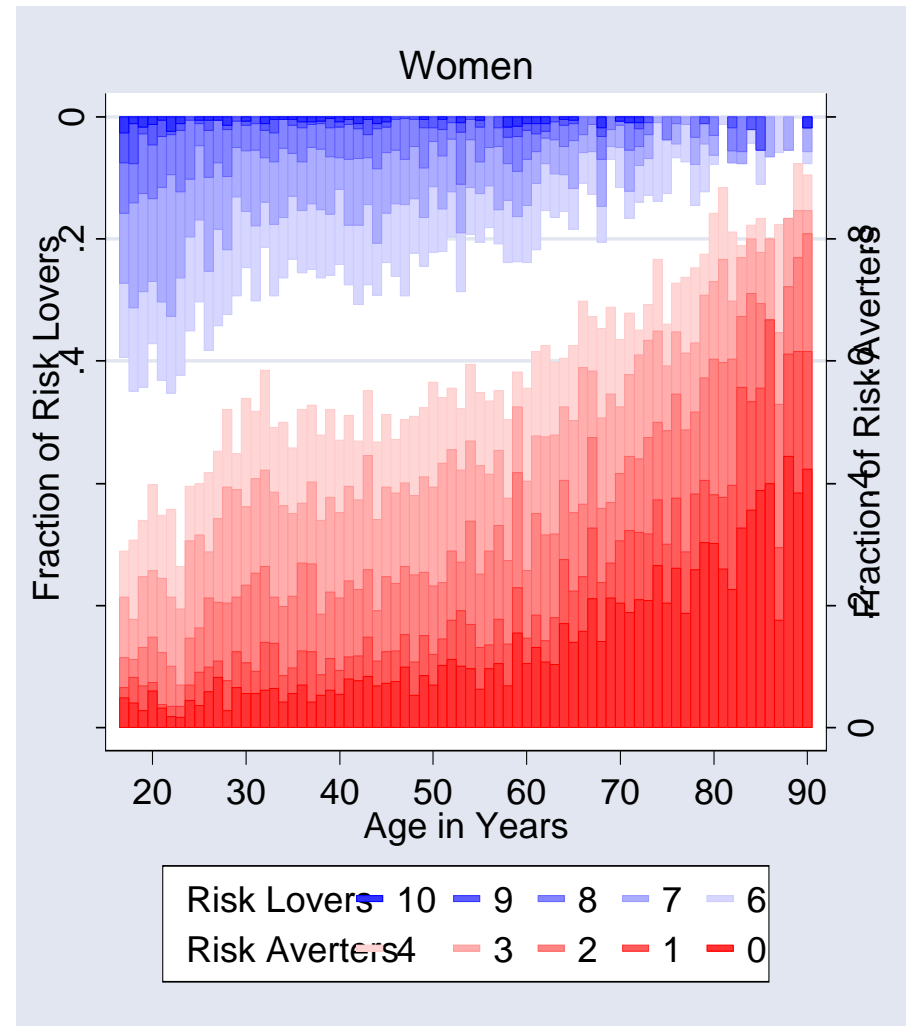