

Payment for Pain: Differences between Hypothetical and Real Preferences

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Abstract : Decision-makers tend to prefer the first alternative over subsequent alternatives which is called the *primacy effect*. To reliably measure this effect, we conducted an experiment with real consequences for preference statements. Therefore, we elicit preferences of subjects using a rating scale, i.e. hypothetical preferences, and willingness to pay, i.e. real preferences, for two sequences of pain. Within these sequences, both overall intensity and duration of pain are identical. Hence, a rational decision-maker should be indifferent, whereas the primacy effect predicts a stronger preference for the first sequence. What we see is a primacy effect only for hypothetical preferences. This effect vanishes for real preferences.

Keywords : decision making, primacy effect, real incentives, willingness to pay

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