

Seminar

“The Long-term Crowding Effects of Behavioral Payment Programs: Framing and Social Norms”

(in English)



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Time: 2:00pm – 3:30pm

Venue: WYL314, Dorothy Y. L. Wong Building

Abstract: Behavioral payment programs (BPPs) that offer financial incentives in exchange for undertaking socially desirable behavior face two major challenges: crowding out effects and the temporary nature of funding. If monetary incentives undermine noneconomic sources of motivation and if the incentives are temporary, the motivation crowding out effects can last well after the BPPs are terminated with post-payment incidence of the behavior falling below pre-payment levels. In this paper, we build on the seminal work of Benabou and Tirole (American Economic Review 2006) to study how the long-term crowding effects of short-term payments can be influenced by payment framing and by the evolution of social norms. Individuals have uncertain intrinsic values of the prosocial behavior, with both the uncertainty and the values affected by payment framing. The reputation value of undertaking the behavior is correlated with injunctive norms, which can be measured empirically. Framed payments can have crowding in effects in both the short and long runs, with the long-run effects manifesting mainly through changed social norms. We test our theoretical predictions using a series of experiments, including an unframed campus experiment, a framed campus experiment, and a framed field experiment. We find that payment framing can have crowding in effects, and this effect is particularly strong among populations with strong cultural norms. Our findings highlight the need for enriching BPPs such as payment for ecosystem services with proper framing and social norm appeals.

Biography: Jinhua Zhao received his PhD from UC Berkeley and is currently a Professor of Economics and director of the Environmental Science and Policy Program at Michigan State University. He serves on the Environmental Economics Advisory Committee of the US EPA’s Science Advisory Board and the Air, Climate and Energy Committee of EPA’s Board of Scientific Counselors. He was a co-editor of Journal of Environmental Economics and Management and is on the editorial committee of Annual Review of Resource Economics. His research interests include environmental regulation, technology adoption, and dynamic decision making under uncertainty.

All Are Welcome

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