Corporate Actions as Moral Issues

Zwetelina Iliewa Elisabeth Kempf Oliver Spalt *

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Abstract

We study how a representative sample of the U.S. population evaluates a broad range of corporate actions from a nonpecuniary perspective. Our core findings, based on large-scale online surveys, are that (i) self-reported nonpecuniary concerns are large, both for stock market investors and non-investors; (ii) concerns about the treatment of workers and CEO pay rank highest, higher than concerns about workforce diversity and fossil energy usage; (iii) moral universalism (Enke (2024)) emerges as a key driver of nonpecuniary preferences, explaining substantial variation both across participants as well as across corporate actions. Combined, our findings shed new light on the importance of moral concerns as a driver of nonpecuniary preferences in the context of corporate actions.

*Zwetelina Iliewa: University of Bonn, CESifo, zwetelina.iliewa@gmail.com. Elisabeth Kempf: Harvard Business School, CEPR, and NBER, ekempf@hbs.edu. Oliver Spalt: University of Mannheim and ECGI, spalt@uni-mannheim.de. We thank Malcolm Baker, Alex Edmans, Ray Fisman, Stavros Gadinis (discussant), Augustin Landier, Parinitha Sastry (discussant), Adi Sunderam, David Thesmar, Luigi Zingales, and seminar participants at Babson College, BI Oslo, NHH Norwegian School of Economics, ECGI GCGC Conference 2024, ESSEC, FIRS 2024, Goethe University, HBS, Humboldt University Berlin, University of Mannheim, and WFA 2024 for valuable comments. Zwetelina Iliewa would like to acknowledge that this project was funded by the Deutsche Forschungsgemeinschaft (DFG, German Research Foundation) under Germany's Excellence Strategy - EXC 2126/1- 390838866. Approval for the studies in this paper was obtained from the Institutional Review Board (IRB) at Harvard Business School under No. IRB23-0690 as well as the German Association for Experimental Economic Research under No. owtkz5ii.

1 Introduction

Finance research increasingly focuses on nonpecuniary preferences to analyze financial decision making of investors, managers and households. Recent work suggests, for example, that sustainable investing, and its impact on investors, markets and society, can be better understood if investors are modeled to care about financial wealth as well as nonpecuniary utility derived from holding a stock with attractive ESG features (e.g., Pástor, Stambaugh, and Taylor (2021), Pedersen, Fitzgibbons, and Pomorski (2021)). Surveys among investors also support the view that nonpecuniary preferences matters for sustainable investing. However, while it is becoming clear that investors care about both *value* (i.e. financial wealth) and *values* (i.e., nonpecuniary preferences) many first-order questions on the nature and drivers of nonpecuniary preferences, as well as on the relation between value and values remain unanswered to date (e.g., Starks (2023)).

In this paper, we propose to make progress by studying the nonpecuniary preferences of a representative sample of the U.S. population over a set of high-profile corporate actions that managers routinely take in their companies and that finance professors routinely cover in their teaching and research. The corporate actions we study include "classic" corporate finance decisions, which have been studied in the academic finance literature for a long time, as well as more novel issues emphasized in academic work on ESG, such as renewable energy usage and workforce diversity. Despite valuable work on selected issues, there is currently little systematic evidence that cuts across, and compares a broader range of corporate actions with respect to their nonpecuniary properties. Understanding whether, how, by how much, and why nonpecuniary preferences affect people's evaluation of various corporate actions is important because it can potentially inform finance researchers, fund managers, and corporate managers on how to best model financial decision making, how to best serve client preferences, and how to make optimal decisions in a company.

Our main survey elicits the nonpecuniary preferences of more than 2,000 respondents for ten hypothetical corporate actions by XYZCorp, a hypothetical large corporation with characteristics similar to those of a typical firm in the S&P 500. Table 1 presents the ten actions for the case in which the financial value of each action is positive.[1] We first ask each respondent to rank all ten actions from "most right/least wrong" to "most wrong/least right." As respondents are explicitly instructed that all actions have the same financial value to the firm's shareholders, all are legal, and all outcomes are certain, the resulting ranking by definition reflects participants' nonpecuniary concerns. We find that the items that consistently rank as "the most wrong/least right" are layoffs and increasing CEO pay.

[1] In our survey, we consider both positive and negative financial values. For ease of exposition, we focus on the case in which the financial value is positive here.

1.	Implement a new cost cutting program at a recently acquired firm
2.	Increase share buybacks (i.e., pay out a greater fraction of corporate funds to shareholders in the form of share buybacks), thereby reducing corporate funds available for other purposes
3.	Take out a loan in order to pay a dividend to its shareholders (thereby increasing the risk of bankruptcy and reducing corporate tax payments)
4.	Lay off employees
5.	Outsource parts of the firm's operations in the United States to a foreign country with lower wages
6.	Reduce the taxes paid in the United States by having more of the firm's profits taxed in low-tax countries
7.	Increase the total compensation of the CEO
8.	Discontinue existing personnel programs which increase the share of women and minorities in corporate leadership roles
9.	Increase the usage of fossil energy sources (e.g., oil, coal, and natural gas) in the firm's operations
10.	Appoint the current CEO also as the Chairman of the Board, giving the CEO more power inside the company

Table 1: Corporate Actions Considered by XYZCorp in the Positive Financial Value Condition

By contrast, actions related to leadership diversity and fossil fuel usage rank significantly below these top issues, roughly on par with decisions about outsourcing of labor to a foreign country. These findings are notable, because climate and diversity are among the central issues that have been used as motivation for considering nonpecuniary preferences in the recent finance literature. Finding that layoffs and CEO pay rank higher, and that actions like outsourcing rank similarly, raises the question whether nonpecuniary aspects should be considered for a much broader set of issues in financial research than previously thought.

We next turn to the question whether nonpecuniary preferences are important relative to their monetary counterpart. To that end, we ask respondents, for each corporate action, whether they feel the firm should sacrifice financial value for doing "the right thing"; e.g., to not implement a corporate action even if its financial value is positive. Finance curricula around the world teach students the net present value (NPV) rule, which holds that projects with certain and positive NPV should be pursued (i.e., projects for which the present value of all future benefits outweigh all future costs). The traditional view, famously expressed by Milton Friedman, is that firms should only consider *financial* benefits and costs, maximize their NPV to shareholders, and otherwise refrain from considering "social responsibilities" in their corporate actions (Friedman (1970)). In contrast to this traditional view, we find that respondents would frequently want the firm to forego a project with positive financial

value and do "the right thing," instead. For example, more than 85% of respondents say the firm should not lay off employees even if firing employees would yield a large, positive, and certain financial value for shareholders. Importantly, respondents are not indiscriminately saying that firms should forego financial value: for general cost cutting, for example, only 20% say that the firm should do so. We also find that respondents take into account the magnitude of the financial value of the stated corporate decisions, which suggests that respondents are neither pure virtue signallers nor pure deontologists. Overall, respondents behave consistent with the idea that they care about both value and values, that nonpecuniary preferences vary across corporate actions, and that nonpecuniary concerns can sometimes outweigh financial value.

An important question is whether self-reported survey responses reflect respondent's true preferences. To check this, we include a real-stakes donation task in our survey, in which respondents can donate up to $50 to a real-world charity of their choice. The charities are picked to have missions that align with some of our corporate actions. For example, one charity in the task has empowering women and minorities as its mission, which is thematically related to a corporate action that involves diversity among the firm's leadership. We can show that the issues for which an individual exhibits strong nonpecuniary preferences in our survey are also the issues for which the same individual is willing to donate real money. Put differently, we can show that respondents in our survey "put their money where their mouths are," which speaks against concerns that survey responses do not reflect respondents' true preferences.

Next, we study heterogeneity in nonpecuniary preferences along a rich set of participant characteristics. A core finding is that the *relative* rankings of the ten corporate actions are surprisingly stable across subgroups of participants. For example, Democrats and Republicans both agree that increasing CEO pay and laying off workers are the two decisions that feel the most wrong; so do men and women, young and old, all racial groups, stock market investors and non-investors, all income groups, and people with or without economics or business degree. These results indicate that relative nonpecuniary preferences across corporate actions are fairly stable across large cuts of the population, which is an attractive feature for both academics and practitioners who want to study or consider nonpecuniary preferences in their work. When we study heterogeneity in the average propensity to prioritize financial value versus nonpecuniary concerns across all ten actions, we find that partisan leaning is by far the strongest driver of heterogeneity, with Republican respondents being more likely to prioritize financial value. Moreover, male respondents are more likely than female respondents to prefer a corporate action if it generates higher financial value. By contrast, whether a respondent is an actual investor in the stock market,

respondent wealth, education, race, age, and employment status play a less important role.

Having established that nonpecuniary preferences are relevant for how people think about a broad range of corporate actions, we next ask about the underlying drivers of these preferences. This question is particularly relevant, because in existing research in finance, nonpecuniary preferences are often generically interpreted and modeled as "ESG tastes" or "prosocial preferences," without much theoretical foundation. We posit that a key driver of the nonpecuniary preferences we identify in our previous results are moral considerations; i.e., inherent beliefs about what is wrong or right. We show that a prominent recent framework for thinking about moral values in economics—moral universalism (e.g., Enke (2024))—is useful for making sense of many of our core findings. In a nutshell, moral universalism is an in-group/out-group based theory, which posits that people vary in measurable ways in the degree to which they care about other people that are socially distant from them. Moral universalists are individuals who exhibit similar degrees of trust and altruism towards out-group and in-group members. Moral communitarians, on the other hand, exhibit higher degrees of trust and altruism towards in-group than out-group members. We conjecture that moral universalism is relevant in our setting because respondents may care to varying degrees about the various stakeholders affected by the corporate actions we consider. As the people affected by the actions of large corporations are somewhat distant to respondents by design, a plausible adaptation of the moral universalism framework to our setting would posit that people who are more universalist, and therefore care more about individuals who are socially distant from them, would weigh nonpecuniary concerns higher relative to financial value than a less universalist person.

To probe this conjecture and make the case that moral universalism matters in our setting, we rely on a validated 32-item questionnaire that captures six predominant dimensions of morality according to Moral Foundations Theory (MFT, Haidt (2012)), one of the most well-known frameworks to understand human morality from moral psychology. According to MFT, morality is multidimensional, and while all humans care about the same dimensions, they vary in their individual sensitivity to each dimension. From the answers to that questionnaire, we follow Enke (2020) and construct a person-specific measure of moral universalism. Using this measure, we find that moral universalism is strongly linked to respondents' nonpecuniary preferences and that it explains the tendency to prioritize financial over nonpecuniary concerns much better than gender or party affiliation. In fact, once moral universalism is controlled for, party affiliation loses much of its predictive power on the average propensity to choose the action with higher financial value, consistent with the notion that political beliefs are a reflection of an individual's moral views. While the link between moral universalism and political views is the subject of an active literature

in economics (e.g., Enke (2020)), to the best of our knowledge, ours is one of the first studies to provide evidence for the link between moral universalism and individuals' views on whether firms should pursue financial versus non-financial objectives.

Additional tests support the view that moral universalism is a key driver of participants' preferences over corporate actions. First, we focus on the layoff scenario and show that support for layoffs increases when we exogenously increase participants' geographical and social distance to the laid-off workers. More importantly, and in line with the theory of moral universalism, the difference in the support rates for layoffs between the scenarios with socially distant versus close workers is smaller for universalists. Second, we use the method of Aron, Aron, and Smollan (1992) to elicit directly how connected respondents feel to the affected stakeholders in each of the ten corporate action scenarios in Table 1. We find that both the relative action ranks and the propensities to prioritize financial value are strongly correlated with how much respondents feel connected to the stakeholders that are affected by a given corporate action. This result is consistent with the hypothesis that moral views are a key driver of the nonpecuniary preferences we document in the first part of our paper and that one important dimension of why morals matter is that respondents are prosocial towards individuals who may be affected by a given decision.

In a final set of tests, we provide direct evidence that respondents think about morals when they think about corporate actions. In one analysis, we elicit free text responses, in which subjects often refer to XYZCorp's actions as "unethical" or "immoral." In another set of tests, we directly ask whether respondents believe a given action represents "a moral issue," whether it is "morally wrong," and how much they agree with the statement that a given action is "[...] purely a financial matter. When evaluating it, morals should play not role." We again find that respondents frequently say that actions are a moral issue, that they are morally wrong, and that financial costs and benefits should not be the only criterion that firms consider in their decisions. Directly asking about morals thus leads us to the same conclusion as our main tests, in which we did not mention the word "moral."

Given that all of the corporate actions we consider are legal, and pursuing them would maximize the financial value of the firm by design, the results above highlight a tension between what most finance scholars would prescribe as optimal firm behavior, and what the general public perceives to be morally objectionable behavior. To make this broader point tangible, we run a final test in which we ask respondents whether it would increase their confidence in corporate America if firms would commit to avoiding any of the ten corporate actions that were the subject of our study. We find that respondents tell us strongly that it would. If firms committed to avoiding CEO pay increases or layoffs, confidence in corporate America would increase by 1.0 and 0.9 points on a 5-point Likert-

scale, respectively. While much more work needs to be done in this area, we believe these findings indicate that studying nonpecuniary preferences over corporate actions can yield important new insights for the field of corporate finance and beyond.

In sum, we find evidence that nonpecuniary preferences matter for how corporate actions are perceived, and we show that moral universalism is a powerful framework that can help explain substantial variation both across participants as well as across corporate actions. In short, corporate actions are often perceived as moral issues.

We believe the results in our paper have implications for academia and practice. For finance researchers, the results suggest that nonpecuniary utility could be considered in theoretical frameworks for a much broader set of actions than previously thought. With respect to teaching, our findings highlight a gap between the often exclusive focus on financial value and the views of the general population, including shareholders, who believe financial value and nonpecuniary values should both be considered in project choice. For practice, our findings can inform company and asset managers about the preferences of their investors. In contrast to more traditional frameworks, which prescribe a firm should maximize shareholder value, newer models like Hart and Zingales (2017) prescribe that *"company and asset managers should pursue policies consistent with the preferences of their investors."* Our paper provides new evidence on the nature of those preferences for a broader set of corporate actions than previous work. Finally, we provide suggestive evidence for a broader societal impact: neglecting nonpecuniary aspects in corporate actions could be detrimental to the confidence and trust in corporate America.

2 Contribution to the Literature

Our paper contributes to several strands of the literature. First, our paper contributes to the literature that studies non-pecuniary utility as a driver of financial decisions. Theoretical work in this literature includes Pástor, Stambaugh, and Taylor (2021) and Pedersen, Fitzgibbons, and Pomorski (2021), who study portfolio choice and equilibrium asset prices; Broccardo, Hart, and Zingales (2022), who study how socially responsible investors optimally engage with firms (exit vs. voice); Hart and Zingales (2017), who study which objective function firms should maximize, and Oehmke and Opp (2020), who study how socially responsible institutional investors can impact corporate investment decisions. While both details and objectives differ, those papers have in common that they derive their new findings by virtue of including non-pecuniary utility in their respective models. And while the formulations in those papers are very general, and apply to multiple settings, all of them place some emphasis on corporate actions related to climate change. The findings in

our paper raise the important question whether non-pecuniary utility attaches to corporate actions much more broadly than previously thought. If so, that would open up additional avenues for future research on what corporations should do, how they contribute to society, how and whether they should be regulated, and how corporate managers should optimally be incentivized. The moral preferences we elicit in our survey may be the underlying drivers of the non-pecuniary utility modeled in the above papers.

There is also an empirical literature in finance on how morals and values affect financial decision making. Hong and Kacperczyk (2009) argue that investors shun sin stocks because of moral concerns. Riedl and Smeets (2017) and Bauer, Ruof, and Smeets (2021) provide evidence that investors invest sustainably because of social preferences. Bonnefon, Landier, Sastry, and Thesmar (2022) show that investment decisions in a laboratory experiment are influenced by moral preferences with respect to corporate donations. Using surveys, Krueger, Sautner, and Starks (2020) find that an important non-pecuniary motivation for institutional investors to incorporate climate risk into their portfolio decisions are moral/ethical considerations. For retail investors, Giglio, Maggiori, Stroebel, Tan, Utkus, and Xu (2023) report that, among investors who consider investing in ESG stocks, almost half of them are motivated *primarily* by ethical considerations. Closer to our setting, Landier and Thesmar (2022) use a survey to provide evidence that moral preferences can lead citizens to prefer pro-social policies even if they distort competition, and that customers and employees prefer companies to offer fair trade products and to take up a humanitarian cause even if doing so is privately costly. Related, Hart, Thesmar, and Zingales (2022) exploit the Russian invasion of Ukraine to show that employees, customers and shareholders are willing to boycott companies, with moral values being an underlying driver. Finally, Colonnelli, Gormsen, and McQuade (2023) show that perceptions of the moral behavior of firms influences an individual's policy preferences.

