

Decision Processes Colloquium

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Ulrike Malmendier

Associate Professor of Economics
University of California, Berkeley

“You Owe Me”

(joint with Klaus Schmidt, Munich)

It is common practice in many industries and other settings to give gifts in order to influence the recipient's decision on behalf of a third party. Examples include pharmaceutical companies affecting doctors' prescription choices, or lobbyists affecting politicians' behavior on behalf of their electorate. We show that existing theories, including theories of social preferences, fail to explain a positive response of the recipient if the gift provides neither information nor monetary incentives. We discuss alternative theoretical frameworks that can capture third-party effects. We then conduct an experiment in which small gifts are given unconditionally and anonymously. Gifts strongly affect the recipients' decisions in favor of the gift giver and at the expense of the third party, even though recipients understand that the gift has been given to influence their behavior. Withholding gifts has a strong negative effect, compared to a setting without gift giving. We study whether this effect can be mitigated by disclosure, by limiting the size of the gift, and by aligning monetary incentives.