MPRA

Munich Personal RePEc Archive

Are Turkish Enterpreneurs Altrustic? Evidence From Western Black Sea Region

Sarıbaş, Hakan and Yıldırım, Halil

01. June 2007

Are Turkish Enterpreneurs Altrustic?
Evidence From Western Black Sea Region

Assist. Prof. Hakan Sarıbaş
Department of Public Finance
Zonguldak Karaelmas University
E-mail: hakan203@yahoo.com
and
Assist.Prof. Halil Yıldırım
Department of Management
Zonguldak Karaelmas University
E-mail: halilyildirim@hotmail.com

Abstract

In this paper, we examine the level of altruistic motive of entrepreneurs who live in three cities of Western Black Sea Region of Turkey, Zonguldak, Bartın and Karabuk. Members of Chambers of Commerce and Industry in these cities were randomly selected and surveyed about four aspects of altruism: altruistic love, altruistic values, altruistic behaviors and empathy. We have also asked for their opinions about how government decision makers should be in the public service.

It is found that entrepreneurs have a significant amount of altruism, and that they think that government decision makers (politicians and high-ranked bureaucrats) should be genuine altruists.

1. Introduction

There are some fundamental assumptions in economics. Without those assumptions, it would have been very difficult to understand and summarize real world phenomenons, which are inherently very complex. Economics assumes that individuals are rational. It is thought that an individual acts rational if he is efficient in the pursuit of his aim. He pursues his behaivor in the most efficient available way.

However, a rationality assumption is only interested in efficiency of the action. Aim can be a variety of things. A great number of research in economics, secondly, assumes that individuals are selfish. In another words, they are motivated with material interests only for themselves. The mainstream economics, neoclassical economics, does not consider other motives such as altruism.

Selfishness assumption of neoclassical economics has always been debatable in the literature. Beside rationality assumption, altruistic model of household behavior assumes that individuals care not only about themselves but also about others such as children, family members and even complete strangers. There is no concensus in the literatureture about which model of individual behavior applies in the real world.

Models of households behavior are very important because they usually have their own solutions for most economic problems. Therefore, policy implications naturally differ from one onother. For example, wherher or not Ricardian equivalance hold in the real worl produced different impact of government policies on the macroeconomy.

The organization of our paper is as follows: In section 2, we present two theoretical models of household behavior; in section 3, we discuss the metodology of the survey, and present survey results. In section 4, we disscuss the policy implications, and in section 5 we summarize the paper.

2. Theoretical models of household behavior

Two models of household behavior are commonly discussed in the economics literature, (1)the neoclassical model, which is also called life cycle model, and (2) the altruism model. In this section, we would like to discuss each model in turn.

2.1. The Neoclassical Model (The Life Cycle Model)

The model of Modigliani and Brumberg (1954) says that individuals derive utility from their personal consumption. Selfishness assumption applies for evetbody. No other consideration for houselhold behavior are available. In the two-good case, X and Y, the allocation problem of a grandfather can be stated as follows:

Maximize $U_G(X_G, Y_G)$ subject to $P_x X_G + P_y Y_G \leq I_G$
   X, Y

$U_G(X_G, Y_G)$ is the grandfather's utility function, and I_G, P_x, and P_y denote the grandfather's income, the price of X, and the price of Y, respectively. X_G and Y_G denote good X and good Y consumption of the grandfather.

Similarly, the allocation problem of a grandson can be stated as follows:

Maximize $U_{GS}(X_{GS}, Y_{GS})$ subject to $P_x X_{GS} + P_y Y_{GS} \leq I_{GS}$
   X, Y

$U_{GS}(X_{GS}, Y_{GS})$ is the grandson's utility function, and I_{GS}, P_x, and P_y denote the grandson's own income, the price of X, and the price of Y, respectively. X_{GS} and Y_{GS} denote good X and good Y consumption of the grandson.

As can be seen from the above presentation of the model, the grandfather and the grandson behave totally independent of one another. The grandfather try to maximize his utility and does not derive any utility from the welfare of his grandson. He is simply uninterested with him. Similarly, the grandson maximizes his utility, and derive no utility from the walfare of his grandfather. He is unintereted as well.

2.2. The Altruism Model

According to Khalil (2004), there are three major perspectives of altruism: egoistic, egocentric and altercentric. The egoistic perspective postulates that altruistic assistance happens only when the individual expect to derive a future benefit.

In the egocentric perspective, donor's utility function includes the utility of the recipients as long as the enjoyment from the walfare of the others is greater than the satisfaction from his personal good consumption. If the reverse happens, individual does not donate.

