

## **Evaluation of public goods: Coherence, categories, and context**

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When people are called upon to evaluate public goods, either by stating their willingness to pay (WTP) for those goods, or by expressing the degree to which they support the acquisition of those goods, their responses are often at odds with the predictions of the rational economic model. The effect of context is an important instance of clear deviation from the basic tenets of rationality. Thus for example, when the two problems are judged in isolation, respondents may state higher WTP for saving the dolphins than for combating increase in a particular disease of the elderly, although the preference order reverses when the two are judged simultaneously (Ritov and Kahneman, 1997; Kahneman, Ritov, and Schkade, 1999). A similar pattern of reversal was also found in jurors' punitive damage awards, as well as other areas of legal judgment (Sunstein, Kahneman, Schkade, and Ritov, 2002).

The theory proposed by Kahneman and his associates to explain the effect of context posits that in evaluating a single isolated object, this object is spontaneously compared with other objects within the same natural category. The comparison elicits an emotional reaction, which, in turn, determines the judgment. As each member of the same natural category is assumed to elicit the same comparison set, this implies both within-category coherence, and a relatively small effect of the category membership. When the evaluation context includes objects from different natural categories, such as for example an environmental problem and a human health problem, both requiring costly interventions, the role of the category is enhanced, resulting, in some cases, in predictable reversals (Ritov, 2000).

The above model leaves certain open questions, to be addressed in the present talk. First, the characteristic of the natural categories with respect to public problems has not been independently examined. I shall present both direct and indirect evidence supporting the hypothesized categorization. Second, and more importantly, the model does not speak to the process involved in a comparative evaluation. In particular, while it is assumed that the isolated evaluation is largely determined by immediate emotional response, the judgment of an object (a public problem) in context could either be generated through a more calculated

weighting of attributes, or it could simply reflect a change in spontaneous emotional reaction. In the present talk I shall present new data suggesting that comparative evaluation is different from an isolated one in both aspects: emotions are indeed modified by the context, but at the same time, their role in shaping the judgment outcome is diminished.

## References

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