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Using Experimental Economics to Measure Social Capital and Predict Financial Decisions

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Article Information

Abstract

Questions remain as to whether results from experimental economics are generalizable to real decisions in nonlaboratory settings. Furthermore, questions persist about whether social capital helps mitigate information asymmetries in credit markets. I examine whether behavior in two laboratory games, Trust and a Public Goods, predicts loan repayments to a Peruvian group-lending microfinance program. Since this program relies on social capital to enforce repayment, this tests the external validity of the games. Individuals identified as "trustworthy" by the Trust Game are

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Z13 Economic Sociology; Economic Anthropology; Social and Economic Stratification

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