The altercentric approach views that the benefector altruism is the result of his personality trait. A person may donate because of a moral gene. He may also donate for the sake of pure ethics. This perspective is quite distict from the egoistic and egocentric perspectives beacuse it does not include any selfishness.

Becker (1974, 1981) assumes that people derive utility not only from their own consumption but also from the walfare of others. Now the allocation problem of the grandfather is as follows:

$$\text{Maximize } U_G(X_G, Y_G, \varphi(U_{GS}(X_{GS,}Y_{GS}))) \quad \text{subject to } P_x X_G + P_y Y_G + T \leq I_G$$
$$\text{X, Y,} U_{GS}$$

Where T is the transfers from grandfather to his grandson. This model implies that grandfather derive utility from the utility of his own grandson. He shares his income. He is interested in with his family member.

3. Methodology and Data

Given time, money and other resource constraints, we are only able to reach the Chamber members in three cities, Zonguldak, Bartin and Karabuk, in where the Faculties of Zonguldak Karaelmas Universiy are located. Our survey questionaires are distributed to chamber members in the series of seminers being held in our target cities. It is important to note that all seminers are organized by the Chambers of Commerce and Industry, and that only members in the seminer city are invited to attend.

Seminers are being held in the following cities; Zonguldak, Bartin and Karabuk metropolitians; and towns of Turkey; Devrek, Caycuma, Eregli, and Alapli. All of these cities and towns have their own Chambers. Total number of respondents is 145.

Survey questionnaire has been prapared in accordance with the qustionnaires of General Social Survey (2005). We have first carefully translated altruism module in General Social Survey, and then made two changes in wordings to include different characteristics between two countries. Since homelessness in Turkey is not seen as frequently as in the US, we put the word 'needy' in place of 'homeless'. The second change was about the translation. We attempted to translate the wordings to achieve the highest understandability. Ease of understanding is particularly important especially when the differences in the level of education between two countries are highly visible.

Beside the four aspects of altruism as in the General Social Survey module, we have included another aspect of altruism to our questionnaire. This aspect of altruism is particularly important for the Public Choice literature. In that literature, politician and high-ranked bureucrats are assumed as if they are selfish individuals (Tullock, Seldon and Brady, 2002: 3-17). How politicians and high ranked bureucrats should be in the public service is a controversial issue since the time of Plato, an ancient Greek Philosopher.

Plato wrote that people who rule the country should be altruistic philosophers. Questions C5, C6 and C7 in table three are asking the government aspects of altruism.

3.1. Sample Size

Before conducting the survey, we had decided on the degree of precision desired. Because our goal was to estimate the proportion of the level of altruism entrepreneurs might have, we do not believe a high degree of precision is needed here. Consequently a larger margin of error might be acceptable. We want the sample proportion should at least fall within .10 % of the true parameter value with probability .95. In another words, with 95% probability, true parameter value should at least be in the fallowing bound

$[\mu - .10, \mu + .10]$ where μ is the true parameter value.

The error in estimating a population proportion must not be far from 0.10 points less and over the parameter. The formula to find desired sample size is

$n = \mu(1 - \mu)(\dfrac{z}{band})^2$ where z is *z-score* in normal curve (Agresti and Finlay, 1997: 121-154).

The largest value for $\mu(1 - \mu)$ is .25, and we set this value in the calculation of sample size. When we apply this formula with 1.96 z-score (95% probability), we get the fallowing sample numbers for various bound levels:

Bound	Sample Size
.03	1067
.04	600
.05	384
.06	267
.07	196
.08	150
.09	118
.10	96

So far in determining the sample size, we have only concentrated on the degree of precision (the width of confidence interval) and the level of confidence. The above numbers for a sample size represent this. However, precision and confidence level are not the only considerations in determining a sample size, many other considerations may also play important roles. For example, money and resource constraints have often great influence. Our study has no exception to this. We are forced to accept the lowest possible sample size in the face of survey returns. However, the smaller the sample size, the

greater the width of confidence interval. Our sample has 145 respondents, and in the questionnaire, all questions have been answered by most respondents, and every question has higher than 96 respondents. Only 3 out of 26 questions have low response rate, and the lowest response among them is 106. Again, we believe that the level of precision (the width of confidence interval), .10 points less and above than the true parameter value, is acceptable in our study.

Another consideration in determining sample size decision might be the variability in the population. While heterogeneous populations require larger sample size, more homegenous populations accept smaller samples. The Members of Chambers of Commerce and Industry in Western Black Sea region (Zonguldak, Bartın and Karabük) naturally resemble one another due to the characteristics for the Chamber membership and the location.