Our paper adds to this literature in several ways. First, complementing work that analyzes preferences for broad concepts like sustainability or industry membership, we directly elicit moral preferences over specific corporate actions. Second, our set of corporate actions is larger than the set of corporate actions studied in previous work, which has often focused on specific ESG issues (e.g., fair trade, charitable contributions, or humanitarian projects). Finally, we provide results on the relative moral importance across the corporate actions we analyze, as well as heterogeneity in moral preferences across subgroups of the population and across different types of stakeholders.

We also add to the growing literature on moral universalism. To the best of our knowledge, ours is one of the first papers to study how moral universalism applies to corporate settings.

Our paper speaks to the literature on the level of CEO pay. Bebchuk and Fried (2006) posit an "outrage constraint" that firms have to take into account when setting CEO pay; a finding that is mirrored in interviews with compensation consultants conducted by Weisbach (2007). Our survey evidence on the moral importance of the topic of CEO pay provides new evidence that complements and supports the evidence in Bebchuk and Fried (2006) and Edmans, Gosling, and Jenter (2023).

3 Data and Study Design

We conduct three experimental studies, which are designed (i) to provide a fair comparison among various corporate actions while isolating potential confounding factors, (ii) to quantify the relative importance of nonpecuniary preferences against preferences for financial value, and (iii) to identify potential determinants of nonpecuniary preferences in corporate settings. This section describes the main experimental study, whereas the supplemental studies are described in the relevant sections below as well as in Internet Appendix IA.A.[2]

A representative sample of participants (N=2,047) was recruited on Prolific and received approximately $16 per hour for their participation in the experiment.[3] The median response time was 20 minutes. The study participants were recruited to be representative for gender (50% female), U.S. political affiliation (31% Democrat, 26% Republican, and 43% Independent), and investment in stocks (60% stock owners).[4] Table 5, Panel A provides an overview of the participants' demographic characteristics.

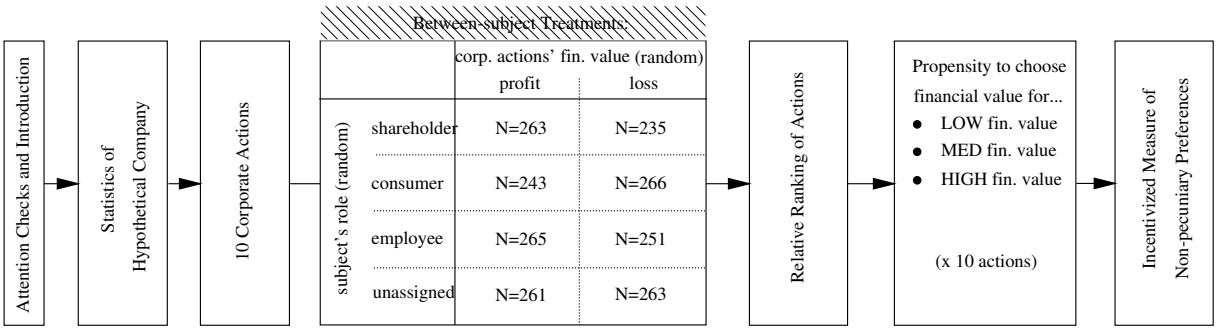

Figure 1: Study Design and Sample Size

[2]The study was pre-registered here: https://aspredicted.org/6hq3-x677.pdf.

[3]Online platforms, such as Prolific, are increasingly used in finance and economics to recruit subjects for experiments. Previous studies have shown that laboratory results broadly replicate on these online platforms (e.g., Snowberg and Yariv (2021)). The hourly compensation in this study was above the typical wage on Prolific, which is $12 per hour.

[4]We consolidate Independents who lean Democrat or Republican with Democrats and Republicans, respectively, throughout this paper.

Figure 1 illustrates the study design. We introduce a hypothetical company, XYZCorp, which, by design, has characteristics similar to those of a typical firm in the S&P 500. The company's management faces 10 potential corporate actions. All actions represent legal actions that are frequently studied in corporate finance textbooks and in the academic literature. A common feature across all actions is that they entail a potential trade-off between financial value and nonpecuniary preferences.[5] The *main tasks* are given as follows. First, we ask subjects for a *relative ranking* of the corporate actions, while holding *beliefs* and *uncertainty* about the financial value of the actions constant and equal across actions:[6]

> "Assume that the financial value to the firm's shareholders is **certain** and **equal** across all corporate actions listed below. Also assume that all actions by XYZCorp are **legal**. We are interested in the degree to which you feel these corporate actions are right or wrong. Please rank the actions by assigning numbers from 1 to 10.
>
> Assign 1 to the action you view as the most right / the least wrong, assign 10 to the action you view as the least right / the most wrong."

Second, we measure subjects' propensity to implement each action at within-subject varying levels of financial value—small (i.e., 10th percentile of the conditional financial value distribution), moderate (i.e., median), and large (90th percentile). Since all corporate actions by design entail a trade-off between financial value and nonpecuniary concerns, this measure directly translates into a subjective *propensity to choose financial value*. For example, we ask the following question regarding an action with a large positive [negative] financial value.

> "Assume that the financial profit [loss] of each corporate action is comparatively large. Specifically, 90% of the profit-making [loss-making] corporate actions that the company has implemented in the past have yielded a smaller financial profit [loss], and 10% of all past profit-making [loss-making] corporate actions have yielded a bigger financial profit [loss].
>
> Suppose that you could determine whether or not XYZCorp implements the proposed corporate actions.
>
> Should XYZCorp implement the corporate action or not?"

To make sure respondents understand the term "financial value," and to rule out risk or time preferences as potential confounding factors, we explicitly define it as:

[5] That respondents perceive the corporate actions we present to them as morally wrong when financial value is positive; i.e., that there indeed is a trade-off, is validated in a pilot study.

[6] The full instructions are included in Internet Appendix IA.D.

> "[A]ll current and future financial benefits of the action would outweigh all current and future financial costs and risks."

if financial value is positive and

> "[A]ll current and future financial costs and risks of the action would outweigh all current and future financial benefits."

if financial value is negative. Financial value is therefore the same as the net present value (NPV) of all future financial cash flows.

The characteristics of the firm, XYZCorp, are kept constant and unchanged throughout the study to ensure that they do not affect the relative ranking of actions. Respondents read about XYZCorp in an initial screen, before we describe each corporate action and elicit choices. To avoid any potential biases in attention and recall, we remind respondents of the firm characteristics at the bottom of the decision screen. To make responses most relevant to firms usually considered in financial research, the characteristics of XYZCorp are modeled after a typical firm in the S&P 500. The characteristics are presented to each respondent in randomized order to avoid potential order effects. Characteristics are basic facts about the firm related to the corporate actions we consider, such as the current number of employees, the fraction of females in corporate leadership roles, the current financial leverage, the current pay of the CEO, etc.

The corporate actions are selected to be relevant for actual firms in practice, and to cover diverse domains of corporate activity. We therefore consider "classic" corporate finance decisions, such as CEO pay, capital structure, layoffs, outsourcing, cost cutting, and tax optimization, which have been studied in the academic finance literature for decades. In addition, we also want to consider issues that have received heightened attention in the recent ESG literature. To that end, and to minimize our degrees of freedom, we also consider corporate actions related to fossil energy usage (representing the E), workforce diversity (representing the S), and CEO/Chairman duality (representing the G) from a recent survey on ESG by Haber, Kepler, Larcker, Seru, and Tayan (2022).[7] The corporate actions are presented to respondents in randomized order to avoid potential order effects.

An important aspect of designing a study like ours, in which we ask respondents to compare various corporate actions that are inherently different along many dimensions,

[7] As is well known, the boundaries of ESG are not well defined (e.g., Starks (2023)). We therefore do not claim that some of the actions we consider are ESG related while others are not. We do argue, however, that (i) fossil energy usage and leadership diversity have been particularly salient in the recent ESG debate, that (ii) climate and diversity related issues have been particularly strong motivating examples for incorporating nopecuniary preferences in to financial research, and that (iii) fossil energy usage and diversity have been much less studied in the pre-ESG finance literature than many of the other corporate actions in our study.

is to think carefully about their descriptions. The core tension we have is that we need actions to be as comparable as possible without using descriptions that are too artificial to have any external validity. In our choice of wording, we take two key aspects into account.

First, to preserve internal validity, we generally aim to present actions in a comparable, succinct, neutral, and general fashion. For example, we say that the firm lays off employees, implements a cost cutting program, increases CEO pay, or increases fossil fuel usage, without specifying additional details (see Table 1 and Appendix IA.D for the precise wordings we use). Since our study is, to the best of our knowledge, among the first to elicit nonpecuniary preferences across a broad range of corporate actions, we present actions this way to capture general attitudes of respondents. Future research could fruitfully analyze whether and how different wordings and details matter. As our subject pool contains non-finance experts, we provide short additional explanations for two corporate actions with which participants may be less familiar: changes in financial leverage, for which we provide the main arguments in favor and against based on the static trade-off theory of capital structure, and share buybacks.

Second, in the real world, the corporate actions we analyze are inherently different along many dimensions. By keeping our descriptions general and by not specifying more details than necessary, we aim to enhance external validity; i.e., to capture what respondents think about layoffs, cost cutting, outsourcing, tax avoidance, etc., in general, rather than in highly specific contexts. We inevitably capture some auxilliary variation in what respondents associate with the various actions, but those are part of the nonpecuniary concerns that we aim to measure.

An important question is whether (self-reported) survey responses reflect true preferences and behavior. Hypothetical questions are often used in prior research to measure social preferences and behavior when an incentivized elicitation is not feasible. For policies such as climate actions, for which a real-stakes task is feasible, prior studies show a strong correlation between self-reported and incentivized preferences and behavior (see, e.g., Dechezleprêtre, Fabre, Kruse, Planterose, Stantcheva, and Chico (forthcoming), Andre, Boneva, Chopra, and Falk (2024)). Strong nonpecuniary preferences for corporate climate actions have also been recently documented in a field study among pension fund investors who have been granted a real vote on the fund's investment policy (see Bauer, Ruof, and Smeets (2021)). To address possible incentive-concerns, we include an additional real-stakes task: we ask participants to split an endowment of \$50 between themselves and a charity of their choice. This *donation task* has been validated (e.g., Falk, Becker, Dohmen, Huffman, and Sunde (2023)) and used in prior research to elicit incentivized preferences for environment-related actions (e.g., Dechezleprêtre, Fabre, Kruse, Planterose, Stantcheva,

Charity	Mission	Corporate Action
The Nature Conservancy	Protecting the earth and nature	Energy
YWCA of the USA	Empowering women and eliminate racism	Diversity
Operation Gratitude	Saying thank you and honor service of our military and first responder communities	Outsourcing
Americares	Responding to people affected by poverty or disaster with life-changing health programs, medicine and medical supplies	Layoffs

Table 2: Charities: Stated Goals and Link to Corporate Actions

and Chico (forthcoming)). Prior to choosing the donation amount, subjects select a charity from a subset of pre-selected highly effective and efficient charities. Even though finding a corresponding charity for each corporate action in our broad list of actions was not possible, we selected a choice set of charities, displayed in Table 4, with the goal of maximizing the fit to a specific corporate action. As can be seen from the mission statements, the links to corporate actions are not always perfect and some charities link more clearly to corporate actions than others. We discuss this in greater detail in section 4.4 below.[8]

We are interested whether the nonpecuniary preferences we elicit are similar across different stakeholder groups, which is important from a modeling perspective. Whether and how preferences differ across stakeholders is ex ante not obvious. For example, shareholders may either put more weight on financial value than nonpecuniary concerns (e.g., due to self-selection or due to mental accounting) or less weight, if they feel more responsible for the firm's conduct than other stakeholders. We therefore (i) elicit information about respondents' real-world investment behavior, and (ii) use a between-subject design to randomly assign participants to four different roles in the company—shareholder, consumer, employee or control group (unassigned).

Furthermore, we use a between-subject design to randomly vary the sign of the financial value. All corporate actions entail a trade-off between financial value and nonpecuniary concerns, hence the corporate actions in the negative financial value treatment are the inverse of the corporate actions in the positive financial value treatment (e.g., a financial-value enhancing CEO-pay increase versus a financial-value reducing CEO-pay decrease). Prior literature suggests a reference dependence in the evaluation of both financial outcomes (i.e., loss aversion, see Tversky and Kahneman (1992)) and in the evaluation of nonpecuniary concerns (see, e.g., Janoff-Bulman, Sheikh, and Hepp (2009) on the difference between doing good and avoiding harm). It is therefore conceptually important for

[8]Respondents who are indifferent with respect to the charity objectives or feel uninformed, are given the option to either donate to the GiveWell foundation, which selects charities using maximum-impact criteria, or to receive an anonymous charity voucher and postpone the charity selection.

modeling purposes to understand whether the subjective trade-off between financial and nonpecuniary aspects is symmetric for gains and losses or reference dependent.

The experimental study was programmed in Qualtrics and administered on Prolific in May and June 2024. We use sample selection criteria based on location (USA) and approval rate (>90%). Before the beginning of the experiment, subjects sign a consent form, undergo a bot check, as well as attention and comprehension checks (see Internet Appendix IA.D). Only subjects who pass all checks are allowed to proceed with the study. Participants also fill out a questionnaire about demographic characteristics before beginning with the main tasks. Fewer than 5% of participants exited the experiment after being randomized into treatments, which assuages concerns about selective attrition.

4 Corporate Actions and Nonpecuniary Preferences

In this section, we provide evidence that respondents frequently take into account nonpecuniary aspects when they are thinking about corporate actions. In Section 5, we will examine potential underlying drivers.

4.1 Cross-Action Heterogeneity in Nonpecuniary Concerns

We start by examining participants' subjective *relative rankings* of corporate actions. Figure 2, Panel A presents results for the version of our survey in which the financial value of the decisions is positive. We find that layoffs and CEO pay are perceived as "the most wrong/least right" actions by our hypothetical firm. Next, after layoffs and CEO pay, which are the top two issues by a substantial margin, respondents feel that outsourcing labor to a foreign country is most wrong/least right. Diversity, CEO duality, fossil energy usage, leverage, and tax avoidance follow in that order. Relatively speaking, respondents seem less concerned with share buybacks, which contrasts with some of the attention share buybacks have recently received in the media and in policy circles (e.g., Schumer and Sanders (2019)). On average, cost cutting at a recently acquired firm is viewed as most right/least wrong. As Figure 2, Panel A makes clear, the heterogeneity in perceptions across actions is considerable, with an average rank of 7.8 out of 10 for layoffs and an average rank of only 2.6 for cost cutting, both very far from the average rank of 5.5, with t-stats of 31.0 and –44.9, respectively. Respondents thus seem to have clear views about whether a given corporate action is right or wrong relative to other actions.

Arguably the most surprising finding in Figure 2, Panel (a) is that actions related to leadership diversity and fossil fuel usage rank significantly below layoffs and CEO pay, and that they also rank below outsourcing. The combined average rank of layoffs, CEO

pay, and outsourcing is 1.4 ranks higher than the combined average rank of diversity and fossil fuel usage, with a t-statistic of 16.6 for the difference between the two groups. This result is relevant, because climate and workforce diversity are some of the central issues that have been used as motivation for considering nonpecuniary preferences in the recent finance literature (see our literature section for examples). The fact that layoffs, CEO pay, and outsourcing rank higher, and that several classic corporate finance issues such as governance and financial leverage rank similarly, raises the important question whether nonpecuniary aspects should be considered as modeling ingredients for a much broader set of issues in financial research than previously thought.

Figure 2, Panel (b) presents ranking results for the case in which (i) financial value is negative and (ii) each of the previous corporate actions is replaced by its inverse. Intuitively, instead of asking respondents to rank "bad" actions that make money, we now ask them to rank "good" actions that lose money. For example, while increasing CEO pay (a "bad" action from the vantage point of most respondents) created value in Panel A, we now ask respondents to consider the case in which decreasing CEO pay (a "good" action) destroys value. Table 3 presents the full set of corporate actions if financial value is negative. This alternative setting is relevant, because firms regularly face both types of actions and because it is ex ante not clear that respondents have symmetric preferences over the financial gain/bad action and financial loss/good action settings. Eliciting both types of preferences may therefore be informative for how to model individuals' nonpecuniary utility over corporate actions in future work.