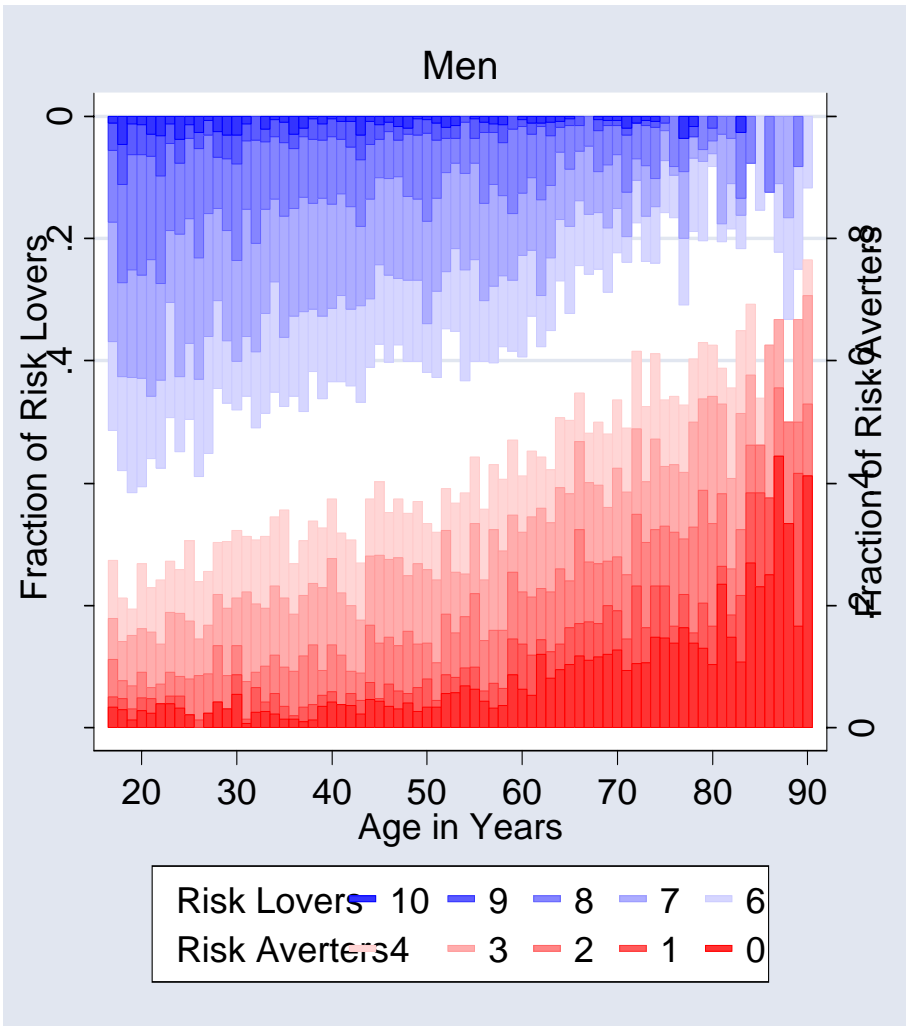
General Risk question and risk