3.2. Results of Survey

3.2.1. Empathy

Similar to General Social Survey, we have measured the level of empathy with the first seven items in Table 1, from item A1 to A7. A solid measure of Turkish Entrepreneurs in Western Black Sea region in Turkey describe themselves as an empthatic person. 83 % say that they often have tender, concerned feelings for people less fortunate, 76% say that they feel kind of protective toward someone being taken advantage of, 81% are often quite touched by things that they see happen, 76% person describe themselves as a pretty soft-hearted person. Moreover, 83% say that not feeling very sorry for other people having problems does not describe them, 70% indicate that not being disturbed by other people's misfortunates does not also describe them. Finally, 73% say that not feeling very much pity for people being unfairly treated does not describe themselves.

3.2.2. Altruistic Love

We have one item to measure altruistic love, interpersonal or agape, which is item A8. 45 % of Entrepreneurs say that they accept others even when they do wrong things. However, 40 % of Entrepreneurs say that they do not accept people having done wrong things. There is a clear balance between accepting or not accepting.

3.2.3 Altruistic Behaviors

In this part of the survey, there are 11 items to represent alturistic behaviors. All of the 11 altruistic act are usually preferred with once in a year frequency. A majority of

entrepreneurs has performed at least one altruistic act during the last year. The most frequent altruistic act they perform with a greater number is to return money to a cashier after getting to much change. 52 % donated blood at least once a year, 59 % give food or money to a needy person at least once a month. 14 % said they did not return money to a cashier after getting to much change. 29 % did not allow a stranger to go ahead in line in the past year, but 71 % allowed at least once a year. At least once a month, 51 % did a volunteer work for a charity, and 64 % give money to a charity. Only 6 % did not give any money to a charity. 44 % say that they offered their seat to a stranger in a public transportation vehicle at least once in a month. 39 % say that they did not look after a person's belongings, and 39 % looked after once in the past year. During the past year, 22 % has never helped a stranger to carry his/her belongings like suitcase. 42 % helped someone they didn't know well by giving directions at least once a week. 23 % did not let someone borrow an item of some value like dishes or tools.

3.2.4. Altruistic Values

We measure altruistic values of entrepreneurs with four items in table three, from item C1 to C4. 95 % agreed that people should be willing to help others who are less fortunate. Nobody disagreed. 70 % agreed that those in need have to learn to take care of themselves and not depend on others, whereas 16 % disagreed. 85 % agreed that personally assisting people in trouble is very important. Lastly, 59% agreed that people need to look after themselves and not overly worry about others in our times, 17 % disagreed.

3.2.5. Government Decision Makers

79 % diagreed that politicians and high-ranked bureaucrats should be selfish, 15% agreed. 91 % disagreed that there is nothing wrong about the selfishness of politicians and high-ranked bureaucrats unless they commit crime. 83% agreed that politicians and high-ranked bureaucrats should never be selfish in any circumstances.

Table 1. Empathy and Altruistic Love

		Doesn't Describe Well 1	2	3	4	Describes Well 5
A1.	I often have tender, concerned feelings for people less fortunate than me.	6.3	2.4	7.9	41.7	41.7
A2.	Sometimes I don't feel very sorry for other people when they are having problems.	58.7	24.5	6.2	6.8	3.8
A3.	When I see someone being taken advantage of, I feel kind of protective toward them.	6.8	2.3	14.5	31.4	45.0
A4.	Other people's misfortunes do not usually disturb me a great deal.	55.5	14.4	9.5	10.3	10.3
A5.	When I see someone treated unfairly, I sometimes don't feel very much pity for them.	52.7	20.9	7.8	6.2	12.4
A6.	I am often quite touched by things that I see happen.	3.6	4.5	10.5	25.4	56.0
A7.	I would describe myself as a pretty soft-hearted person.	3.7	3.0	17.0	32.6	43.7
A8.	I accept others even when they do things I think are wrong	24.3	15.9	14.4	26.5	18.9

