The Economics of Decision-Making: Investigating the Effect of Social Pressure on Incentive Selection

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Many of our everyday decisions are based on incentives. Some are conscious, and some are subconscious. Nevertheless, our decisions are mostly based on two different incentives: economic and social. Economic incentives involve money or financial assets. Social incentives involve rewards such as acceptance and approval from others. This study aims to investigate how effective the presence of social pressure is in influencing the choice a person makes between the two incentives as well as to use collected data to mathematically model the tradeoff a person makes. To collect data, an experiment was designed in which a participant would choose between recycling a can into a bin that offered an economic incentive or a bin that offered a social incentive. The data collected showed a clear difference across the two treatments. All statistical tests yielded p-values significantly below the alpha level, indicating that there is indeed a difference in decision-making patterns when social pressure is present. Although the basis of a mathematical model was developed, it was not tested for strength and validity. Collected data would be useful in solving for parameters involved in such a model. Future research will focus on continuing to develop the model as well as using computing software to reach structural and potentially reduced-form estimates of parameters. By doing so, we can gain valuable insight on the quantitative methods that are employed to describe our behavior.

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