taking behavior
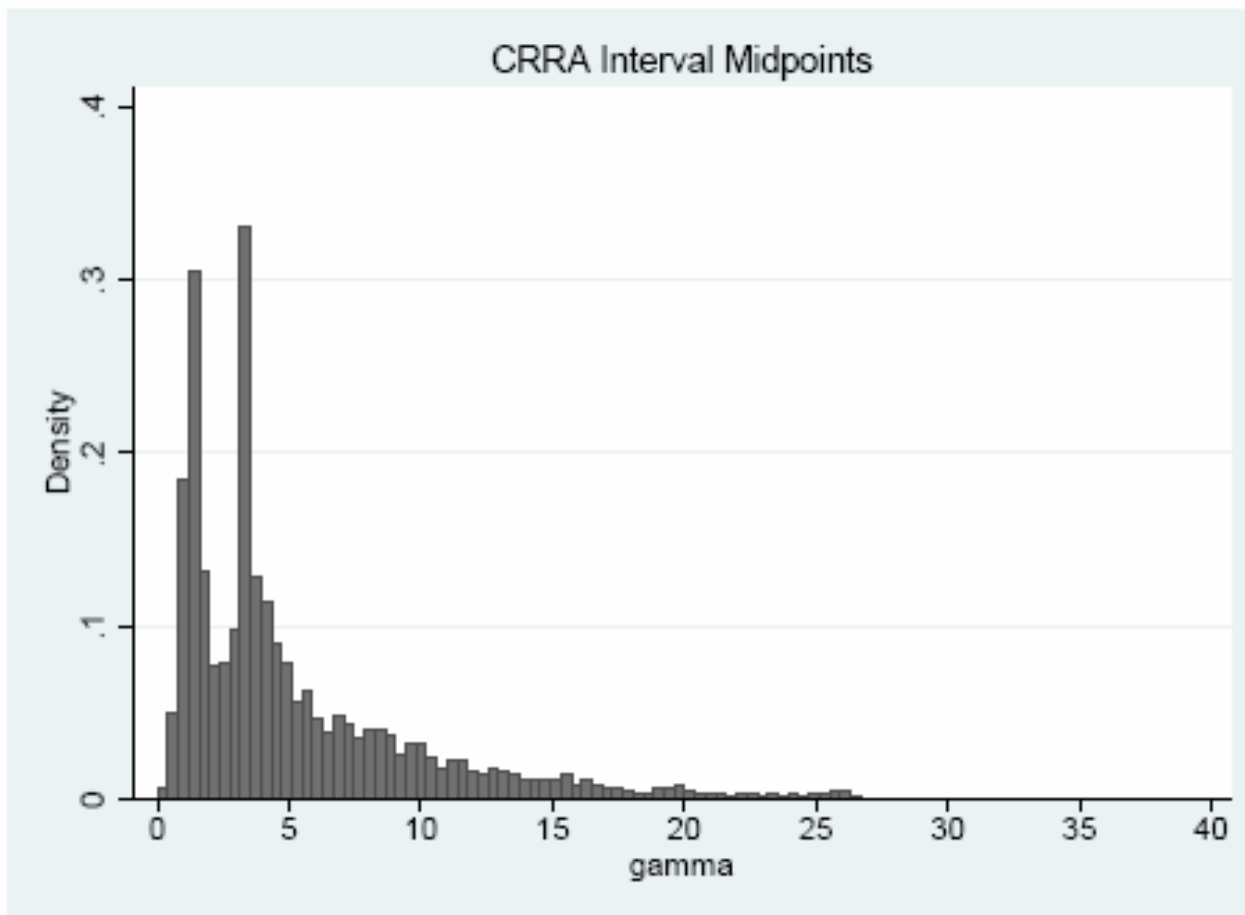

