

DODGING HIGH IMPACT BEHAVIOR WITH MOTIVATED BELIEFS

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ABSTRACT

Other-regarding behavior has been researched for decades. Still, there is no consensus on when people show other-regarding behavior and when they don't. For example, the literature has documented that people like to find excuses not to donate. This is however at odds with the large amounts of money and time that are voluntarily donated each year, including to low impact charities. In this paper, I propose that behavioral patterns like these can be reconciled by accounting for the cost sensitivity of potential donors, and develop an online experiment to test these predictions. First, I propose that many people do indeed like to donate, but only as long as it is relatively inexpensive. Second, I propose that motivated beliefs about the impact of donation facilitate the tradeoff between the benefit to oneself and the benefit to the recipient. Specifically, people self-servingly *over*-estimate the impact of low-cost donations and *under*-estimate the impact of high-cost donations. In an additional treatment, I test whether these effects are stronger in real life, where donors are not forced to think about impact before making their donation decision but can rationalize their decision after the fact. Finally, I document how the decision context defined by cost and impact tradeoffs shapes beliefs about impact.