

The term “social preference” refers to decision makers’ satisfaction with their own outcomes and those attained by comparable others. The present research was inspired by what appears to be a discrepancy in the literature on social preferences – specifically, between a class of studies demonstrating people’s concern with inequality (e.g., Loewenstein, Thompson, & Bazerman, 1989) and other studies documenting their motivation to increase social welfare (e.g., Charness & Rabin, 2002). We propose a theoretical framework to account for these puzzling differences. In particular, we argue that a characteristic of the decision setting – an individual’s role in creating the outcomes, referred to as agency – critically affects decision makers’ weighting of opposing social motives. Namely, in settings where people can merely judge the outcomes, but cannot affect them (“low agency”), their concern with inequality figures prominently. In contrast, in settings where people determine the outcomes for themselves and others (“high-agency”), their concern with the welfare of others is prominent.

Three studies employing a salary-allocation paradigm document a robust effect of agency. We found that compared with low-agency participants, high-agency participants were less concerned with disadvantageous salary allocations and were even willing to sacrifice a portion of their pay to better others’ outcomes. We discuss the effects of agency in connection to inequality aversion, social comparison, prosocial behavior, and preference construction.