



EQM RESEARCH SEMINAR

“It does (not) get better: the effect of relative gains and losses on subsequent giving”



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Abstract:

We experimentally test whether the salience of counter-factual payoffs impacts generosity. Participants first perform a real-effort task for a fixed wage, and then play a dictator game. Between conditions, we vary the level and timing of the revelation of the wage. In some conditions, participants know the wage before the real effort task, and are not informed of the other potential levels. In some other conditions, they are informed of the distribution of the wages before the real effort task, but the actual wage is only revealed afterward. Our hypothesis is that participants in the latter conditions evaluate their actual wage relative to the other potential levels, which in turn impacts their transfers in the subsequent dictator game. The results support this hypothesis: participants who get the low wage transfer less, and are less likely to transfer, when they are informed of the other potential levels than when they are not. Conversely, participants who get the high wage are more likely to transfer positive amounts.