As can be seen from comparing Panel (b) with Panel (a), the rankings are mostly symmetric. For example, when it is creating financial value in Panel (a), respondents feel that cost cutting is comparatively right (relative to the other actions). Now, when respondents are told that financial value is negative in Panel (b), they feel it is comparatively wrong to discontinue an existing cost cutting program. At the other end of the spectrum, increasing CEO pay was considered comparatively wrong when it created financial value in Panel (a), while decreasing CEO pay when it destroys financial value in Panel (b) is considered comparatively right. Similar patterns hold for most actions. This pattern indicates that asking about the nonpecuniary preference for a financial-value creating corporate action that is considered unattractive by most respondents often yields qualitatively similar results as does asking about the nonpecuniary preference for a financial-value destroying action that most respondents like.

The one major exception to this finding is layoffs and hiring. While respondents exhibit a strong preference for avoiding layoffs in Panel A, they do not exhibit a similarly strong preference for hiring workers. We believe this finding is intuitive: hiring and layoffs are

1.	Discontinue an existing cost cutting program at the recently acquired firm
2.	Decrease share buybacks (i.e., pay out a smaller fraction of corporate funds to Shareholders in the form of share buybacks), thereby increasing corporate funds available for other purposes
3.	Reduce dividends to its shareholders and use the funds to repay a loan (thereby Increasing corporate tax payments and reducing the risk of bankruptcy)
4.	Hire new employees
5.	Repatriate parts of its operations, which were previously outsourced to a foreign country with lower wages, back to the United States
6.	Increase the taxes it pays in the United States by having less of its profits taxed in low-tax countries
7.	Decrease the total compensation of the CEO
8.	Implement new personnel programs which increase the share of women and minorities in corporate leadership roles
9.	Decrease the usage of fossil energy sources (e.g., oil, coal, and natural gas) in its operations
10.	Separate the roles of CEO and Chairman of the Board, giving the current CEO & Chairman less power inside the company

Table 3: Corporate actions considered by XYZCorp for the case in which financial value is negative.

plausibly not perceived as inverses of the same category (such as, for example, increasing vs. decreasing CEO pay), but rather as two distinctly different things. Respondents may hold the view that a firm has a moral obligation to try and avoid layoffs whenever possible, even if laying off people would be profitable, but they may not believe that the firm has a similar moral obligation to hire employees when it would be unprofitable to do so. This finding is consistent with a documented asymmetry between doing good and avoiding harm (see, e.g., Janoff-Bulman, Sheikh, and Hepp (2009)). This reasoning explains why layoffs are the top rank in Panel A, while hiring is in the middle of all actions in Panel B. An implication of these results for future research is that nonpecuniary preferences can represent a form of asymmetric labor adjustment costs.

4.2 Financial Value vs. Nonpecuniary Concerns

We next turn to the question whether nonpecuniary preferences are meaningful in size relative to their monetary counterpart. Figure 2, Panel (c) presents results for the positive financial value condition, averaged across all sizes of financial value. We find that 88.4% of respondents say the firm should not lay off employees even if firing employees would yield a positive and certain financial value for shareholders. An even slightly higher percentage is of the opinion that XYZCorp should not increase CEO pay from its current level. Importantly,

respondents are not indiscriminately saying that firms should forego financial value: for general cost cutting, for example, 78.8% say that the firm should prioritize financial value and go ahead with cost cutting. This has two key implications. First, it shows that responses are not naively answering that the "good" action should be pursued over money. Instead, they seem to take the context seriously and to carefully evaluate financial value vs. nonpecuniary values for each action. Second, it shows that many respondents base their decisions on more than just financial value. In fact, we should observe 100% of respondents opting for financial value if all of them followed the NPV rule based on financial costs and benefits. This is evidently not the case.

Panel (d) presents results for the negative financial value condition, again averaged across all size conditions. In line with the positive financial value condition in Panel (c), we find that CEO pay and cost cutting represent the issue that respondents feel most strongly about (with opposite signs). There is again consistency in the rankings across Panels (c) and (d). For example, diversity and tax avoidance keep their rank, while CEO duality, leverage and outsourcing occupy ranks 4, 5, and 6 in both Panels (albeit in different order). Two items stand out as being very different across Panels (c) and (d). One item is again hiring in Panel (d), which is perceived as very different from firing in Panel (c), just as we have seen in Panels (a) and (b). The other item is fossil energy usage. In Panel (d), respondents feel relatively strongly that XYZCorp should decrease fossil energy usage even if it induces a financial loss, whereas in Panel (c), respondents do not have strong reservations (relative to other actions) against increasing fossil energy usage if that creates financial value. Panels (a) and (b) show a qualitatively similar, but less pronounced, pattern for fossil energy usage.

A notable fact about Panel (d) is that the average percentage of respondents who say the firm should prioritize financial value is substantially higher than it is in Panel (c). The average in Panel (d) is 46%, the average in Panel (c) is 34%, and the difference is highly statistically significant with t=-14.65. Thus, respondents feel much stronger that firms should refrain from financial-value generating corporate actions that are unattractive from a nonpecuniary standpoint, than they feel firms should pursue nonpecuniarily attractive corporate actions that are financial-value destroying. This fact admits two interpretations which are not mutually exclusive. First, respondents may apply everyday moral reasoning to the corporate setting. One may not feel morally required to give money to random strangers, but one may certainly feel morally required to not steal money from random strangers. Avoiding "bad" is usually more morally imperative than doing "good." Second, respondents may perceive financial losses differently from financial gains, reminiscent of Kahneman and Tversky's prospect theory. For otherwise similar actions, respondents may

have a greater tendency to avoid losses, consistent with the stronger preference for financial value in the financial-loss setting in Panel (d).

Overall, we conclude from the results in Panels (c) and (d) that respondents behave consistent with the idea that, in assessing whether XYZCorp should implement a given corporate action, they care about both financial value and nonpecuniary values, that nonpecuniary concerns vary across corporate actions, and that nonpecuniary concerns can sometimes trump financial value.

Figure 3 presents further details. Specifically, the figure shows the fraction of respondents who believe the firm should prioritize financial value, averaged across all actions, separately for the two financial value conditions (positive, negative) and, within financial-value condition, for each size condition (low, medium, high financial value). Two main results emerge from this figure. First, in both panels, the average propensity to prioritize financial value increases in the financial value that is at stake. Recall that our questions are framed such that implementing a nonpecuniarily unattractive corporate action increases financial value (Panel (a)) and implementing a nonpecuniarily attractive corporate action decreases financial value (Panel (b)). In both cases, there is a trade-off between nonpecuniary concerns and financial value. Increased reliance on financial value as a decision criterion as the financial value at stake gets larger is thus very plausible and shows that respondents do take into account the magnitude of the financial value created by the corporate decisions that we present. It also rules out strong versions of social desirability bias or virtue signaling under which respondents would give responses based on what they believe others would like to hear, irrespective of the financial consequences of their actual choice. The result further shows that our respondents are not pure deontologists. If they were, they would want the firm to do what they believe is right, no matter the financial value of the alternative.

The second main finding from Figure 3 is that the sensitivity of responses to financial stakes is different in the gain and loss domains. Moving from low to medium to high stakes in the financial-loss condition (Panel (b)) increases the propensity to prioritize financial value much more than the same move in the financial gain condition (Panel (a)). A simple test of the equality of slopes is soundly rejected (t=9.11). While this finding is potentially very important for incorporating trade-offs involving nonpecuniary utility in financial models, it again admits two explanations which are not mutually exclusive. One is that respondents may feel the firm has a greater moral obligation to avoid "bad" outcomes than to bring about "good" outcomes. As a result, as financial stakes increase, it becomes more acceptable to prioritize financial value when the firm contemplates avoiding "good," rather than actively doing "bad." A second potential explanation is again leaning on a

prospect theory intuition: since losses loom larger than gains, making greater losses is worse in the loss domain that it is attractive to make gains in the gain domain. Distinguishing between these explanations would be a valuable topic for future research.

One potential concern with finding that respondents often feel nonpecuniary concerns should rank higher than financial value is that such answers may simply reflect a lack of knowledge, sophistication, or experience with actual investing. If this were so, we should see striking differences across subsamples constructed to reflect these traits. Table 7, specifications (2) to (7), presents such tests, where subsamples are formed based on respondents' income, whether or not they actually own shares, and whether they have an economics/business-related college degree. As the table makes clear, we find no evidence to suggest responses are driven by a lack of knowledge, sophistication, or investment experience. While it is the case that the propensity to rely on financial value is slightly higher for the high-income, investor, and econ-related degree subsamples, the fraction of respondents for whom nonpecuniary concerns outweigh financial value remains high in *all* subsamples.

4.3 Cross-Participant Heterogeneity

Our survey allows us to analyze heterogeneity in responses, which is useful for two reasons. First, it provides us with a better understanding of how stable the nonpecuniary preferences documented above are across various subgroups of participants. Second, documenting variation across subgroups can inform hypotheses about potential underlying drivers of nonpecuniary preferences in our setting.

Table 8 presents results on cross-participant heterogeneity. The dependent variable is an indicator whether a respondent prioritizes financial value over nonpecuniary concerns, averaged across all ten corporate actions and all financial value scenarios. In columns (2) to (4), we show results separately for the low, medium and high financial value conditions. To focus on comparisons across subgroups for which we have a sufficiently large number of observations, and therefore can draw more reliable conclusions, we omit the coefficients for subgroups representing less than 5% of all observations. We remove participants indicating income as *"Prefer not to say"* (N=43), participants with missing age information in Prolific (N=15), and participants with missing political leaning (N=2). After removing these observations, we retain a sample of 1,988 observations.

Across all specifications, the characteristics that best capture heterogeneity in responses are political leaning and gender. Republican and male respondents are significantly more likely than Democrats and females to prioritize financial value for shareholders over nonpecuniary concerns. The corresponding t-statistics on the Republican and male dummies are 9.24 and 3.61, respectively (column (1)). Looking at columns (2) to (4), we find that

the coefficients on Republican and, to a lesser degree, male are also highly statistically significant in each of the three financial value conditions. Also significant in column (1), but substantially weaker and not consistently significant across subsamples, are the characteristics Asian and older than 64.[9] Other variables are not reliably significant.

All coefficients in Table 8 are standardized, so their magnitudes are comparable. The impact of the Republican dummy is by far the largest. On average, across all financial conditions, being Republican increases the propensity to prioritize financial value by 20% of one standard deviation of the dependent variable (see column (1)). Being male is associated, all else equal, with an increase in 8% of one standard deviation.

Interestingly, we do not find large differences in average responses across individuals we have randomly assigned in our survey to be shareholders, customers and employees of XYZCorp. This may mean either, that our intervention has low power, or that the preferences over financial and nonpecuniary values are indeed quite similar for shareholders, employees, and customers. The latter would be very attractive for modeling purposes, as well as for practitioners who would like to take nonpecuniary preferences of various subgroups into account. Preferences being stable across different stakeholder groups would be in line with our previous findings in Table 7, which are also present in Table 8, that having higher income or an economics/business-related college degree is not associated with economically or statistically significant heterogeneity in the propensity to prioritizing financial value. Being an actual stock market investor increases the propensity to prioritize financial value especially when the financial stakes are higher, but the effect is only marginally statistically significant and economically much weaker than the effect of party affiliation.

Figure 4 presents disaggregated results in the form of univariate sorts across different subgroups of respondents for each corporate action. The results are broadly in line with the multivariate results in Table 8, but provide additional detail.[10] Focusing on the propensity to prioritizing financial value over nonpecuniary concerns, and starting with political leaning and gender, we see that the partisan gap is largest for the corporate actions related to energy usage, diversity, and tax avoidance (Panel (a)). These results are consistent with a large partisan gap in views on environmental and diversity issues documented in prior surveys (e.g., Pew Research (2020), Pew Research (2021)). Partisan differences are surprisingly small for all other decisions, including CEO pay and layoffs / hiring. The gender gap also varies across actions and is strongest for decisions related to tax avoidance, diversity, and CEO pay (Panel (d)).

[9]The finding that nonpecuniary preferences play a larger role for older people is in line with the findings by Hart, Thesmar, and Zingales (2022) in a different context.

[10]In addition, Internet Appendix Tables IA.I, IA.II, and IA.III report multivariate regressions split by corporate action using the same demographic variables as in 8.

Overall, we draw two conclusions from the results in Figure 4. First, the fact that our survey captures ex ante plausible variation in responses—for example, Democrats caring more about climate; Democrats, blacks or African Americans and females caring more about diversity; younger people caring more about the environment; actual stock market investors giving increased priority to the financial value of corporate actions; respondents with an econ-related college degree behaving more in line with the NPV rule—supports the view that the answers participants in our survey give are informative and reflective of their true views. Second, and most importantly, despite plausible heterogeneity, the *relative* ranking of the corporate actions, and the propensities to prioritizing financial value over nonpecuniary concerns are surprisingly stable across subgroups. For example, Democrats and Republicans both agree that increasing CEO pay and laying off workers are the two decisions that feel the most wrong (Panel (b)); so do men and women (Panel (e)), young and old (Panel (h)), all racial groups (Panel (k)), stock market investors and non-investors (Panel (n)), all income groups (Panel (q)), and people with or without economics or business degree (Panel (t)). In fact, there isn't a single subgroup in Figure 4 not ranking these two issues as the two most wrong decisions. Cost cutting, on the other hand, is universally ranked low in nonpecuniary importance, relative to financial value.

This finding—that the ranking of various corporate actions is overall very stable across individuals—is of major importance for finance researchers, fund managers, and corporate managers because it can greatly simplify the task of modeling nonpecuniary preferences in financial decision making, the task of best serving client preferences, and the task of making optimal decisions that take various stakeholders into account in a company.

4.4 An Incentivized Charity Donation Measure

The questions in our main survey are hypothetical and not incentivized. As discussed in Section 3, this approach follows that of much prior research, which uses hypothetical and nonincentivized questions to elicit social preferences and shows that unincentivized and incentivized studies frequently yield similar results (see Section 3). Nevertheless, there may be a concern that respondents do not truthfully reveal their attitudes. The goal of this section is to alleviate such concerns.

Specifically, our aim is to show that actual decisions by our survey respondents line up with their stated nonpecuniary preferences even when real money is at stake. To make this case, we examine participants' choice of charity donations. Specifically, we ask subjects to choose how to split an endowment of \$50 between themselves and a charity of their choice. The participants are asked to indicate their choice on a slider ranging from 0 ("donate \$0, keep \$50") to 50 ("donate \$50, keep \$0). We instruct participants that any possible

donations will be anonymous to isolate potential social signaling motives.

The donation choices are implemented with some probability (participants are told that 50 donations choices are randomly selected and actually implemented). There is thus real money on the line, and donating is costly to participants in expectation. We ascertain that participants have understood these features by asking comprehension questions and giving participant feedback before allowing them to proceed with their donation choice.

The charities from which participants can select differ in their mission. Information about the charities' mission is provided to participants. The Nature Conservancy is a charity whose mission is "protecting the earth and nature." We therefore hypothesize that individuals who donate to The Nature Conservancy would also care more about fossil fuel usage than other corporate actions. The other three charities we focus on are (i) YWCA (Young Women's Christian Association) of the USA, with the mission of "empowering women and eliminating racism," which directly links to concerns about diversity; (ii) Operation Gratitude, with the goal of "saying thank you and honoring the service of our military and first responder communities," which reflects patriotic feelings that might plausibly link to views about outsourcing, and (iii) Americares, which "responds to people affected by poverty or disaster with life-changing health programs, medicine and medical supplies" and could reflect concerns for people living in poverty, which could potentially link to layoffs. As mentioned in Section 3, finding charities that map perfectly to the corporate actions we consider is difficult, and for some charities the link is clearer than for others. The link from donations to The Nature Conservancy and views about firms' fossil energy usage, as well as from donations to YWCA and views about leadership diversity, are arguably the most obvious. The link is less obvious for Operation Gratitude and, especially, Americares, but we include them in our tests nonetheless to cover a broader set of actions. Because we elicit the incentivized charity donation measure on the same participants that also answered the ranking and choice questions, we can directly examine whether respondents express preferences that are consistent across the two settings or, in other words, whether they "put their money where their mouths are."

Table 6 presents results from an OLS regression of participants' evaluation of corporate actions on their donation choices. The unit of observation is at the participant $\times$ corporate action level. In Panel A, we regress the rank for each action on *Donates to Mission*, an indicator equal to one if the action is either fossil energy related and the participant has donated to The Nature Conservancy, if the action is diversity related and the participant has donated to YWCA, if the action is related to outsourcing and the participant has donated to Operation Gratitude, or if the action is layoff or hiring related and the participants has donated to Americares. The indicator is equal to zero otherwise. Specification (1) shows

that *Donates to Mission* is strongly related to the rank of the related corporate action. Respondents who have donated to one of the four charities rank the associated corporate actions 1.12 ranks higher on average, with is economically substantial and statistically highly significant with a t-statistic of 11.71.