N = 500

Responses on General Risk Attitudes:

All Respondents - SOEP 2004

0=completely unwilling; 10=completely willing

N = 22,000

Willingness to Take Risks: By Age and Gender

N = 22,000

Cardinal Risk Preference Parameters: CRRA Preferences

CRRA Interval Midpoints

Recent Projects

- Risk Attitudes in a population (Germany).

- Time preference, hyperbolic discounting.

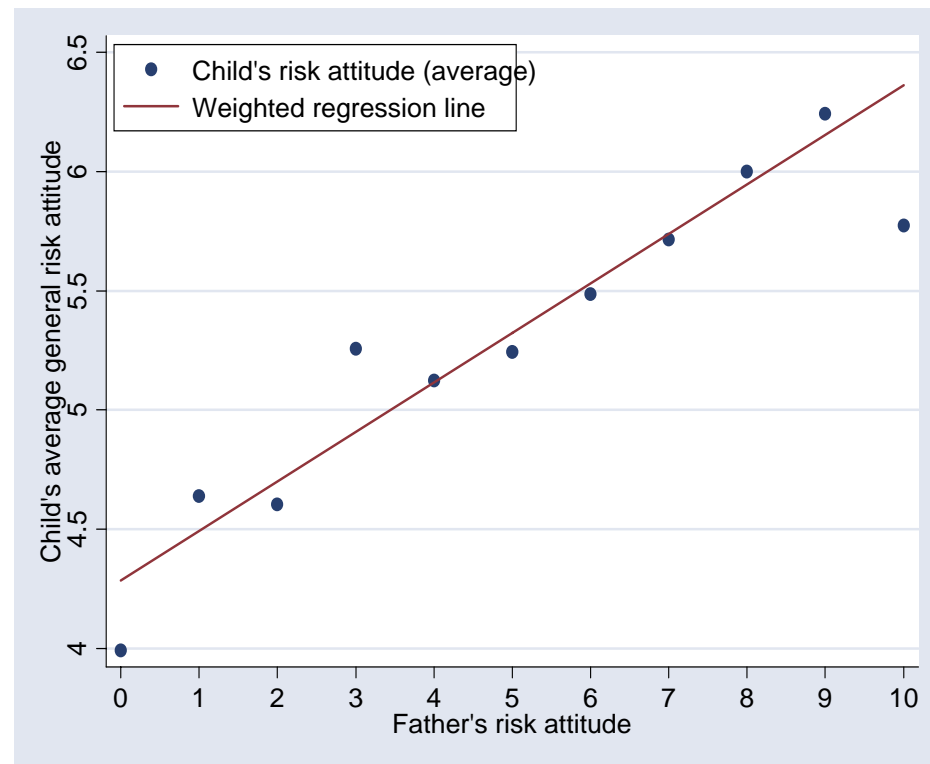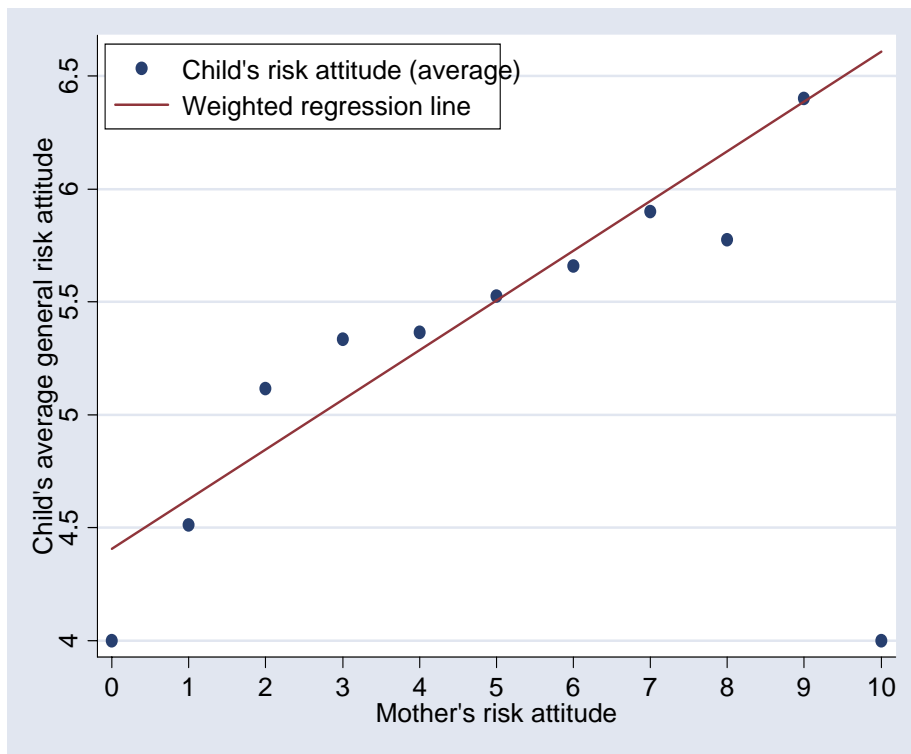# Time Discounting in the German Population
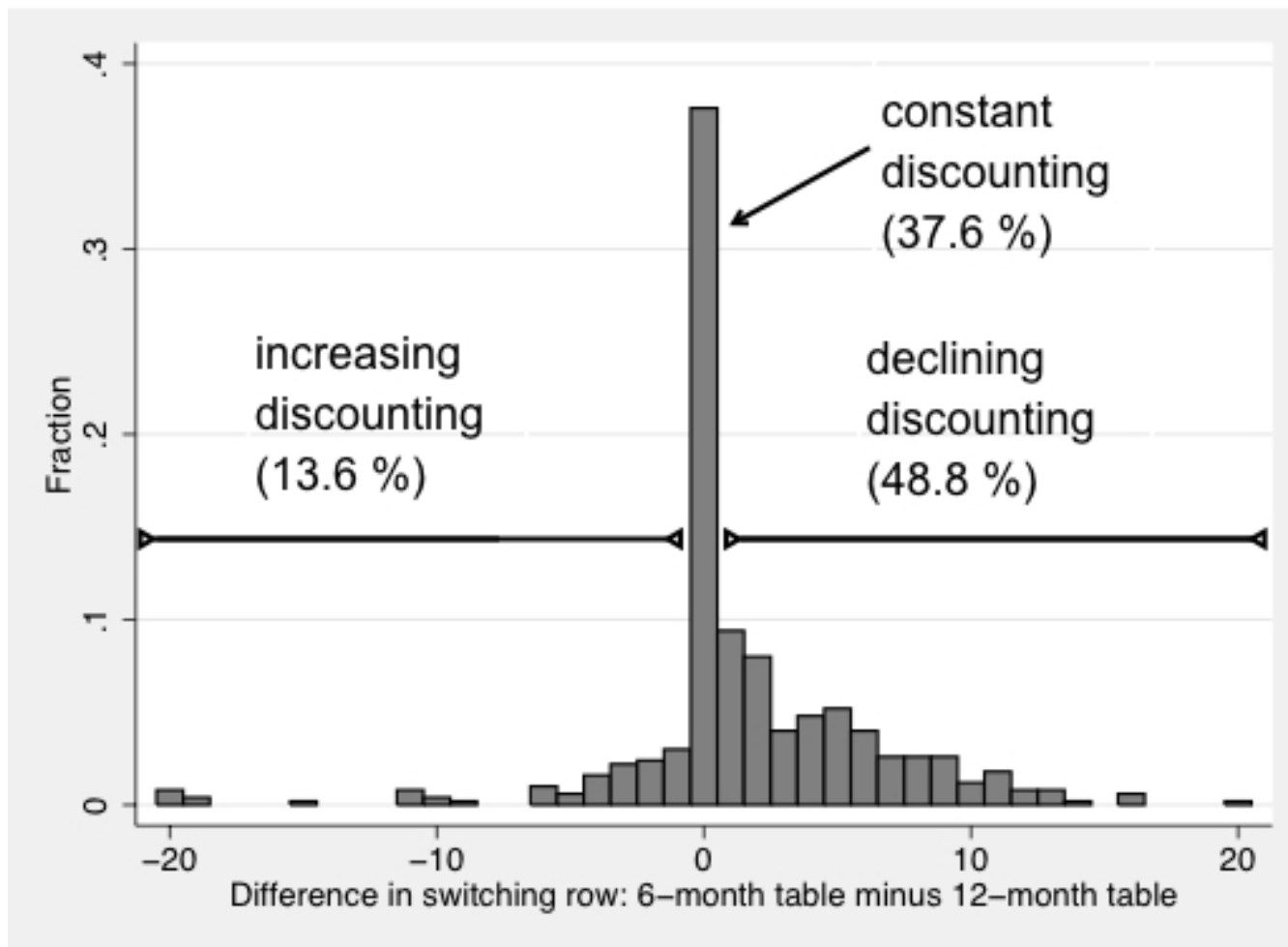
N = 500

