

Accepted Manuscript

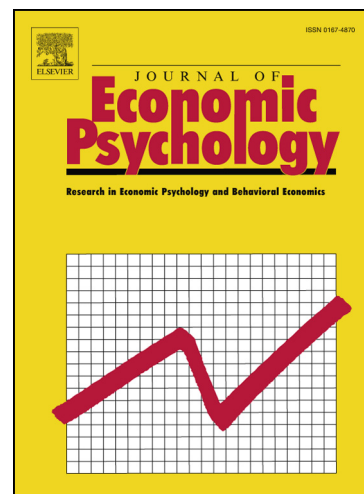
The House Money Effect and Negative Reciprocity

Katarína Danková, Maroš Servátka

PII: S0167-4870(15)00027-6
DOI: <http://dx.doi.org/10.1016/j.joep.2015.02.007>
Reference: JOEP 1809

To appear in: *Journal of Economic Psychology*

Received Date: 25 March 2014
Revised Date: 13 February 2015
Accepted Date: 18 February 2015



Please cite this article as: Danková, K., Servátka, M., The House Money Effect and Negative Reciprocity, *Journal of Economic Psychology* (2015), doi: <http://dx.doi.org/10.1016/j.joep.2015.02.007>

This is a PDF file of an unedited manuscript that has been accepted for publication. As a service to our customers we are providing this early version of the manuscript. The manuscript will undergo copyediting, typesetting, and review of the resulting proof before it is published in its final form. Please note that during the production process errors may be discovered which could affect the content, and all legal disclaimers that apply to the journal pertain.

The House Money Effect and Negative Reciprocity

Katarína Danková

New Zealand Experimental Economics Laboratory, Department of Economics and Finance, University of Canterbury

Maroš Servátka*

New Zealand Experimental Economics Laboratory, Department of Economics and Finance, University of Canterbury;
Macquarie Graduate School of Management in Sydney; and
University of Economics in Bratislava

February 13, 2015

Abstract

In the vast majority of laboratory experiments documenting the existence of reciprocity subjects are endowed with windfall funds. In many environments with salient fairness considerations such endowments are known to inflate subjects' other-regarding behavior, thereby creating a so-called "house money effect." This suggests that laboratory experiments might also overestimate reciprocal behavior. In this study we identify two reasons why the source of endowment might matter for negative reciprocity: (1) Using earned – as opposed to windfall money – might increase the costs of negative reciprocity due to this money being in a different mental account and therefore lead to less retaliation. (2) Appropriating some of the decision-maker's endowment consisting of earned money might be considered a stronger violation of property rights and lead to more retaliation. While we find experimental support for the latter conjecture, we also observe that subjects actually retaliate more with their earned money than with windfall money as long as at least a part of their endowment is earned. However, conditional of earning a part of their endowment, subjects do not seem to distinguish between situations when they retaliate using earned money versus using windfall, suggesting that their main motivation is the violation of property rights established by performing a real-effort task. Our results thus point out that endowing subjects with windfall funds, absent of clearly established property rights, deflates their negatively reciprocal responses.

JEL codes: C71, C91, D03, D64

Keywords: Experiment; House Money; Real Effort, Reciprocity; Taking Game

* Corresponding author. New Zealand Experimental Economics Laboratory, Department of Economics and Finance, University of Canterbury, Private Bag 4800, Christchurch 8140, New Zealand. Email: maros.servatka@canterbury.ac.nz. Tel.: +64-3-3642825. Fax: +64-3-364-2635.

Download English Version:

<https://daneshyari.com/en/article/7244730>

Download Persian Version:

<https://daneshyari.com/article/7244730>

[Daneshyari.com](https://daneshyari.com)