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# Social Responsibility and Incentives in the Lab: Why Do Agents Exert More Effort when Principals Donate?

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## Highlights:

- We test experimentally whether and why principals' donations affect agents' effort.
- We find that agents choose higher efforts when principals donated to a charity.
- Reciprocity and distributional concerns drive agents' performance reactions.
- We find no significant evidence for warm glow affecting agents' reactions.

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## Abstract

We test experimentally whether and why principals' charitable giving affects agents' efforts. We study a simple principal-agent setting in the lab, where a principal decides whether to donate a fixed amount to a charity and, in the next step, an agent chooses his effort. We argue there are three potential mechanisms that can trigger a higher effort after a donation in this setting: distributional concerns, reciprocal altruism, and shared warm glow utility. We find agents choose higher efforts when principals donate. With respect to the mechanisms, we find evidence for reciprocal altruism and distributional concerns as drivers of agents' performance reactions in the lab.

**Key Words:** Corporate Social Responsibility, Incentives, Reciprocity, Intentions, Equity,

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