

Title: Stochastic Choice and Social Preferences: Inequity Aversion versus Shame Aversion

Author: Yosuke Hashidate¹ and Keisuke Yoshihara²

Abstract: In this paper, we propose a theory to identify the motivations behind altruistic or prosocial behavior. We focus on inequity aversion and shame aversion as social image concerns. To study these, we characterize two additively perturbed utility models, that is, the sum of expected utility and a non-linear cost function. First, we examine how to distinguish between stochastic inequity-averse behavior and stochastic shame-averse behavior. Next, we show that additively perturbed inequity-averse utility captures the general class of inequity-averse preferences, including ex-ante and ex-post fairness. Finally, we consider the relationship between our models and random utility, one of the most common stochastic choice models.

Keywords : Inequity Aversion; Ex-Ante Fairness; Ex-Post Fairness; Deliberate Randomization; Shame Aversion; Additive Perturbed Utility.

JEL Classification Numbers : D63; D64; D81; D91.

¹Email: yosukehashidate@gmail.com; Graduate School of Business and Finance, Waseda University and Japan Society for the Promotion of Science; Address: 1-6-1 Nishi-Waseda, Shinjuku-ku, Tokyo, 169-8050, JAPAN.

²Email: yoshi@gunma-u.ac.jp; Center for Mathematics and Data Science, Gunma University; Address: 4-2 Aramaki-machi, Maebashi-city, Gunma, 371-8510, JAPAN.