Specification (2) presents a richer model in which we include person fixed effects and thus absorb variation in both observable and unobservable personal characteristics. The results remain economically substantial and highly significant. In specification (3), we present disaggregated results and include dummy variables for each charity, and indicators identifying corporate actions related to fossil fuel usage ("Energy"), outsourcing, or diversity, respectively. In column (4), we add layoffs and restrict the sample to the condition with positive financial value, given that we are interested in participants' views of layoffs as opposed to hiring. Column (4) shows that individuals who donate to The Nature Conservancy indeed place greater importance on the firm's use of fossil energy, and we find similar results for the other three charities and their associated actions. Statistically and economically these results are again highly significant.

Panel B repeats the same analysis for the choice setting. The dependent variable is now an indicator that is equal to one if a respondent says she prioritizes financial value over nonpecuniary concerns for a given action. We again find economically and statistically highly significant results showing that respondents who chose one of the four charities are less likely to prioritize financial value over nonpecuniary concerns when the action is associated with a charity they donated to. In the specification with person fixed effects in column (2), we obtain an average decrease in the propensity to prioritizing financial value of 14.1 percentage points ($t = 11.58$), which is large relative to the unconditional average of the dependent variable across all actions of 40%. When we study the individual effects of donating to each of the four charities, we find the predicted sign for all four charities, but the effect is statistically significant only for three out of four (see columns (3) and (4)). A weaker effect for layoffs is not completely unexpected, given that the theoretical link between the mission of Americares and layoffs is weaker than for some of the other actions.

Overall, the above findings are consistent with the value alignment observed in the incentivized lab experiment by Bonnefon, Landier, Sastry, and Thesmar (2022): respondents donate to the causes that match their (stated) values. Because the donations represent real money, the results in this section suggest that the responses about corporate actions that we elicit are unlikely to be an artifact of the hypothetical, self-reported nature of our main survey. Instead, respondents "put their money where their mouths are."

5 Corporate Actions as Moral Issues

In the previous section, we asked respondents whether they view a broad range of corporate actions as right or wrong, holding fixed the financial-value implications of these actions. We found that respondents have correlated views about which corporate actions they consider to be the most wrong or right and we also discovered that these nonpecuniary concerns often trump financial value.

In this section, we want to explore the deeper drivers of these patterns. Knowledge about the foundations of our sense of what is right and wrong in general, *over and above money*, is the domain of moral reasoning. An obvious place to start looking for deeper drivers, and ultimately a theoretical framework to understand how nonpecuniary preferences influence perceptions about corporate actions, are thus models of human morality and models that relate moral reasoning to economic decisions. We will show below that two leading frameworks in moral psychology and moral economics—Moral Foundations Theory and moral universalism—are useful to make sense of our previous findings.

5.1 Moral Universalism and Moral Foundations Theory

Moral universalism is one of the leading frameworks to measure moral boundaries in the recent economics literature (see Enke (2024) for a review). Moral universalism is an in-group/out-group-based theory, which posits that people vary in measurable ways in the degree to which they take into account the utility of other people that are geographically or socially distant from them. Moral universalists are individuals who exhibit similar degrees of prosociality towards out-group and in-group members. Moral communitarians, on the other hand, exhibit higher degrees of prosociality towards in-group than out-group members. Major advantages of the framework are that it is well-founded in moral psychology, that it is tractable, and that moral universalism can be reliably measured in surveys.

Below, we provide evidence consistent with the hypothesis that the nonpecuniary preferences we measure in the first part of this paper are, to a large extent, moral preferences. We hypothesize and provide evidence for the idea that respondents have moral intuitions about the corporate actions in this paper because the actions may affect other people, either negatively if financial value is positive, or positively if financial value is negative, or because they violate or support fairness norms. Table 4 shows some of the stakeholders that could be affected by each hypothetical action of XYZCorp. Moral universalism is directly relevant for our setting, because it is a theory that makes testable predictions about which individuals are more likely to be concerned about the potential negative effects on relatively distant stakeholders and thus more likely to prioritize nonpecuniary over financial

Corporate Action	Potentially Affected Stakeholders
Outsourcing	Domestic workers
Layoffs	Workers
Diversity	Women and minorities
Fossil Fuels	Citizens of the world, future generations
CEO Pay	Workers
Leverage	Workers, debtholders, tax payers
Taxes	Domestic tax payers
CEO Duality	Ambiguous
Share buybacks	Workers, debtholders
Cost cutting	Workers, suppliers

Table 4: Corporate Actions and Affected Stakeholders

considerations. In short, it provides a moral framework for the analysis of nonpecunairy preferences in the context of corporate actions. Before we describe our tests and results in greater detail, we start by briefly providing background on the theory and the measurement of moral universalism.

Moral universalism is closely related to Moral Foundations Theory (MFT), one of the leading frameworks in moral psychology developed by moral psychologist Jonathan Haidt and his coauthors (Haidt (2012)). Designed to explain the origins and variations in human moral reasoning across different cultures and individuals, the theory posits that humans are equipped with a set of innate, modular "moral foundations," which have evolved to address different adaptive challenges related to fostering social cooperation. These foundations serve as the building blocks of moral intuition, shaping how individuals evaluate ethical issues and make moral judgments.

In its latest validated version, due to Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023), there are six moral foundations in total:

1. **Care.** Intuitions about avoiding emotional and physical damage to another individual.

2. **Equality.** Intuitions about equal treatment and equal outcome for individuals.

3. **Proportionality.** Intuitions about individuals getting rewarded in proportion to their merit or contribution.

4. **Loyalty.** Intuitions about cooperating with ingroups and competing with outgroups.

5. **Authority.** Intuitions about deference toward legitimate authorities and the defense of traditions, all of which are seen as providing stability and fending off chaos.

6. **Purity.** Intuitions about avoiding bodily and spiritual contamination and degradation.

A core idea in MFT is that all individuals are equipped with "receptors" for each foundation (i.e., dimension of morality), but that individuals vary greatly in how sensitive they are to each foundation. Intuitively, the foundations are like taste receptors on the human tongue. All humans share the same receptors, but vary in how much they like bitter, sour, sweet, etc. As a result, there is large heterogeneity in food choices: some individuals like pizza, some like Indian food, some like broccoli. The person-specific combination of sensitivities along the moral foundations is called an individual's "moral matrix." Heterogeneity in moral matrices is the core empirical content of MFT and has been used, for example, to understand the deeper drivers of political preferences (see Haidt (2012) for details). An attractive feature of MFT for our purposes is that Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023) have developed a validated survey tool, the second moral foundations questionnaire (MFQ2), which uses 32 items to elicit a person's moral foundations. In our paper, we use the MFQ2 to elicit the moral foundations of our survey participants (see Internet Appendix IA.D for the full questionnaire).

To measure moral universalism, Enke (2020) separates the above foundations into universalist and communal values, which is a widely accepted distinction among moral values (see, e.g., Napier and Luguri (2013); Smith, Aquino, Koleva, and Graham (2014); Hannikainen, Miller, and Cushman (2017); Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023)).[11] Of the above foundations, care and equality represent universalist values, as they emphasize protecting other individuals from harm and unfair treatment, regardless of their group status. On the other hand, authority, loyalty, proportionality, and purity represent communal values, as they focus on the "preservation of group cohesion" and on "binding individuals into larger groups and institutions" (Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023), page 2).

Following Enke (2020), we construct a person-specific measure of moral universalism as the difference between universalist and communal values, based on the underlying moral foundations we obtain from answers by our respondents to the MFQ2:[12]

$$\begin{aligned}\text{Moral Universalism} =& \frac{1}{2} \times (\text{Care} + \text{Equality}) \\ & - \frac{1}{4} \times (\text{Authority} + \text{Loyalty} + \text{Proportionality} + \text{Purity}),\end{aligned}$$

where *Care*, *Equality*, *Authority*, *Loyalty*, *Proportionality*, and *Purity* are given by the MFQ2 and measure the person-specific strength of a given moral foundation on a scale

[11] The two categories are sometimes also referred to as individualizing versus binding values.

[12] Enke (2020) does not include purity in the set of communal values. We do in order to follow the prescriptions of Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023). We show in Internet Appendix IA.C that our results on moral universalism are virtually unchanged if we remove purity.

from 0 to 6.

Moral universalism has been shown in prior work to provide a powerful framework to capture variation in policy preferences and voting behavior (see, e.g., Enke (2020), Enke, Rodriguez-Padilla, and Zimmermann (2023)). To the best of our knowledge, we are among the first to link moral universalism to individuals' views of a broad range of corporate actions and, in particular, to their views on how companies should prioritize financial value versus nonpecuniary concerns.

5.2 Moral Universalism and Prioritizing Financial Value

To show that moral universalism is a useful framework for our setting, we start by relating the person-specific measure of moral universalism obtained as described in above to each person's propensity to prioritize financial value over nonpecuniary concerns measured in Section 4.

Figure 5 presents a binned scatter plot with a remarkably strong negative relationship between moral universalism and individuals' tendency to prioritize financial value. The figure plots the propensity to prioritize financial value over nonpecuniary concerns across all deciles of moral universalism, averaged across all 10 actions and across all financial value conditions. The relationship is striking: the propensity to choose financial value over nonmonetary concerns decreases monotonically across all deciles, with a particularly steep slope above the sixth decile of moral universalism. Moral universalists are thus less likely to prioritize financial value over nonpecuniary concerns.

Table 9, Panel A shows that the strong relationship between moral universalism and the tendency to prioritize financial value over nonpecuniary concerns is unaffected when we control for other observable characteristics of the respondents. Column (1) repeats column (1) from Table 8, but for brevity suppresses all coefficients other than *Republican* and *Male*, the two variables that correlate most strongly with the dependent variable in Table 8. Column (2) adds the moral universalism measure. Moral universalism performs remarkably well at explaining the observed cross-participant heterogeneity documented in Table 8. Adding this one variable alone increases the R-squared of the regression from 6.3% to 11.2%. The moral universalism variable is highly statically significant with a t-statistic of 10.45. In terms of magnitude, a one-standard-deviation increase in moral universalism is associated with a 29% of one standard deviation decline in the propensity to prefer the corporate decision with the higher financial value. It explains 85% of the partisan gap and 40% of the gender gap. In fact, the partisan gap, which used to have a t-statistic of 9.24 in column (1), is no longer statistically significant after controlling for moral universalism, in line with prior work that suggests differences in political views are well captured by

differences in moral matrices.

While Table 9 presents results averaged across actions, Figure 6 presents disaggregated results. The figure shows that the empirical power of moral universalism is considerable: the sign of the effect of moral universalism is negative for all 10 corporate actions and it is statistically significant at the 5% level for 9 out of the 10 actions. The effect of moral universalism is largest in economic magnitude for decisions related to diversity, fossil energy usage, and tax avoidance, which are also the three issues for which the impact of political leaning is greatest in a regression that does not control for moral universalism (see columns (6), (8), and (9) in Internet Appendix Table IA.III).

In column (3) of Table 9, Panel A, we add a control for the average score across all six foundations. While moral universalism captures the *difference* in respondents' universalist versus communal values, the average score captures the strength of moral concerns across both universalist and communal values. The average strength of moral concerns across all six foundations is negatively related to the propensity to prioritize financial value, consistent with the findings in Landier and Thesmar (2022). The effect of moral universalism is largely unchanged compared with column (2).

In column (4), rather than including the difference between universalist and communal values (i.e., our definition of moral universalism), we include universalist and communal value scores separately. We find that, all else equal, higher universalist values are associated with a lower propensity to prioritize financial value, and vice versa for communal values. These results have potentially important implications: while an emphasis on financial value maximization is often associated with a *lack* of morals or a lack of altruism, the findings in column (4) suggest that financial value maximization is associated with strong moral values in a particular domain: communal values. This finding could be consistent with the Friedmanite view that maximizing financial value is moral, because it optimally allocates scarce resources across the economy, and because thriving firms are important for communities. We leave exploring this idea for future research.

Panels B and C present results separately for the positive and negative financial value conditions. Moral universalism explains attitudes in both the positive and the negative financial value domain, with similar economic magnitudes.

Finding that a higher degree of moral universalism is associated with a greater emphasis on the nonpecuniary aspects of such a broad set of corporate actions is intuitive, reasonable, and revealing. It is revealing, because within the moral universalism framework, this negative association tell us something about the average distance between the respondents and the people affected by the corporate actions. The theory holds that moral universalists are more prosocial than moral communitarians towards distant people, but not towards

non-distant people.[13] Thus, finding a strong positive association between moral universalism and nonpecuniary concerns is consistent with respondents perceiving the affected people to be overall distant. We argue this is intuitive and reasonable: XYZCorp is a hypothetical firm and people affected are, by definition, unknown to the respondents. We provide additional tests on participants' perceived distance to the affected stakeholders below.

Combined, the evidence in this section illustrates that the moral universalism variable is extremely powerful in capturing cross-participant variation in the propensity to prioritize financial value. This result provides strong support for the view that the preferences we elicit about the ten corporate actions are to a large extend *moral* preferences and, by extension, that respondents view these corporate actions as moral issues.

5.3 Moral Universalism and Corporate Actions: Testing Additional Predictions

A central prediction of the moral universalism framework is that prosocial concerns decrease with distance for all people except perfect universalists. To further strengthen the case that moral universalism is an important driver behind the nonpecuniary effects we uncover in our survey, we provide two tests of this central prediction in this section.

First, we focus on the layoff scenario to experimentally show that (i) both geographical and social distance to the involved stakeholders *causally* affects the propensity to choose financial value and that (ii) a higher degree of moral universalism is associated with weaker distance effects. Second, we run a follow-up survey among a subsample of respondents from our main study to directly elicit how connected they feel to the stakeholders involved in each corporate action.

5.3.1 Causal Effect of Distance on Preferences

To identify whether distance to affected stakeholders is a causal driver of the propensity to choose financial value, we conduct an experiment in which we exogenously vary the distance to the affected stakeholders. The basic design follows Enke, Rodriguez-Padilla, and Zimmermann (2023). To maximize internal validity, we want to focus on a corporate action for which (i) the relevant stakeholder is unambiguous and (ii) which allow us to randomly vary the distance to the involved stakeholder—from very close to very distant—in a plausible way. To this end, we choose to focus on layoffs and vary the group of laid-off

[13] Distance can mean geographical or social distance and what is "near" and "far" is often context dependent. There is thus an inescapable degree of vagueness in the concept. Understanding the concept of "distance" better is a topic of special interest in recent research on moral universalism (Enke (2024)).

workers to be either close to the respondent (e.g., a member of the local community) or distant (e.g., people living in a foreign country). A full description of the experimental design, the instructions and the subject pool is included in Internet Appendix IA.A.

Table 10 reports the results for the relationship between distance and support for layoffs, as well as the interaction with moral universalism. We define three groups of workers: close, neutral, and foreigners. *Neutral* refers to the scenario where the identity of the laid-off workers is not further specified, while *Foreign* refers to the scenario where the laid-off workers are located in a foreign country. In columns (1) to (3), *Close* (the omitted group) refers to the treatment in which the laid-off workers are from the participant's local community. Column (1) regresses an indicator equal to one if the respondent prioritizes financial value over nonpecuniary concerns, which in this case means supporting value-creating layoffs, on indicators for *Neutral* and *Foreign*. The constant in column (1) is 0.234, indicating that only 23.4% of respondents are in favor of the layoffs if the laid-off workers live in their local community (the omitted group). The support for layoffs is 23.8 percentage points larger than in the base group when the relationship to the laid-off workers is undefined (*Neutral*, t=5.66), and it is 34.8 percentage points larger when the laid-off workers are foreigners (*Foreign*, t =8.36). These are substantial effects, which show that distance matters greatly.

Column (2) includes interactions of the distance variables with a respondent's moral universalism score. This tests the more subtle, but in the context of moral universalism crucial, idea that distance effects should be weaker for individuals who are more morally universalistic. Column (2) shows that we indeed find that moral universalists' support for layoffs is less sensitive to distance, in particular when the laid-off workers are foreigners. In terms of magnitude, the gap in the support for layoffs between the foreign and local worker scenarios declines by 29% (=0.102×1.03/0.358) for respondents who score one standard deviation higher on the scale of moral universalism. This effect is virtually unchanged when we include participant fixed effects in column (3), thus only relying on within-person variation in the support for layoffs.

A potential concern with these results is that individuals may care more about layoffs in their own communities for reasons unrelated to prosociality. For example, self-interested respondents may fear economic spillover effects or increased crime rates in their communities. To alleviate this concern, we use an alternative treatment, in which the laid-off workers are specified to be friends of the respondent (thus socially close) but not members of their local community (thus not geographically close). The results from this alternative treatment, reported in columns (4) and (5), are very similar to the local worker scenario, thereby mitigating potential concerns that respondents' support for layoffs could be driven

by their self-interest.

