Study 1: People are more profit seeking and less fair when evaluating an uncertain offer (N = 397)

Purpose: We test the underlying motives behind people's WTP decisions in certain vs. uncertain conditions.

Design: 2 between-subjects conditions: certain (worse) vs. uncertain

Certain: a $50 Amazon gift certificate.

Uncertain: participating in a coin flip: If it lands on heads, you will receive a $50 Amazon gift certificate. If it lands on tails, you will receive a $100 Amazon gift certificate.

DV: “When you considered how much you would be willing to pay for the $50 Amazon gift certificate [participating in the coin flip], how important is each of the following: getting the best possible deal? being fair to the seller? maximizing the quality and usefulness of the item you are receiving?” (1 = not at all important, 9 = very important)


certainty

<table>
<thead>
<tr>
<th></th>
<th>Certain</th>
<th>Uncertain</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>7.96</td>
<td>7.88</td>
<td>0.001</td>
</tr>
<tr>
<td>2</td>
<td>4.53</td>
<td>5.85</td>
<td>0.064</td>
</tr>
<tr>
<td>3</td>
<td>7.98</td>
<td>7.33</td>
<td>0.001</td>
</tr>
<tr>
<td>4</td>
<td>7.47</td>
<td>7.79</td>
<td>0.919</td>
</tr>
</tbody>
</table>

Effect of Certainty: t = -2.48, p = 0.014
Effect of Risk Propensity: t = 0.63, p = 0.532

Certain × Risk Propensity Interaction: t = 0.665, p = 0.507.

Conclusions

1. People are more profit seeking and less fair when evaluating an uncertain offer (Study 1 & 4-6).
2. People’s risk taking propensity does not appear correlated with their WTP for an uncertain offer (Study 2), casting further doubt on the “direct risk aversion” account for the UE.1-4
3. People do not display uncertainty aversion when there is no opportunity for exploitation (Study 3). We replicated the UE in a charitable giving context (Study 7-10), suggesting that its disappearance in Study 3 was not due to the charitable giving context.

Contributions

1. We propose a novel account for the Uncertainty Effect, which could reconcile the seemingly contradictory findings in the literature.
2. Our findings carry potentially broader implications for how people make valuation judgments. We are currently examining whether other (riskless) game-like features could lower valuation.

Study 2: Risk propensity is not correlated with WTP for an uncertain offer (N = 200)

Purpose: We test whether risk-averse people exhibit larger UE.

Design: Same as Study 1, except that we measured WTP and Risk Propensity:

- Taking risks makes life more fun
- My friends would say that I’m a risk taker
- I enjoy taking risks in most aspects of my life
- I would take a risk even if I meant I might get hurt
- Taking risks is an important part of my life
- I commonly make risky decisions
- I am a believer of taking chances
- I am attracted, rather than scared, by risk

WTP decisions in uncertain vs. certain conditions.

<table>
<thead>
<tr>
<th></th>
<th>Certain</th>
<th>Uncertain</th>
<th>N</th>
<th>Mean</th>
<th>SD</th>
<th>Median</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certain Charity</td>
<td>201</td>
<td>28.49</td>
<td>23.48</td>
<td>20</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Uncertain Charity</td>
<td>199</td>
<td>36.78</td>
<td>27.55</td>
<td>25</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Wilcoxon rank sum test: Z = 3.19, p = 0.001

References