Table 2. Altruistic Behaviors

		More than once a week 1	Once a week 2	Once a month 3	At least once in the past year 4	Not at all in the past year 5
B1.	Donated blood.	5.9	1.7	1.7	42.8	47.9
B2.	Given food or money to a needy person.	14.0	9.8	35.0	34.2	7.0
B3.	Returned money to a cashier after getting to much change.	29.4	7.9	11.8	37.2	13.7
B4.	Allowed a stranger to go ahead of me in line.	12.0	10.2	14.8	34.3	28.7
B5.	Done volunteer work for a charity.	18.8	12.8	19.5	36.8	12.1
B6.	Given money to a charity.	25.5	22.0	16.3	29.8	6.4
B7.	Offered my seat on a bus, subway or train to a stranger that I don't know.	20.5	7.2	16.8	39.7	15.8
B8.	Looked after a person's plants, mail, or pets while they were away.	7.2	1.2	13.2	39.2	39.2
B9.	Helped someone I didn't know well carry his/her belongings like suitcase, shopping bags.	17.7	10.1	10.1	40.3	21.8
B10.	Helped someone I didn't know well by giving directions.	22.1	19.6	14.8	36.9	6.6
B11.	Let someone I didn't know well borrow an item of some value like dishes or tools.	17.8	10.2	15.2	33.9	22.9

Table 3. Altruistic Values

		Strongly agree 1	Agree 2	Neither agree nor disagree 3	Disagree 4	Strongly disagree 5
C1.	People should be willing to help others who are less fortunate.	78.4	16.2	5.4	0	0
C2.	Those in need have to learn to take care of themselves and not depend on others.	37.9	32.6	13.6	7.6	8.3
C3.	Personally assisting people in trouble is very important to me.	49.6	35.5	13.3	1.6	0
C4.	These days people need to look after themselves and not overly worry about others.	28.1	30.4	24.3	12.5	4.7
C5.	Politicians and high-ranked bureaucrats should be selfish.	12.8	2.4	4.8	21.6	58.4
C6.	There is nothing wrong about the selfishness of politicians and high-ranked bureaucrats unless they commit crime.	2.4	3.3	3.3	15.6	75.4
C7.	Politicians and high-ranked bureaucrats should never be selfish in any circumstances.	72.4	11.0	2.4	1.6	12.6

4. Policy Implications

Ricardian equivalance does not hold with the neoclassical life cycle model. It holds only with the alturistic model of household behavior. In the life cycle model, current generation does not worry about the future tax increase because they are only interested in their own utility. For that reason, current consumption increases in the case of a tax cut, which is financed by government bonds.

As for the alturistic model, current generation cares about the future generation. A tax cut financed by the issuence of government bonds does not increase current consumption

because a tax cut today corresponds to a tax increase in the future. Parents care about their children, and they will leave bequest because of the fall in the future income of their children.

Another policy implication is concern with the public choice literature. In an economy, government intervention causes inefficiencies for number of reasons. For example, pressure groups pursue group interest and try to convince government officers to act along with group interests. Group interests may or may not be an efficient act in Pareto sense. If government officers find that group interests are desirable, and agree with group members, even thought group interest conflicts with social walfare, they will act in the line with the so-called group. An inefficiency will be present. Public choice literature assumes that individuals pursues their self interest. If Bureucrats behave altruistically as in the altercentric perspective, they will not follow group interest when group intersts go against bureucrats' personal traits.

5. Conclusion

Models of household behaivors are important for policy prescriptions. Two teorertical model are widely discussed in the literature: the life cycle model and the altruism model. We have surveyed enterpreneurs in Western Black See region about their altruistic behaviors, and have found significant amount of altruism in their behaivors. Entrepreneurs show emphaty, altruistic love, altruistic values and altruistic behaivours. They also think that government officers should not be selfish persons who only pursue thir own interest. These findings correspond to the altruistic model, and is contrary to the life cycle model.

BIBLIOGRAPHY

Agresti, Alan, and Barbara Finlay, 1997, Statistical Methods for the Social Sciences, Prentice Hall, New Jersey.

Becker, Gary S., 1974, A theory of Social Interactions, *Journal of Political Economy*, vol. 82, no.6, pp.1063–1093.

Becker, Gary S., 1981, A Treatise on the Family, Cambridge, MA, Harward University Press.

Chu, C. Y. Cyrus, 1991, Primogeniture, *Journal of Political Economy*, vol. 99, no. 1, pp. 78–99.

General Social Surveys, 1972–2004 (Cumulative File), 2005, National Opinion Research Center, University of Chicago.

Khalil L., Elias, 2004, What is Altruism?, *Journal of Economic Psychology*, 25, pp. 97–123

Modigliani, Franco, and Richard Brumberg, 1954, Utility Analysis and the Consumption Function: An Interpretation of Cross-Section Data, (in: Kenneth K. Kurihara-Ed. *Post-Keynesian Economics)*, Rutgers University Press, pp. 388–436.

Tullock, Gordon, Arthur Seldon, and Gordon L. Brady, 2002, Government Failure: A Primer in Public Choice, Cato Institute, Washington D.C.