Overall, the results in this section provide evidence show that (i) both geographical and social distance to the workers threatened to be laid off *causally* affects the propensity to support value-creating layoffs and (ii) higher moral universalism is associated with muted distance effects. Both are non-trivial and central predictions of the moral universalism framework. Seeing them borne out in our data is strongly supportive with moral universalism being an important driver of the nonpecuniary preferences over the corporate actions in our paper.

5.3.2 Perceived Distance to Affected Stakeholders

In this section, we aim to provide direct evidence on the hypothesis that the strength of the nonpecuniary effects we document is related to the *perceived* distance to affected stakeholders, as perceived by our respondents.

To this end, we recruit participants from our main survey to a follow-up survey (conducted months later), in which we elicit their perceived distance to the stakeholders who could be "negatively affected" in each of the 10 corporate actions. To reduce complexity, we only reach out to the participants from our main survey who were shown the list of corporate actions with positive financial value (hence, the potential nonpecuniary effect is negative by design). To elicit the perceived distance for each corporate action, we (i) prime subjects to think about the stakeholders that they expect to be negatively affected and (ii) ask them to indicate their perceived distance to those stakeholders. Specifically, we ask respondents to specify "how connected" they feel to the group of people that may be negatively affected by a given corporate action. When we refer to perceived distance, we thus mean one minus the connectedness score, which we obtain using a graphical tool of moving Venn diagrams. The approach of using Venn diagrams to measure connectedness was developed by Aron, Aron, and Smollan (1992) and has two key advantages. First, it allows us to capture potential cross-action differences in the stakeholders that (endogenously) come to participants' mind as being negatively affected. Second, it does not require us to specify the group of negatively affected stakeholders, nor the dimension on which perceived distance should be evaluated. Instead, we can allow for different factors to drive participants' distance perception. We also elicit how much of an impact the corporate action has on the negatively affected people. Fixing distance, we expect that prosocial concerns are stronger when other people harmed more severely.

The measure of perceived distance allows us to conduct two tests. First, Table 11, Panel A, relates the relative rank of each corporate action, as well as participants' propensity to prioritizing financial value, to perceived distance. In column (1), we find a strong and highly

significant relationship between the perceived distance to the people negatively affected by the decision and how wrong the corporate action feels to the participant (recall that higher ranks in the positive financial value scenario indicate that the given decision is rated as more wrong relative to the other corporate actions). Specifically, a one-standard-deviation increase in distance to the negatively affected people increase the rank of the action on the wrongness scale by 14.0% (=0.012×33.8/2.9) of one standard deviation ($t = 12.84$).

The effect on perceived distance declines by about half once we control for the estimated size of the impact on the affected stakeholders in column (2). The size of the impact is highly significant ($t = 9.83$), consistent with the idea that moral concerns should become more pronounced when harm to people is greater. These patterns could indicate that part of what respondents describe as closeness is coming from the size of the impact. At the same time, it is also possible that participants' perception of distance affects the perceived size of the impact on the affected stakeholder. If that were the case, then controlling for the estimated size of impact would remove some of the variation in distance that we are interested in. However, even if we control for the estimated size of the impact, the effect of distance remains economically and statistically significant. The estimated effects of distance and size of impact become larger, if anything, once we control for our rich set of observable participant characteristics in column (3), and more than doubles when we use participant fixed effects to remove any unobserved heterogeneity at the respondent level.

Panel B presents results using the propensity to prioritize financial value as the dependent variable. The results are qualitatively very similar to those in Panel A.

Our measure of perceived distance further allows us to directly test what we have so far only inferred from the data: that moral universalists feel more connected with the people who may be negatively affected by the corporate actions than do moral communitarians. To test this prediction, Figure 7 plots regression coefficients from univariate regressions of the subjectively perceived distance to affected stakeholders on participants' degree of moral universalism. The figure shows that (i) for all actions, universalists perceive a smaller distance between themselves and the negatively affected stakeholders than communitarians, and (ii) this relation is highly statistically significant for most corporate actions except for financial leverage and share buybacks.

Combined, the results in this section support the view that perceived distance to affected stakeholders is a key determinant of individuals' attitudes towards corporate actions, and that moral universalism is an important driver of how connected individuals feel to the stakeholders of large U.S. corporations.

5.4 Corporate Actions as Moral Issues: Free-Text Elicitation

The evidence so far is strongly consistent with the view that corporate actions are perceived by our respondents as moral issues. In this section, we want to provide additional direct evidence that participants think about morals from free texts.

Specifically, we run a separate study, in which we obtain 85 free-text responses. Participants in this survey are presented with the corporate actions in Table 1, given the ranking and choice tasks from our main experiment, and are then asked to explain for the issue they ranked as most wrong/least right:

> *"please provide the most convincing reasons you can think of for not implementing the following corporate action even if it increases the financial profit for shareholders."*

Because we want to be as objective as possible, we do not analyze the 85 free-text responses ourselves. We also do not run simple dictionaries on the text responses, as context and information may be lost. Instead, we follow Bordalo, Conlon, Gennaioli, Kwon, and Shleifer (2023) and use ChatGPT to evaluate responses for us. Specifically, after a short description of the main task, we instruct ChatGPT that respondents were asked to provide an explanation for deciding against the action that they ranked as most wrong even though the action has a positive financial value. Then we instruct ChatGPT as follows: *"I will give you a message a respondent wrote about why she decided against a profitable corporate action. You will respond with only one of 'Yes' or 'No', and nothing else, to the following question: Does it seem like the respondent was paying attention to ethical or moral issues?"*

The response by ChatGPT is unequivocal: 79.5% of free texts are related to ethical or moral issues. This is consistent with our own subjective assessment of the free text answers. Some of the them are very direct. For example:

- (CEO pay increase): *"It's already unethical how much they are making."*
- (CEO pay increase): *"Further increasing the CEO's salary is morally wrong."*
- (Layoffs): *"...laying off employees instead of cutting the salaries of higher-up executives is morally deplorable."*
- (Layoffs): *"It's not ethical or fair."*
- (Layoffs): *"Morally bad..."*
- (Tax avoidance): *"It is unethical ..."*

We conclude it is not only our previous results that suggest corporate actions are frequently perceived as moral issues. Instead, people tell us so directly in free-text responses.

5.5 Corporate Actions as Moral Issues: Direct Elicitation

So far, we have deliberately not used the words moral or ethics in any of our descriptions or instructions, in order to avoid framing effects. We have, however, run a separate study, with a time gap to our main study of over one year, in which we break with that protocol and directly ask respondents for each corporate action from the positive financial value condition the following three questions:[14]

1. *"Is this a moral issue?"*
2. *"Is this morally wrong?"*
3. *"How much do you agree with the statement: This is purely a financial decision. When evaluating it, morals should play no role."*

We find that the overwhelming majority of respondents believes that the corporate actions we consider are at least to some degree moral issues. On a 5-point Likert scale, where 1 corresponds to the case where a respondent strongly disagrees, the average answer is 3.45, which is statistically very far from 1 and also from the midpoint of the scale. Across all actions, 46% of respondents agree or strongly agree with the statement that implementing a nonpecuniarily unattractive but value-creating corporate action is morally wrong. And only 10.6% of respondents strongly agree with the statement: *"This is purely a financial decision. When evaluating it, morals should play no role."*

In sum, whether scientifically conservative or direct and blunt: we consistently find evidence that many people perceive a broad range of corporate actions as moral issues.

6 Discussion

Our paper makes a number of contributions and raises interesting questions for future research in corporate finance and financial intermediation. First, our study shows that nonpecuniary concerns are present for a broad range of corporate actions. Their magnitude is strongest for decisions related to the treatment of workers and CEO pay, and stronger than concerns about firms' reliance on fossil fuels or diversity in leadership positions, which have been emphasized in ESG investing and in the emerging finance literature.

[14] As we have run this survey first, the corporate actions were very similar, but not identical to the ones we use in our main survey. We elicited responses for 11 actions in total.

The strength of households' nonpecuniary concerns raises important questions for the asset management industry about a new type of potential agency conflicts and how to aggregate nonpecuniary preferences over a large and heterogeneous pool of investors.

Second, our study is one of the first to highlight the role of moral universalism and perceived distance to affected stakeholders as a key driver of individuals' attitudes about corporate actions. Moral universalists tend to hold the view that firms should internalize negative effects on stakeholders in their decision making, even if it comes at a reduction in the financial value of the firm. Individuals who score high on communal values and lower on universal values tend to lean towards wanting firms to prioritize financial value in their decisions. This finding indicates that support for financial value maximization is not necessarily driven by a *lack* of moral considerations, as hypothesized in the earlier literature (e.g., Sandel (2012)), but by an emphasis on a different set of moral values (communal vs. universal).

We believe that further exploring the role of moral universalism in corporate settings is a promising avenue for future research. For example, how does alignment between firms and individuals in terms of the moral values they emphasize (universalist vs. communal) influence policy preferences and individual behavior? Do firms cater to the moral values of their investors? While exploring these questions in detail is beyond the scope of this paper, we provide initial evidence that misalignment between corporate behavior and individuals' nonpecuniary preferences can have broad societal implications. Figure 8 reports the results from a survey, in which we asked participants how hypothetical commitments of U.S. firms would influence their confidence in corporate America (see Internet Appendix IA.A for a survey description). We plot the percentage of respondents who report that a commitment to not engage in a given corporate action from our list of actions with positive financial value would increase their confidence. These commitments closely mirror the 10 actions that we used in our scenario with positive financial value. The relative ranking of actions has a striking resemblance to the ranking in Figure 2, Panel (a), with layoffs and CEO pay ranking at the top and share buybacks and cost cutting ranking at the bottom.[15] These results indicate that firm behavior that aligns with participants' nonpecuniary preferences could boost trust in U.S. firms, which has eroded in recent years (e.g., Saad (2021)).

[15]Given that, in this survey, we do not indicate the pay-ratio between the CEO and the average worker, the importance of nonpecuniary concerns surrounding CEO pay documented in our main survey is unlikely solely driven by the reporting of the pay ratio.

7 Conclusion

Finance research increasingly focuses on nonpecuniary preferences to analyze financial decision making of investors, managers, and households. However, many first-order questions on the nature and drivers of nonpecuniary preferences remain unanswered to date.

In this paper, we propose to make progress by studying the nonpecuniary preferences of a representative sample of the U.S. population over a set of corporate actions that managers routinely take in their companies and that finance professors routinely cover in their teaching and research. Understanding whether, how, by how much, and why nonpecuniary preferences affect people's evaluation of various corporate actions is important, because it can potentially inform finance researchers, fund managers, and corporate managers on how to best model financial decision making, how to best serve client preferences, and how to make optimal decisions in a company.

Our main survey elicits the nonpecuniary preferences of more than 2,000 respondents for ten hypothetical corporate actions. Our core findings are that (i) self-reported nonpecuniary concerns are large, both for stock market investors and non-investors; (ii) concerns about the treatment of workers and CEO pay rank highest, higher than concerns about leadership diversity and fossil energy usage; (iii) moral universalism (Enke (2024)) emerges as a key driver of nonpecuniary preferences, explaining substantial variation both across participants as well as across corporate actions.

Combined, our findings shed new light on the importance of moral concerns as a driver of nonpecuniary preferences in the context of corporate decisions. We believe the results in our paper have important implications for academia and practice and that taking nonpecuniary preferences over corporate actions seriously opens up many potentially valuable avenues for future research.

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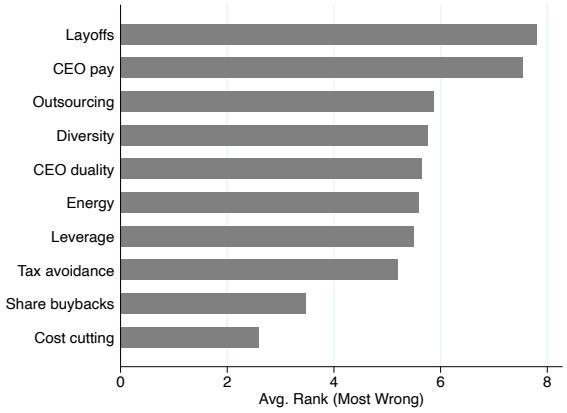
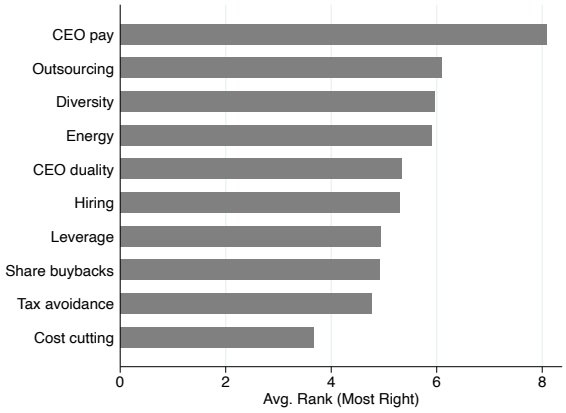


(a) Relative Ranks, Financial Value>0



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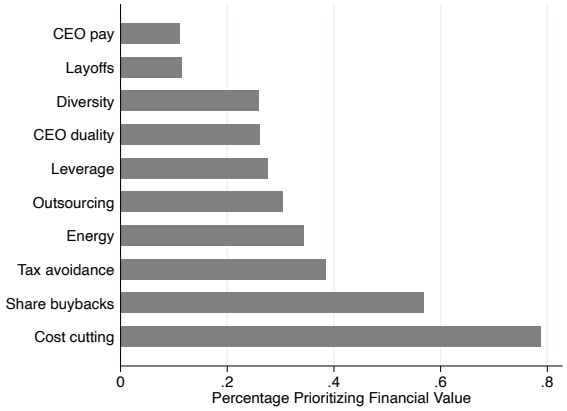
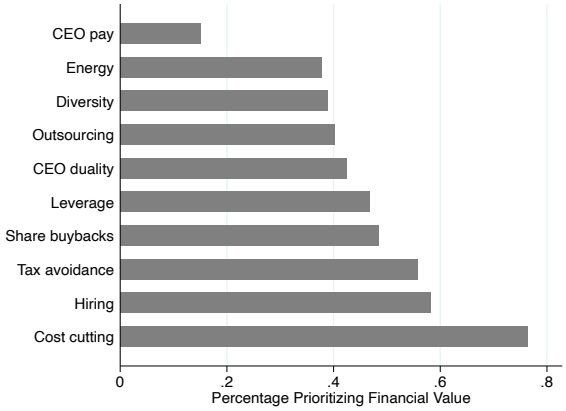


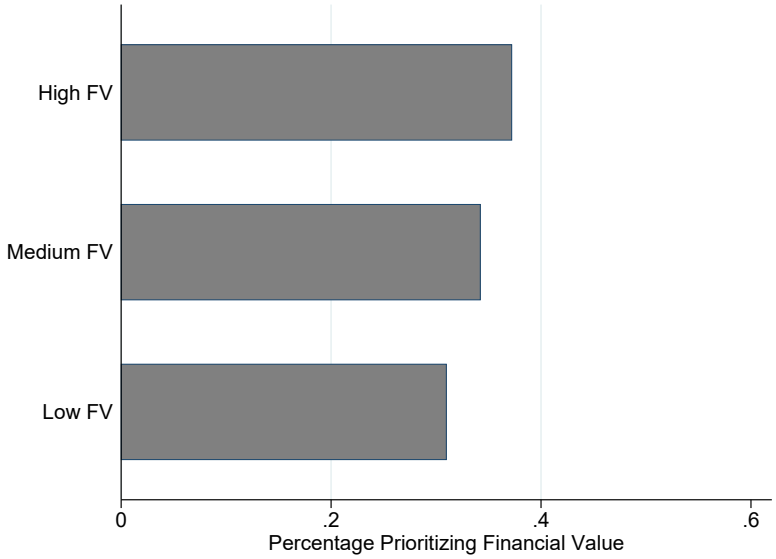
(c) Avg. Choice, Financial Value>0



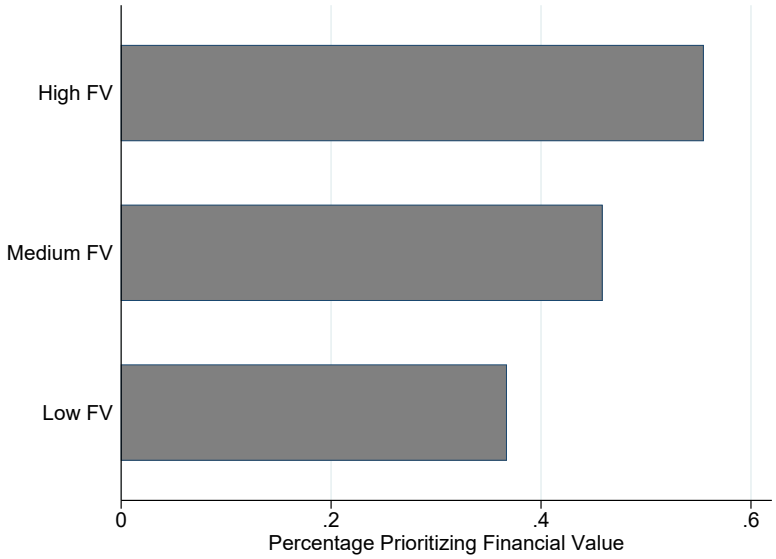
(d) Avg. Choice, Financial Value<0

Figure 2: Nonpecuniary Preferences for Corporate Actions

The figure reports the average responses to the survey questions related to participants' nonpecuniary preferences for corporate actions, separately for corporate actions with positive and negative financial value.



