"Easy Comes - Easy Goes":
The Effect of a Good's Source on its Subjective Value and on Decision Making

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Abstract

In the classic models of economic theory it is usually assumed that utility derived from consumption of a good and its subjective value do not depend on its source (the manner in which the owner obtained the good). This implies that decision making should not be affected by this parameter. I suggest that a good which is obtained through expenditure of personal effort has a higher perceived value than a good that is received without an investment of personal effort. Moreover, the subjective value of income gained from work is higher than the value of money attributed to other sources, and hence it is used differently.

Three experiments were carried out. In the first experiment, subjects who received an object as compensation for effort that they had invested in a previous task valued it more highly than subjects who received the same prize but thought it is unrelated to the previous task. In the second experiment, when subjects earned an amount of money (i.e., received it as compensation for participating in a preceding task) they were less willing to gamble and risk that amount. In the third experiment, subjects were asked to state whether they would be interested in any one of several gambles in case they win a certain amount of money. There was no significant effect on subjects' choices when they were given this opportunity as compensation for participating in a preceding task. However, these subjects spent on average more time on the decision problem.

Based on the results of the experiments, I suggest that decision making under risk, saving behavior and other kinds of consumers' choices can be affected by their income's source.