

Does Culture and Other Non-Economic Factors Affect People's Saving Behavior? An Experiment Carried in China and the US¹

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Abstract

Economists have long been puzzled by what has caused the large differences in people's saving behavior across countries. While some of them attribute this difference to economic or political reasons, others argue that culture, habit, or other non-economic factors play an important role. In this paper I conduct an experiment in both China and the US, attempting to find out the relationship between culture or other non-economic factors and people's saving behavior, as well as test people's rationality using the standard life-cycle model. An identical experiment on saving behavior is given to three groups of university students: native Chinese students in China, international students studying in China, and Chinese students studying in the US. The results show that given all the economic conditions in the experiment identical, the saving behavior and rationality of the three groups differ. I also find that some factors (e.g. whether people have taken mathematics classes) play a very important role in people's saving behavior and rationality, while other factors (e.g. their parents' education level) do not seem to affect people's saving behavior.

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