Recent Projects

- Risk Attitudes in a population (Germany).

- Time preference, hyperbolic discounting.
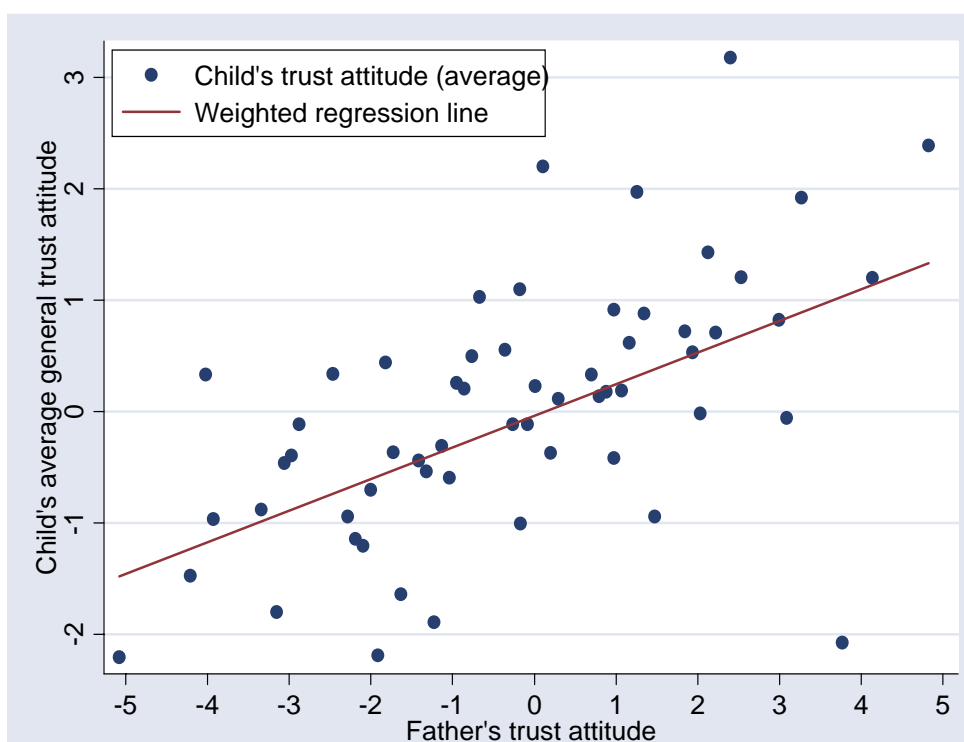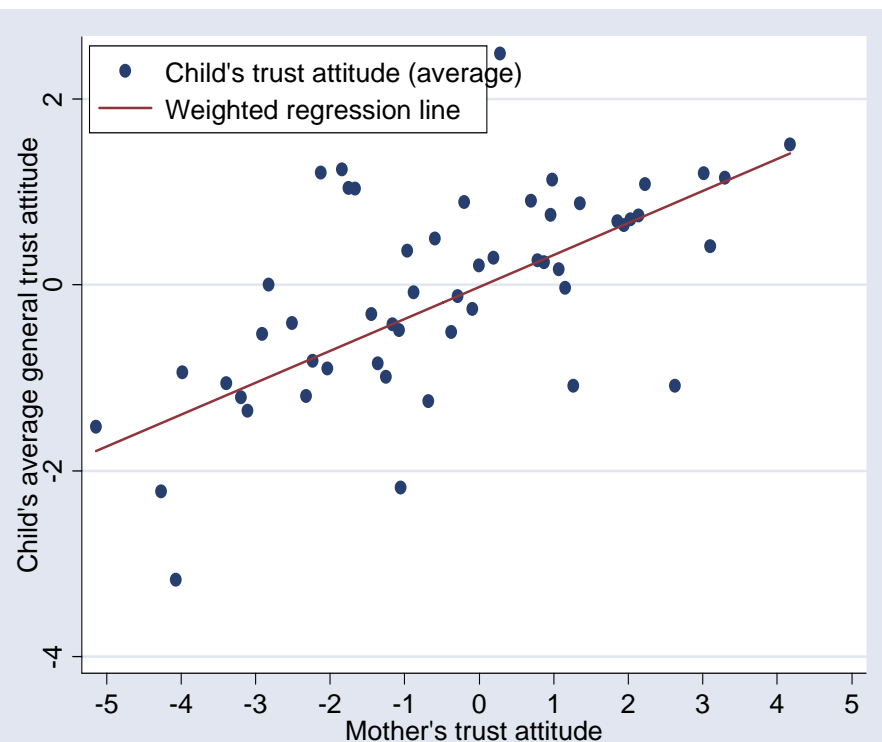
- Intergenerational transmission.

Child's Risk Attitude as a Function of Parent's

Notes: Weighted regression lines, taking into account number of parents in a given category.