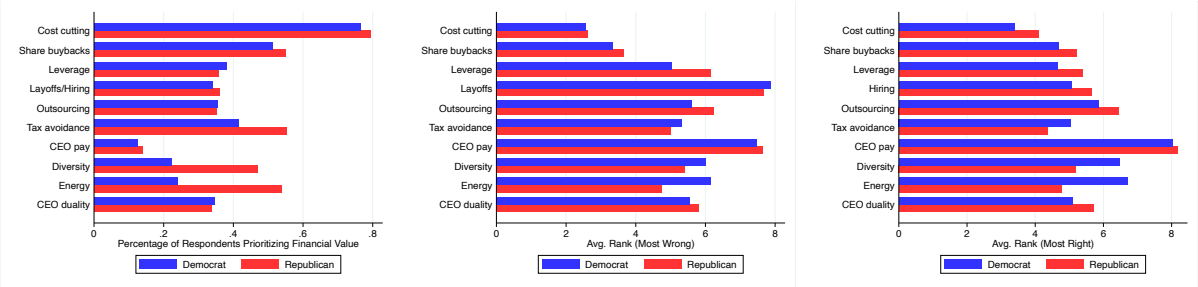
(a) FV>0



(b) FV<0

Figure 3: Trade-Offs

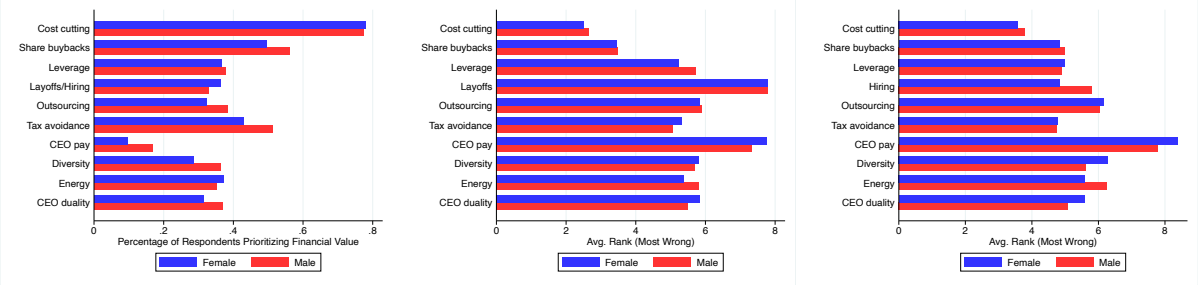
The figure plots the share of respondents who prioritize financial value, separately for different magnitudes of the financial value of the hypothetical decision: low, medium, or high. We display the results separately for positive and negative financial-value actions in Panels (a) and (b), respectively.



(a) Avg. Choice

(b) Rank, FV>0

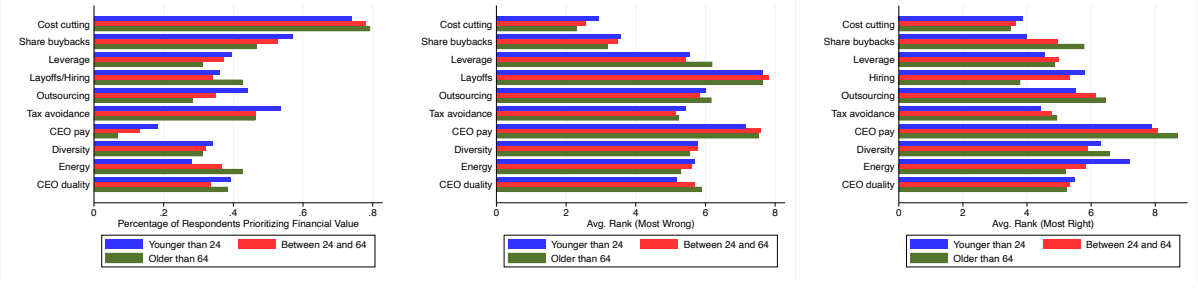
(c) Rank, FV<0



(d) Avg. Choice

(e) Rank, FV>0

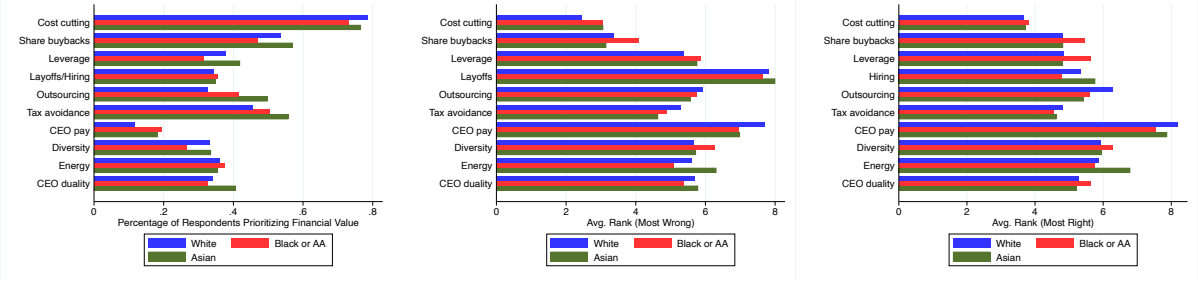
(f) Rank, FV<0



(g) Avg. Choice

(h) Rank, FV>0

(i) Rank, FV<0



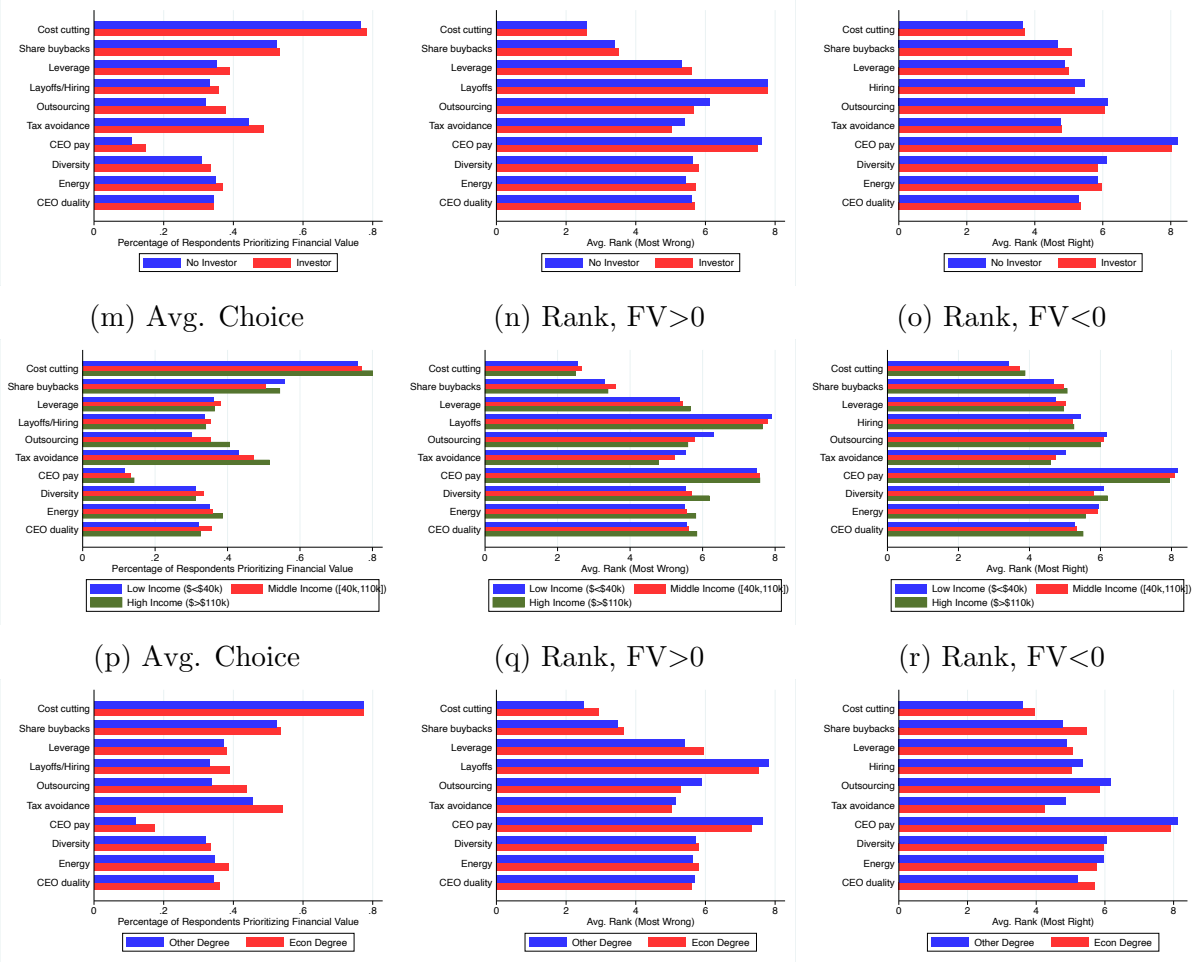
(j) Avg. Choice

(k) Rank, FV>0

(l) Rank, FV<0

Figure 4: Heterogeneity in Nonpecuniary Preferences

The figure plots the average share or respondents prioritizing financial value for a given corporate action, as well as the average ranking of corporate actions, for different subgroups of respondents. In columns two and three, actions are separated by positive and negative financial value (FV).



(m) Avg. Choice (n) Rank, FV>0 (o) Rank, FV<0

(p) Avg. Choice (q) Rank, FV>0 (r) Rank, FV<0

(s) Avg. Choice (t) Rank, FV>0 (u) Rank, FV<0

Figure 4: Heterogeneity in Nonpecuniary Preferences (Continued)
The figure plots the average share or respondents prioritizing financial value for a given corporate action, as well as the average ranking of corporate actions, for different subgroups of respondents. In columns two and three, actions are separated by positive and negative financial value (FV).

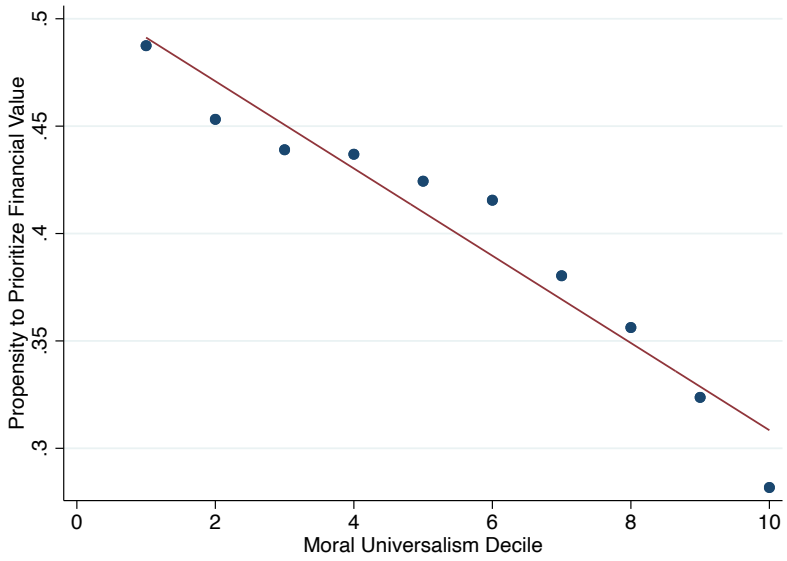


Figure 5: Moral Universalism and Nonpecuniary Preferences for Corporate Actions

The figure reports the average tendency to rely on financial value on participants' degree of moral universalism, sorted into deciles.

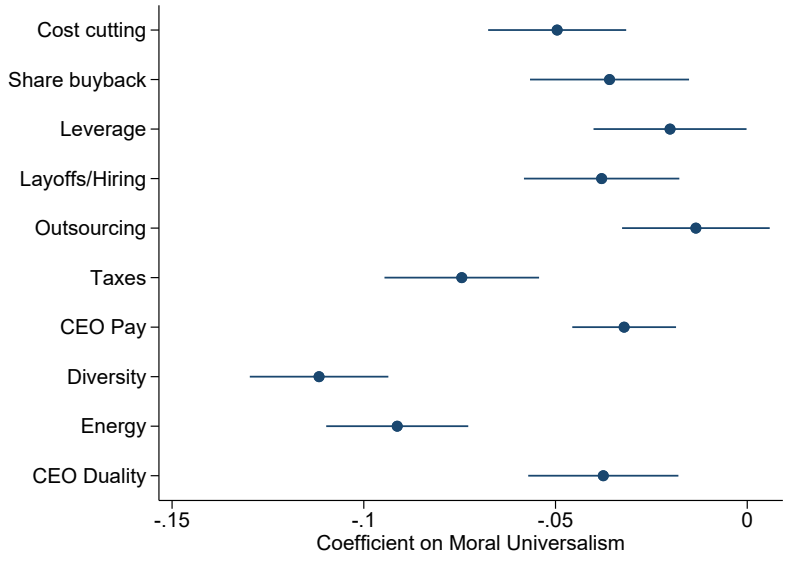


Figure 6: Moral Universalism and Nonpecuniary Preferences for Corporate Actions

The figure reports the coefficient on moral universalism from Table 9, column (1), separately for each corporate action.

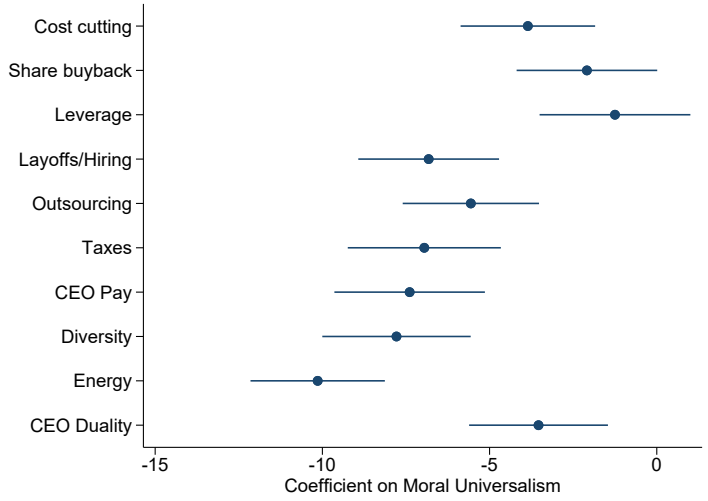


Figure 7: Moral Universalism and Perceived Distance to Negatively Affected Stakeholders

The figure reports the regression coefficient from a univariate OLS regression of perceived distance (from 0 to 100) on moral universalism, separately for each corporate action.

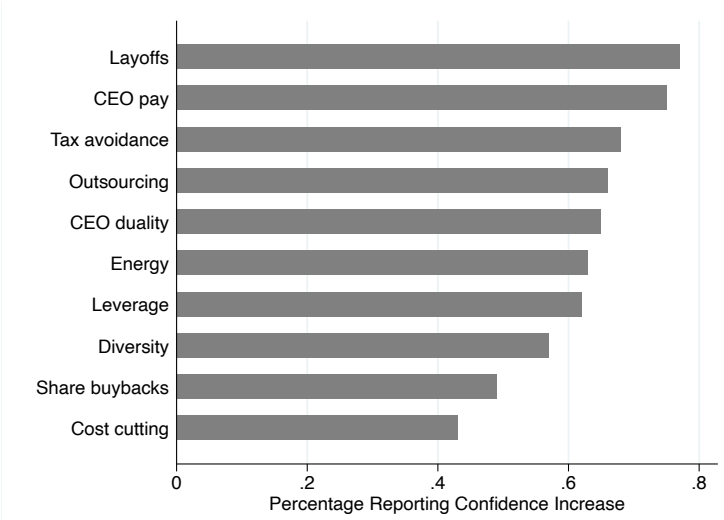


Figure 8: Corporate Actions and Confidence in Corporate America

The figure reports the percentage of respondents who report that a public commitment by U.S. firms to avoid a given type of action would increase their confidence in corporate America.

Table 5: **Summary Statistics**

This table presents summary statistics for our key variables. Panel A reports summary statistics for participants' demographic characteristics. Panel B reports summary statistics for the responses to the survey questions about participants' moral perceptions of corporate actions.

