ABSTRACT

This research explores two questions: first, what is the prevalence of bounded rationality across different populations and across population characteristics? Second, are there systematic differences in decision-making procedures between those who regularly allocate public resources, and those who are more frequently the intended recipients of those policy decisions? To test for differences we sample across individuals in Vietnam who vary by the responsibility they have over public resource allocation decisions. Our findings indicate that within both groups, individuals are more likely to satisfice than maximize, but that there are significant differences between policy makers and farmers (program recipients).

MOTIVATION AND METHODS

Social scientists have documented the results of hundreds of experiments that challenge standard economic assumptions about how we make decisions, especially under uncertainty and over time. The accumulated evidence is largely from laboratory experiments in the U.S. and Europe, with little comparable work from the field or from developing or transition countries. This evidence suggests that similar behavioral anomalies in less developed countries may be at least as prevalent because of the greater incidence of poverty and food insecurity, large rural populations, and poorly functioning markets, and that these behaviors may more acutely affect policy outcomes because there are fewer formal institutions to temper their effects.

Survey

Original data were collected using stated preference surveys from three communities in the Ninh Dien and Ninh Binh provinces near Hanoi. The surveys were administered in 2005.

Models of Decision Making

- Maximization: max V(a)
- "threshold": V(a) > V(b) \iff a \geq b
- Uniform: V(a) = V(b)

RESULTS

Sample Computation Question

Decision Domain: base and show

Medicine: 6 bananas, 6 papayas

Medicine 6: 5, 5, 8, 8

Medicine 2: 4, 4, 4, 4

Medicine 1: 7, 7, 7, 0

\[ \text{Fairness Question} \]

An aid shipment containing 12 bananas and 12 papayas is to be distributed between 2 people in a remote village: Nguyen and Viet. The following information is known to all:

- Nguyen prefers 100 units of vitamins from such banana eaten, and 0 from papayas.
- Viet prefers 50 units of vitamins from each banana and 50 from each papaya.
- Both Nguyen and Viet care only about vitamins received from the fruit and nothing else.

How should the fruit be divided between Nguyen and Viet if the division is to be fair? Choose one:

\[ \begin{align*}
\text{Nguyen:} &\text{ 6 bananas, 6 papayas} \\
\text{Viet:} &\text{ 6 bananas, 6 papayas} \\
\text{Nguyen:} &\text{ 12 bananas, 0 papayas} \\
\text{Viet:} &\text{ 0 bananas, 12 papayas} \\
\text{Nguyen:} &\text{ 8 bananas, 8 papayas} \\
\text{Viet:} &\text{ 4 bananas, 12 papayas}
\end{align*} \]

\[ \text{Preference variability along the policy chain in Vietnam} \]

Policy makers' response (%)

Farmers' response (%)

\[ \text{How should the fruit be divided?} \]

\[ \text{Choice:} \]

\[ \begin{align*}
\text{Nguyen:} &\text{ 6 bananas, 6 papayas} \\
\text{Viet:} &\text{ 6 bananas, 6 papayas} \\
\text{Nguyen:} &\text{ 12 bananas, 0 papayas} \\
\text{Viet:} &\text{ 0 bananas, 12 papayas} \\
\text{Nguyen:} &\text{ 8 bananas, 8 papayas} \\
\text{Viet:} &\text{ 4 bananas, 12 papayas}
\end{align*} \]

EXPERIENCE, RESPONSIBILITY, CONTROL QUESTIONS

- Experience
- Responsibility
- Control

REFERENCES AND WORKING PAPER