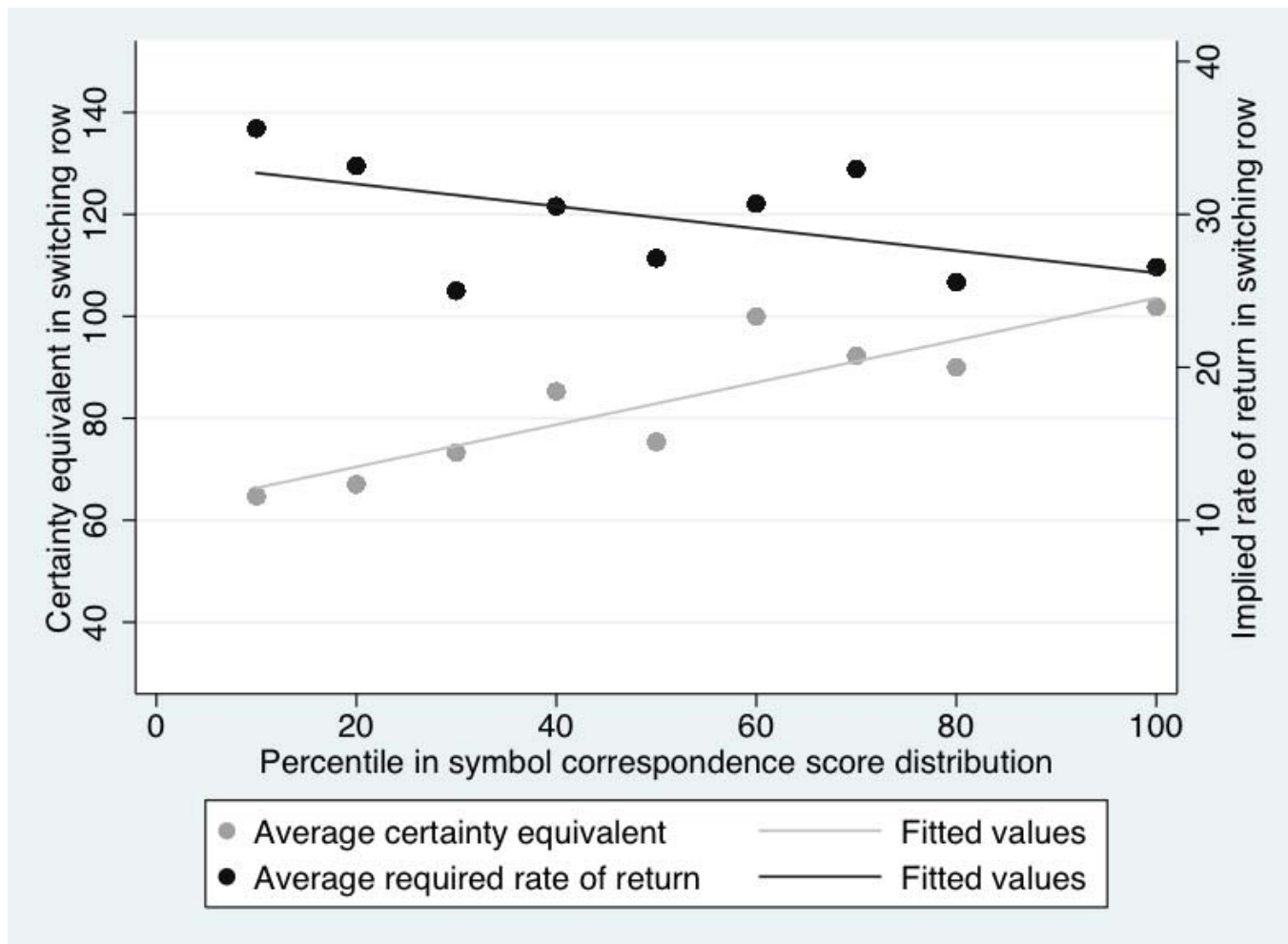N = 10,000

Child's Trust as a Function of Parents'

Notes: Weighted regression lines, taking into account number of parents in a given category.

N = 10,000

Recent Projects

- Risk Attitudes in a population (Germany).

- Time preference, hyperbolic discounting.

- Intergenerational correlation in risk and trust attitudes.

- Risk attitudes, impatience, and cognitive ability.

Risk Attitudes, Impatience, and Cognitive Ability


N = 1,000

Potential for Studying Poverty

- Development of a module on preference parameters/beliefs for large scale surveys, supported by field experiments.

  - Comparable across different countries.

- Understanding of how development context shapes preference parameters and beliefs.

- Stability and evolution of preferences and attitudes over time.

  - Adaptation.

  - Intergenerational transmission.