Panel A: Demographics

	Percentage (%)	N
Age:		
18 to 24 years old	10.5	2,032
25 to 34 years old	29.3	2,032
35 to 44 years old	27.4	2,032
45 to 54 years old	18.9	2,032
55 to 64 years old	9.4	2,032
65+ years old	4.6	2,032
Gender:		
Male	49.9	2,047
Female	50.1	2,047
Race:		
White	76.7	3,000
Black or African American	14.1	2,047
Asian	7.4	2,047
Other	1.7	2,047
Ethnicity:		
Other origin	91.3	2,047
Hispanic	8.7	2,047
Political leaning:		
Republican	40.6	2,045
Democrat	59.4	2,045
Education:		
College and post-graduate	52.6	2,047
High School or less	47.4	2,047
Degree:		
Economics/Business	19.0	2,047
Other	68.1	2,047
Not applicable	12.9	2,047
Income:		
Low (<\$40k)	26.8	2,004
Middle (\$40k<x<\$110k)	50.8	2,004
High (>\$110k)	22.5	2,004
Occupational status:		
Employed	61.7	2,047
Self-employed	13.0	2,047
Other	25.3	2,047
Stock market investor status:		
Investor	58.1	2,034
No Investor	41.3	2,034

Panel B: Dependent Variables

	N	Mean	Stdev.	p25	Median	p75
Relative Rank, Financial Value>0:						
Cost cutting	1,032	2.599	2.046	1.000	2.000	3.000
Share buybacks	1,032	3.474	2.153	2.000	3.000	5.000
Leverage	1,032	5.492	2.522	4.000	5.000	8.000
Layoffs	1,032	7.803	2.401	7.000	9.000	10.000
Outsourcing	1,032	5.870	2.491	4.000	6.000	8.000
Tax avoidance	1,032	5.192	2.450	3.000	5.000	7.000
CEO pay	1,032	7.547	2.403	6.000	8.000	10.000
Diversity	1,032	5.763	2.624	4.000	6.000	8.000
Energy	1,032	5.602	2.817	3.000	6.000	8.000
CEO duality	1,032	5.658	2.540	4.000	6.000	8.000
Relative Rank, Financial Value<0:						
Cost cutting	1,015	3.676	2.414	2.000	3.000	5.000
Share buybacks	1,015	4.912	2.605	3.000	5.000	7.000
Leverage	1,015	4.947	2.672	3.000	5.000	7.000
Hiring	1,015	5.303	2.880	3.000	5.000	8.000
Outsourcing	1,015	6.101	2.615	4.000	6.000	8.000
Tax avoidance	1,015	4.766	2.683	2.000	5.000	7.000
CEO pay	1,015	8.090	2.374	7.000	9.000	10.000
Diversity	1,015	5.953	2.762	4.000	6.000	8.000
Energy	1,015	5.910	2.893	3.000	6.000	9.000
CEO duality	1,015	5.342	2.612	3.000	5.000	7.000
Propensity to Choose Financial Value:						
Cost cutting	2,047	0.776	0.337	0.667	1.000	1.000
Share buybacks	2,047	0.528	0.412	0.000	0.667	1.000
Leverage	2,047	0.372	0.395	0.000	0.333	0.667
Layoffs/Hiring	2,047	0.347	0.400	0.000	0.000	0.667
Outsourcing	2,047	0.353	0.389	0.000	0.333	0.667
Tax avoidance	2,047	0.471	0.422	0.000	0.333	1.000
CEO pay	2,047	0.131	0.275	0.000	0.000	0.000
Diversity	2,047	0.323	0.403	0.000	0.000	0.667
Energy	2,047	0.361	0.417	0.000	0.000	0.667
CEO duality	2,047	0.342	0.399	0.000	0.000	0.667

Table 6: **Survey Responses and Donation Behavior**

The table presents results from an OLS regression of participants' relative evaluation of corporate actions on their donation choices. The unit of observation is at the participant × action level. In Panel A, the dependent variable is the relative rank assigned by the participant to a given corporate action, with higher numbers indicating decisions that are perceived as "the most wrong/least right" in the positive financial value condition, or as "the most right/least wrong" in the negative financial value condition. In Panel B, the dependent variable is an indicator equal to one if the participant prefers the corporate decision that maximizes the financial value to shareholders (i.e., the participant indicates that XYZCorp should (not) implement a corporate action that generates positive (negative) financial value). *Donates to Mission* is an indicator equal to one if the action is fossil energy related ("*Energy*") and the participant has donated to *Nature Conservancy*, if the action is diversity related ("*Diversity*") and the participant has donated to *YWCA*, if the action is related to outsourcing ("*Outsourcing*") and the participant has donated to *Operation Gratitude*, or if the action is layoffs related ("*Layoffs*") and the participant has donated to *Americares*. *Nature Conservancy*, *Operation Gratitude*, *YWCA*, and *Americares* are dummy variables indicating the choice of charity. In column (4), we restrict the sample to the condition with positive financial value. *t*-statistics based on standard errors clustered at the participant level are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

Panel A: Relative Ranks

	Relative Rank			
	(1)	(2)	(3)	(4)
Donates to Mission	1.121***	1.185***		
	(11.71)	(11.71)		
Energy			0.272***	0.508***
			(3.40)	(4.50)
Energy × Nature Conservancy			0.726***	0.488**
			(4.02)	(1.99)
Outsourcing			0.539***	0.807***
			(8.17)	(8.75)
Outsourcing × Operation Gratitude			1.019***	0.773**
			(4.75)	(2.44)
Diversity			0.447***	0.707***
			(6.36)	(7.21)
Diversity × YWCA			1.017***	0.757**
			(3.84)	(2.08)
Layoffs				2.738***
				(28.69)
Layoffs × Americares				0.575**
				(2.53)
Constant	5.446***			
	(1128.58)			
Participant f.e.	No	Yes	Yes	Yes
R^2	0.007	0.007	0.010	0.087
N	20,470	20,470	20,470	10,320

Panel B: Propensity to Choose Financial Value

	Propensity to Choose Financial Value			
	(1)	(2)	(3)	(4)
Donates to Mission	-0.133***	-0.141***		
	(-10.94)	(-11.58)		
Donation Amount	-0.001***			
	(-2.93)			
Energy			-0.044***	-0.036**
			(-4.24)	(-2.44)
Energy × Nature Conservancy			-0.099***	-0.093***
			(-4.56)	(-3.08)
Outsourcing			-0.053***	-0.085***
			(-6.24)	(-7.07)
Outsourcing × Operation Gratitude			-0.179***	-0.103**
			(-6.50)	(-2.35)
Diversity			-0.091***	-0.129***
			(-9.98)	(-9.93)
Diversity × YWCA			-0.150***	-0.130***
			(-5.24)	(-3.53)
Layoffs				-0.280***
				(-27.72)
Layoffs × Americares				-0.018
				(-0.75)
Constant	0.420***			
	(64.68)			
Participant f.e.	No	Yes	Yes	Yes
R^2	0.006	0.217	0.223	0.240
N	20,470	20,470	20,470	10,320

Table 7: **Trade-Offs**

The table presents the results from an OLS regression of participants' average propensity to prioritize financial value on the magnitude of the financial value (low, medium, high). The unit of observation is at the level of a participant × financial value condition. The dependent variable is the percentage of times that the participant prefers the corporate decision that maximizes the financial value to shareholders (i.e., the participant indicates that XYZCorp should (not) implement a corporate action that generates positive (negative) financial value), computed across all actions within a given magnitude of the financial value (low, medium, high). *Medium FV* and *High FV* refer to indicators for medium and high financial value, respectively. *t*-statistics based on robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

	Propensity to Choose Financial Value						
	All	Low Income	High Income	Non-Investor	Investor	Non-Econ Degree	Econ Degree
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Medium FV	0.059***	0.055***	0.064***	0.052***	0.064***	0.058***	0.061***
	(9.47)	(4.57)	(4.97)	(5.64)	(7.60)	(8.54)	(4.12)
High FV	0.122***	0.114***	0.133***	0.108***	0.132***	0.118***	0.137***
	(17.21)	(8.33)	(8.79)	(10.17)	(13.93)	(15.15)	(8.27)
Constant	0.332***	0.324***	0.337***	0.324***	0.338***	0.327***	0.353***
	(80.94)	(40.35)	(41.06)	(53.19)	(60.91)	(72.66)	(35.90)
R^2	0.048	0.044	0.057	0.041	0.053	0.046	0.057
N	6,141	1,611	1,350	2,535	3,567	4,974	1,167

Table 8: **Heterogeneity in Nonpecuniary Preferences Across Respondents**

The table presents results from an OLS regression of participants' average propensity to prioritize financial value on participant characteristics. The dependent variable is the percentage of times that the participant prefers the corporate decision that maximizes the financial value to shareholders (i.e., the participant indicates that XYZCorp should (not) implement a corporate action that generates positive (negative) financial value), computed across all corporate actions. Column (1) includes all financial-value scenarios. Columns (2), (3), and (4) each represent one cost scenario (low, medium, or high financial value (FV)). We only report coefficients on socio-demographic characteristics that represent at least 5% of all observations and omit the remaining coefficients for brevity. All coefficients are standardized to show the effect of a one-standard deviation change in X on the percentage of a one-standard deviation in Y. t-statistics based on robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

	Propensity to Choose Financial Value			
	All	Low FV	Medium FV	High FV
	(1)	(2)	(3)	(4)
Republican	0.203***	0.254***	0.191***	0.107***
	(9.24)	(11.64)	(8.63)	(4.78)
Male	0.080***	0.052**	0.070***	0.081***
	(3.61)	(2.38)	(3.15)	(3.59)
Between 24 and 64	-0.044	-0.010	-0.055**	-0.044
	(-1.57)	(-0.37)	(-1.98)	(-1.50)
Older than 64	-0.045*	0.006	-0.051**	-0.062**
	(-1.73)	(0.23)	(-1.97)	(-2.36)
Black or AA	-0.005	0.087***	-0.019	-0.058***
	(-0.20)	(3.68)	(-0.86)	(-2.61)
Asian	0.059***	0.065***	0.039	0.052**
	(2.62)	(2.85)	(1.64)	(2.19)
Not Hispanic	0.037	0.017	0.026	0.048**
	(1.55)	(0.71)	(1.11)	(2.07)
Investor	0.041	0.006	0.044*	0.049*
	(1.60)	(0.25)	(1.74)	(1.93)
Shareholder	0.017	0.051*	-0.006	0.005
	(0.63)	(1.90)	(-0.22)	(0.19)
Consumer	-0.017	0.008	-0.015	-0.031
	(-0.66)	(0.29)	(-0.58)	(-1.17)
Employee	-0.019	0.022	-0.020	-0.042
	(-0.72)	(0.82)	(-0.72)	(-1.56)
College and Post-Graduate	0.005	-0.013	0.009	0.012
	(0.17)	(-0.51)	(0.33)	(0.47)
Middle Income ([40k,110k])	0.011	0.006	0.015	0.008
	(0.39)	(0.22)	(0.52)	(0.27)
High Income (>110k)	0.019	0.023	0.015	0.012
	(0.61)	(0.79)	(0.48)	(0.39)
Other Degree	-0.022	-0.018	-0.018	-0.020
	(-0.68)	(-0.58)	(-0.56)	(-0.62)
Econ Degree	0.036	0.021	0.032	0.038
	(1.06)	(0.62)	(0.92)	(1.11)
Self-Employed	0.025	0.019	0.022	0.023
	(1.06)	(0.79)	(0.96)	(0.99)
Not Employed	0.003	-0.016	0.022	0.000
	(0.12)	(-0.66)	(0.87)	(0.02)
R^2	0.064	0.082	0.054	0.040
N	1,988	1,988	1,988	1,988

Table 9: **Moral Universalism and Nonpecuniary Preferences**

The table presents results from an OLS regression of participants' average propensity to rely on financial value on measures of participants' moral universalism and the same participant characteristics as in Table 8 (other coefficients from column (1) of Table 8 are suppressed for brevity). *Moral Universalism* is defined as the difference between *Universalist Values* and *Communal Values*, where communal values represent the average score for the moral foundations authority, loyalty, proportionality, and purity, and universalist values represent the average score for the moral foundations care and equality. *Avg. MFT Score* represents the average score across all six moral foundations. All coefficients are standardized to show the effect of a one-standard deviation change in X on the percentage of a one-standard deviation in Y. t-statistics based on robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

Panel A: Positive and Negative Financial Value

	Propensity to Choose Financial Value			
	(1)	(2)	(3)	(4)
Moral Universalism		-0.299***	-0.291***	
		(10.45)	(-10.06)	
Avg. MFT Score			-0.064***	
			(-2.66)	
Universalist Values				-0.249***
				(10.14)
Communal Values				0.162***
				(5.69)
Republican	0.203***	0.026	0.040	0.040
	(9.24)	(0.95)	(1.44)	(1.44)
Male	0.080***	0.044**	0.040*	0.040*
	(3.61)	(2.03)	(1.84)	(1.84)
Other coefficients suppressed for brevity				
R^2	0.064	0.117	0.120	0.120
N	1,988	1,988	1,988	1,988

Panel B: Positive Financial Value Only

	Propensity to Choose Financial Value			
	(1)	(2)	(3)	(4)
Moral Universalism		-0.308***	-0.315***	
		(-7.80)	(-7.94)	
Avg. MFT Score			0.058*	
			(1.75)	
Universalist Values				-0.177***
				(-5.26)
Communal Values				0.266***
				(6.76)
Republican	0.252***	0.073**	0.059	0.059
	(8.33)	(1.99)	(1.56)	(1.56)
Male	0.100***	0.055*	0.060**	0.060**
	(3.38)	(1.85)	(2.00)	(2.00)
Other coefficients suppressed for brevity				
R^2	0.123	0.177	0.180	0.180
N	1,009	1,009	1,009	1,009

Panel C: Negative Financial Value Only

	Propensity to Choose Financial Value			
	(1)	(2)	(3)	(4)
Moral Universalism		-0.273***	-0.252***	
		(-6.40)	(-5.86)	
Avg. MFT Score			-0.156***	
			(-4.39)	
Universalist Values				-0.288***
				(-8.10)
Communal Values				0.073*
				(1.69)
Republican	0.171***	0.006	0.037	0.037
	(5.40)	(0.16)	(0.89)	(0.89)
Male	0.073**	0.049	0.042	0.042
	(2.26)	(1.54)	(1.33)	(1.33)
R^2	0.065	0.109	0.131	0.131
N	979	979	979	979

Table 10: **Moral Universalism and Distance to Layoffs**

The table presents results from a linear probability model that regresses participants' support of layoffs on their degree of moral universalism and the distance to the affected workers. *Neutral* refers to the scenario where the identity of the laid-off workers is not further specified. *Foreign* refers to the scenario where the laid of workers are located in a foreign country. The omitted group is the scenario in which the laid-off workers are close to the participant. In columns (1) to (3), the close group are laid-off workers in participants' local community. In column (4) and (5), they are friends of the participant, who live outside of her local community. *Moral Universalism* is defined as in Table 9. In columns (3) and (6), we include the same participant characteristics as in Table 8. t-statistics based on robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

	Support of Layoffs				
	(1)	(2)	(3)	(4)	(5)
Neutral	0.238***	0.243***	0.243***	0.229***	0.229***
	(5.66)	(5.89)	(8.71)	(5.53)	(7.92)
Foreign	0.348***	0.358***	0.358***	0.344***	0.344***
	(8.36)	(9.06)	(12.12)	(8.66)	(11.45)
Moral Universalism		-0.095***		-0.110***	
		(-3.78)		(-4.73)	
Neutral × Moral Universalism		-0.055	-0.055**	-0.041	-0.041
		(-1.50)	(-2.37)	(-1.15)	(-1.57)
Foreign × Moral Universalism		-0.102***	-0.102***	-0.088***	-0.088***
		(-2.89)	(-4.00)	(-2.59)	(-3.24)
Constant	0.234***	0.242***		0.256***	
	(8.61)	(8.90)		(9.28)	
Close group	Locals	Locals	Locals	Non-local friends	Non-local friends
Participant f.e.	No	No	Yes	No	Yes
R^2	0.086	0.188	0.752	0.186	0.740
N	732	732	732	732	732

Table 11: **Distance to Stakeholders and Cross-Action Heterogeneity**

The table presents results from an OLS regression of participants' relative ranking (Panel A) and propensity to choose financial value (Panel B) for each corporate action on participants' perceived distance to the potentially affected stakeholders. The unit of observation is at the participant × action level. *Distance* refers to the participant's perceived distance to the affected stakeholders in the range from 0 to 100. *Size of Impact* refers to the perceived size of the impact on the affected stakeholders (Likert-type scale from 1 to 6). In column (3), we include the same personal characteristics as in Table 8 as control variables. *t*-statistics based on standard errors clustered at the participant level are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

Panel A: Relative Rank (FV>0)

	Relative Rank			
	(1)	(2)	(3)	(4)
Distance	-0.012***	-0.005***	-0.006***	-0.016***
	(-12.84)	(-5.28)	(-5.36)	(-7.27)
Size of Impact		0.230***	0.245***	0.285***
		(9.83)	(9.95)	(8.08)
Controls	No	No	Yes	No
Participant f.e.	No	No	No	Yes
R^2	0.019	0.032	0.034	0.055
N	6,427	6,427	6,287	6,285

Panel B: Propensity to Choose Financial Value

	Propensity to Choose Financial Value			
	(1)	(2)	(3)	(4)
Distance	0.002***	0.001***	0.001***	0.002***
	(10.28)	(4.79)	(4.54)	(6.98)
Size of Impact		-0.033***	-0.031***	-0.028***
		(-7.29)	(-7.15)	(-5.93)
Controls	No	No	Yes	No
Participant f.e.	No	No	No	Yes
R^2	0.026	0.039	0.058	0.218
N	6,427	6,427	6,287	6,425

Internet Appendix to

"Corporate Actions as Moral Issues"

This internet appendix presents additional results to accompany the paper "Corporate Actions as Moral Issues." The contents are as follows:

Internet Appendix IA.A describes our survey design and provides a broad overview of the survey questions.

