

Guilt Aversion and Peer Information in Crime: Evidence from Experiment and Survey Data in a Developing Country[#]

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Abstract

Previous studies discuss the existence of peer effect in criminal behavior, but few studies examine how it occurs. I conduct an artefactual field experiment to identify what causes the peer effect with particular focus on two channels related with the guilt aversion preference; through the change in guilt sensitivity and the second order belief. It was conducted in crime-prone and cyclone-affected areas in Bangladesh with randomly sampled participants. Three types of experiments were combined: take away game to observe the crime behavior, trust game with hidden action to elicit the guilt sensitivity, and social information to incorporate the peer effect. A novel contribution of this experiment is that it elicits the guilt sensitivity at the individual level. It shows that the peer effect occurs through the changes in second order belief, while the impact is marginal; when crime is common, individuals anticipate that the others expect higher risk of crime victimization, which in turn declines the guilt from committing crime. The patterns of criminal behavior are consistent with the guilt aversion preference rather than the altruism and trustworthiness; participants with higher guilt sensitivity and/or lower belief are less likely to commit crime. By using the survey data collected from the same participant households, I show consistent evidence from the real world; individuals are less likely to experience crime victimization in the villages where villagers have higher guilt sensitivity.

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