  - Education

Responses on General Risk Attitudes: Differences Females-Males

Gender Differences

Difference in Fraction

0=completely unwilling; 10=completely willing
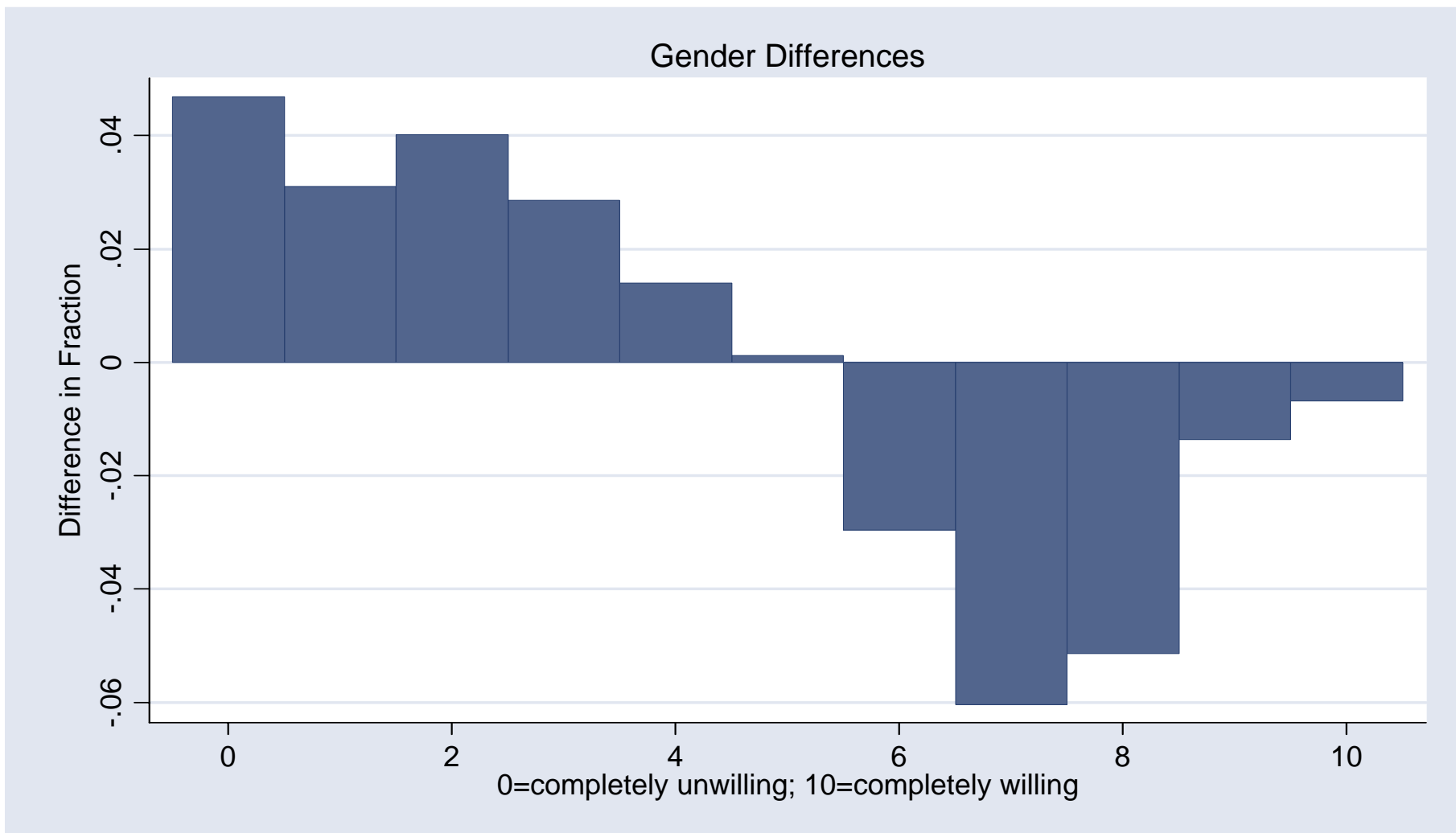
David Huffman
Uwe Sunde
IZA

IZA, P.O. Box 7240,
53072 Bonn, Germany
Phone: +49 (0) 228 - 38 94 -extension
Fax: +49 (0) 228 - 38 94 180
E-mail: name@iza.org

http://www.iza.org