

# Are hypothetical and monetary incentives the same?

## Evidence for time and risk preferences (lab, field and online)

Pablo Brañas-Garza  
LoyolaBehLAB  
Universidad Loyola Andalucía

**Paper #1:** *To pay or not to pay: Measuring risk preferences in lab and field* (with Lorenzo Estepa ETEA-Development Institute, Diego Jorrat (LoyolaBehLab), Victor Orozco (The World Bank), Ericka Rascón Ramírez (Middlesex)

*Abstract:* Measuring risk preferences in the field is critical for policy, however, it can be expensive and may generate unequal payoffs due to bad luck. For instance, the commonly used measure of Holt and Laury (2002) relies on a dozen of lottery choices and payments which makes it time consuming and costly, but also raises moral concerns as a result of the unequal payments generated by the lotteries. We propose a short version of the Holt and Laury (2002) which produces in the lab (Spain) the same results as the long HL. Using the short HL in the field (Honduras and Nigeria), we observe that paying or not for the measurement of risk preferences produces the same findings. Our low-cost approach makes the measurement of risk preferences simpler, faster and cheaper in the lab and field.

*Keywords:* Risk preferences, Holt Laury, Field Experiments, Monetary Payoffs, Incentives.

*JEL codes:* D81, C91, C93.

*Link:* <https://psyarxiv.com/8hknv/>

**Paper #2:** *Paid and hypothetical time preferences are the same: Lab, field and online evidence* (with Diego Jorrat<sup>†</sup>(LoyolaBehLAB), Antonio M. Espín (Granada) Anxo Sánchez (Carlos III)

*Abstract:* The use of hypothetical instead of real decision-making incentives remains under debate after decades of economic experiments. Standard incentivized experiments involve substantial monetary costs due to participants' earnings and often logistic costs as well. In time preferences experiments, which involve future payments, real payments are particularly problematic. Since immediate rewards frequently have lower transaction costs than delayed rewards in experimental tasks, among other issues, (quasi)hyperbolic functional forms cannot be accurately estimated. What if hypothetical payments provide accurate data which, moreover, avoid transaction cost problems? In this paper, we test whether the use of hypothetical - versus real - payments affects the elicitation of short-term and long-term discounting in a standard multiple price list task. One-out-of-ten participants probabilistic payment schemes are also considered. We analyze data from three studies: a lab experiment, a well-powered field experiment in Nigeria, and an online extension focused on probabilistic payments. Our results indicate that *paid and hypothetical time preferences are mostly the same* and, therefore, that hypothetical rewards are a good alternative to real rewards. However, our data suggest that probabilistic payments are not.

*Keywords:* Time preferences, hypothetical vs real payoffs, lab, field, online experiments.

*JEL codes:* C91, C93