

Family Context and Economic Preferences: The Impact of Birth Order and Number Siblings on Economic Preferences

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Abstract:

Economic preferences begin to form early in life, from childhood, with long-term consequences for lifetime outcomes such as in labour market. Using experimental data from South Africa an emerging economy suffering from high unemployment rates (upper 20's percent overall and over 50 percent for the youth), high inequality and entrenched poverty, we show how both birth order and number of siblings affect risk and social preferences. We use a sample of 225 students from different study disciplines. We find statistically significant differences in risk aversion and levels of trusting on subjects of different birth orders, and those that have more siblings tend to be less trusting and are risk taking. Number of siblings interacted with birth order is also statistically significant. First-born children tend to be less trusting and more risk averse. The results point to the implications of family context in determining success and therefore proffering insights to pathways of alleviating poverty, addressing inequality and reducing unemployment in a country as South Africa. Risk preference has an effect on financial behaviour and thus the knowledge is critical to countries as South Africa with households heavily indebted to over three month's income and significantly low household savings.

Keywords: economic preferences, experimental economics, birth order, number of siblings, South Africa

JEL Codes: C93, D10, D90, J12