Internet Appendix IA.B provides additional analyses to accompany our main results on participants' relative rankings of corporate actions.

Internet Appendix IA.C provides additional analyses to accompany our main results on participants' propensity to rely on financial value.

Internet Appendix IA.D provides the complete survey questionnaire.

IA.A Survey Overview

In addition to our main experimental study, we conducted a series of online experimental studies to test for potential alternative explanations and implications. Below we describe the design of these studies.

IA.A.1 Causal Effect of Distance to Affected Stakeholders

To identify moral universalism as an explanation of the nonpecuniary preferences documented in our main experimental study, we run an additional experiment (N=244) to test for the causal effect of distance on subjects' propensity to choose financial value.[16] Subjects receive a fixed remuneration of $12 per hour. The main task of this experiment is to decide whether or not to lay off workers of XYZ Corp. Subjects are informed about the financial value of this corporate action to isolate potential effects of beliefs. In particular, we specify the following:

> The management of XYZ Corp is considering laying off 1,000 workers. Please assume that, if implemented, this decision would have a large positive financial value to the firm's shareholders. This means that, for shareholders, all current and future financial benefits of the action would substantially outweigh all current and future financial costs and risks. Moreover, the layoffs would be legal.

In line with the main experimental study, subjects are provided the same description of the hypothetical company XYZ Corp in randomized order (see Internet Appendix IA.D for the full description of XYZ Corp).
In a within-subject design we vary the information about the respondent's connection to the laid-off workers — close (2 treatments) or distant (2 treatments). The within-subject treatments are elicited in randomized order. To isolate potential confounding factors, possibly resulting from potential self-selection of people in groups that are close or distant to the respondent, we specify the following:

> Assume all workers presented below are identical on all dimensions except for the features that are specified below.

Subjects are given information about the workers and asked to decide whether or not to support the layoffs.

[16] The study pre-registration report can be obtained from: https://aspredicted.org/wdh4-xrpg.pdf

> Assume the workers who would be affected by the layoffs **live outside of the U.S**. Should XYZ Corp implement the layoffs or not?

We include two treatments of close connection between the respondent and the laid-off workers. In particular, we specify that the laid-off workers...

- "live near you", or
- "even though they do not live near you, are your friends".

The latter treatment allows us to isolate potential economic spillover effects from the laid-off to other members of their local community, e.g., in the form of increased crime rates. Furthermore, we include two treatments of distant connection between the respondent and the laid-off workers. We specify that the workers...

- "live outside of the U.S." or
- "you do not know any of the workers who would be affected by the layoffs personally and they do not live near you".

At the end of the experiment we elicit the MFQ2 as in the main experimental study.
The experimental study was programmed in Qualtrics and administered on Prolific in September 2024. We use sample selection criteria based on location (USA) and approval rate ($> 90\%$). Furthermore we apply quota sampling based on the same criteria as our main experimental study — gender, political affiliation and stock market participation. Before the beginning of the experiment, subjects sign a consent form, undergo a bot check, as well as attention and comprehension checks similar to our main experimental study. Only subjects who pass all checks are allowed to proceed with the study. Fewer than 5% of participants exited the experiment after seeing the main task, which assuages concerns about selective attrition.

IA.A.2 Elicitation of Distance to Affected Stakeholders

To test for distance to affected stakeholders as an explanation of the relative ranking of corporate actions, we run a follow-up study with the subject pool of our main experimental study. Specifically, in October 2024, four months after the main experimental study, we invite all subjects from the positive-financial value treatment to participate in a follow-up study on Prolific. The respondents received a fixed remuneration of \$19 per hour, well above the typical hourly wage on the online platform. The response rate among the respondents

from the main experimental study was 62.4% and the sample size of the follow-up study is N=644.
At the beginning of the study, we remind subjects about the characteristics of XYZ corp (listed in randomized order). Then we present them one by one with the 10 corporate actions in randomized order. The wording of the actions is identical to the wording in the main experimental study in the positive-financial value treatment, for example:

- The management of XYZ Corp is considering **laying off employees**.
- The management of XYZ Corp is considering **appointing the current CEO also as the Chairman of the Board**, giving the CEO more power inside the company.
- ...

Subsequently, we prime subjects to think about the group of people that they expect to be negatively affected by the firm's action.

> Think about the group of people who, in your opinion, may be negatively affected by this proposal. Let's denote this group of people by X.

The main task is to indicate how close or distant subjects feel to the group of negatively affected people that comes to mind. The challenge in the elicitation of this measure is that we need to avoid inducing a particular aspect of closeness or distance. Instead, we want people to think of the aspects of closeness and distance that come to mind when they think about their assessment of the corporate action. For some actions, it could be natural and salient to think about geographical distance. For instance when thinking about outsourcing to a lower wage country or relocating taxes to low-tax countries, the domestic vs. foreign dimension becomes salient and subjects might think about the negatively effected stakeholders as group defined by location. For other actions the geographical aspect may give way to other aspects of distance such as social distance. To accommodate all possible factors that may contribute to the subejctive feeling of distance, we elicit a neutral graphical measure of overlapping Venn diagrams devised and validated by Aron, Aron, and Smollan (1992). The graphical tool is illustrated in Internet Appendix IA.D.

IA.A.3 Confidence in Corporate America

In a survey, conducted on Prolific (N=100) in July 2024, we elicit which corporate actions most negatively affect subjects' confidence in Corporate America. To this end, we consider the positive-financial value actions and ask subjects how their confidence would change

is those actions would be avoided. Specifically, we ask subjects to answer the following question on a 5-points Likert-type scale from "strongly decrease" to "strongly increase":

> Suppose most firms in the US would commit to the following measures. How would that affect your confidence in Corporate America?

Since we focus on confidence in Corporate America and elicit the impact of a systematic commitment, we focus use an "avoid harm" commitment instead of a commitment to "do good". Furthermore, as we talk about a commitment by most companies, we refrain from providing a description of the typical company.

The survey was programmed in Qualtrics. We use sample selection criteria based on location (USA) and approval rate ($> 90\%$). Furthermore we apply quota sampling based on the same criteria as our main experimental study — gender, political affiliation and stock market participation. We did not implement any further screeners or attention checks.

IA.B Additional Analyses: Relative Rankings of Corporate Actions

Table IA.I: **Heterogeneity in Rankings of Corporate Actions (FV>0)**

The table presents results from an OLS regression of each participant's relative ranking of a corporate action in terms of how wrong it feels relative to the other actions, on participant characteristics. The sample is restricted to participants who were shown corporate actions with positive financial value (FV). *t*-statistics based on robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

	Cost Cutting	Buyback	Leverage	Layoffs	Outsourcing	Taxes	CEO Pay	Diversity	Energy	Governance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Between 24 and 64	0.040	-0.035	-0.017	-0.028	-0.077***	-0.045	-0.079**	-0.013	0.057**	-0.050*
	(1.39)	(-1.29)	(-0.58)	(-0.96)	(-2.65)	(-1.58)	(-2.56)	(-0.48)	(2.32)	(-1.66)
Older than 64	0.019	-0.061**	-0.052*	0.026	-0.066**	-0.031	-0.086***	-0.041	0.037	-0.007
	(0.63)	(-2.12)	(-1.88)	(0.85)	(-2.43)	(-1.14)	(-3.32)	(-1.52)	(1.45)	(-0.23)
Investor	0.002	0.012	0.052**	0.039	0.025	0.005	0.021	0.026	0.034	-0.026
	(0.06)	(0.46)	(2.01)	(1.52)	(0.98)	(0.22)	(0.88)	(1.07)	(1.41)	(-0.97)
Black or AA	-0.065***	-0.054**	-0.064***	0.002	0.066***	0.039*	0.091***	-0.036*	0.035	-0.027
	(-2.72)	(-2.42)	(-3.00)	(0.10)	(2.83)	(1.75)	(3.47)	(-1.69)	(1.60)	(-1.21)
Asian	-0.007	0.010	0.012	0.007	0.094***	0.064***	0.033	0.020	0.041**	0.030
	(-0.32)	(0.46)	(0.51)	(0.29)	(4.04)	(2.88)	(1.20)	(0.94)	(1.97)	(1.18)
Not Hispanic	0.035	0.039*	0.029	0.003	-0.023	0.008	0.012	0.003	0.013	0.031
	(1.47)	(1.67)	(1.24)	(0.15)	(-0.95)	(0.34)	(0.53)	(0.15)	(0.60)	(1.37)
Republican	0.033	0.045**	-0.026	0.017	0.006	0.164***	0.046**	0.309***	0.353***	-0.003
	(1.47)	(1.98)	(-1.13)	(0.72)	(0.25)	(7.29)	(1.99)	(13.80)	(16.02)	(-0.13)
Male	0.002	0.077***	0.007	-0.042*	0.064***	0.087***	0.115***	0.092***	-0.032	0.065***
	(0.07)	(3.35)	(0.31)	(-1.84)	(2.83)	(3.89)	(5.20)	(4.25)	(-1.49)	(2.81)
Shareholder	-0.003	0.053*	0.015	-0.018	0.004	0.050*	-0.011	0.009	0.034	-0.041
	(-0.13)	(1.92)	(0.55)	(-0.67)	(0.14)	(1.84)	(-0.39)	(0.33)	(1.37)	(-1.53)
Consumer	-0.030	-0.004	0.008	0.005	-0.024	0.019	-0.029	-0.023	-0.015	0.001
	(-1.10)	(-0.16)	(0.30)	(0.19)	(-0.90)	(0.71)	(-1.10)	(-0.87)	(-0.59)	(0.03)
Employee	-0.045*	-0.040	-0.039	0.001	-0.024	0.021	-0.001	-0.053**	0.056**	0.011
	(-1.66)	(-1.47)	(-1.45)	(0.05)	(-0.87)	(0.80)	(-0.03)	(-2.02)	(2.15)	(0.40)
College and Post-Graduate	0.011	-0.007	0.010	-0.009	0.008	-0.016	0.082***	-0.001	-0.049*	0.058**
	(0.40)	(-0.28)	(0.37)	(-0.34)	(0.31)	(-0.61)	(3.15)	(-0.04)	(-1.94)	(2.12)
Middle Income ([40k,110k])	0.027	-0.093***	0.002	0.032	0.034	0.027	-0.001	0.000	-0.001	0.043
	(0.94)	(-3.20)	(0.06)	(1.11)	(1.24)	(0.95)	(-0.05)	(0.01)	(-0.03)	(1.47)
High Income (>110k)	0.061**	-0.052*	-0.041	0.005	0.070**	0.063**	-0.015	-0.028	0.032	-0.011
	(2.01)	(-1.68)	(-1.33)	(0.17)	(2.32)	(2.07)	(-0.49)	(-0.96)	(1.09)	(-0.35)
Other Degree	-0.053	0.001	-0.005	-0.026	0.005	0.012	-0.063*	0.017	-0.025	0.013
	(-1.59)	(0.03)	(-0.14)	(-0.71)	(0.14)	(0.36)	(-1.85)	(0.50)	(-0.74)	(0.37)
Econ Degree	-0.037	0.017	0.011	0.037	0.073**	0.065*	-0.030	0.012	-0.013	0.015
	(-1.08)	(0.47)	(0.31)	(0.96)	(2.03)	(1.83)	(-0.80)	(0.35)	(-0.37)	(0.40)
Self-Employed	0.067***	-0.015	-0.035	0.044*	-0.006	0.005	-0.007	0.033	0.010	0.016
	(3.02)	(-0.63)	(-1.47)	(1.79)	(-0.25)	(0.19)	(-0.29)	(1.47)	(0.45)	(0.64)
Not Employed	0.048**	-0.021	0.020	0.017	-0.025	-0.012	-0.046*	0.027	0.024	0.007
	(1.98)	(-0.79)	(0.75)	(0.66)	(-1.02)	(-0.48)	(-1.93)	(1.09)	(0.99)	(0.27)
R^2	0.019	0.027	0.016	0.012	0.044	0.055	0.046	0.113	0.137	0.017
N	1,964	1,964	1,964	1,964	1,964	1,964	1,964	1,964	1,964	1,964

Table IA.II: **Heterogeneity in Rankings of Corporate Actions (FV<0)**

The table presents results from an OLS regression of each participant's relative ranking of a corporate action in terms of how right it feels relative to the other actions, on participant characteristics. The sample is restricted to participants who were shown corporate actions with negative financial value (FV). *t*-statistics based on robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

	Cost Cutting	Buyback	Leverage	Hiring	Outsourcing	Taxes	CEO Pay	Diversity	Energy	Governance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Between 24 and 64	-0.042	0.106***	0.035	-0.017	0.088**	0.029	0.036	-0.063*	-0.134***	-0.021
	(-1.01)	(2.59)	(0.78)	(-0.42)	(2.18)	(0.76)	(0.90)	(-1.69)	(-3.60)	(-0.52)
Older than 64	-0.040	0.160***	0.022	-0.141***	0.058	0.022	0.056	0.030	-0.110***	-0.032
	(-1.09)	(3.71)	(0.57)	(-3.71)	(1.43)	(0.56)	(1.52)	(0.83)	(-2.97)	(-0.81)
Investor	0.011	0.040	0.003	-0.043	-0.020	0.034	-0.008	-0.068**	0.021	0.035
	(0.34)	(1.14)	(0.10)	(-1.25)	(-0.56)	(0.97)	(-0.23)	(-2.02)	(0.64)	(1.03)
Black or AA	0.021	0.081**	0.113***	-0.052	-0.069**	-0.027	-0.089**	0.019	-0.045	0.049
	(0.61)	(2.43)	(3.44)	(-1.54)	(-2.12)	(-0.76)	(-2.51)	(0.60)	(-1.56)	(1.51)
Asian	0.011	0.010	0.013	0.035	-0.065*	-0.025	-0.003	-0.017	0.030	0.006
	(0.33)	(0.31)	(0.43)	(1.12)	(-1.91)	(-0.73)	(-0.08)	(-0.53)	(0.97)	(0.18)
Not Hispanic	-0.041	-0.050	-0.018	0.013	-0.011	0.015	0.027	0.005	0.014	0.044
	(-1.26)	(-1.52)	(-0.55)	(0.39)	(-0.33)	(0.42)	(0.74)	(0.17)	(0.42)	(1.38)
Republican	0.137***	0.091***	0.146***	0.123***	0.120***	-0.129***	0.019	-0.248***	-0.315***	0.103***
	(4.19)	(2.86)	(4.48)	(3.89)	(3.69)	(-4.06)	(0.60)	(-7.75)	(-10.12)	(3.21)
Male	0.038	0.022	-0.012	0.172***	-0.005	0.013	-0.108***	-0.127***	0.088***	-0.107***
	(1.18)	(0.69)	(-0.37)	(5.33)	(-0.16)	(0.39)	(-3.28)	(-4.11)	(2.84)	(-3.28)
Shareholder	0.033	-0.013	0.025	0.020	-0.031	-0.041	-0.021	-0.011	-0.000	0.040
	(0.86)	(-0.35)	(0.63)	(0.53)	(-0.81)	(-1.06)	(-0.54)	(-0.30)	(-0.00)	(1.02)
Consumer	0.017	0.013	0.014	-0.075**	0.003	0.014	-0.042	0.065*	0.040	-0.053
	(0.44)	(0.34)	(0.38)	(-2.01)	(0.08)	(0.37)	(-1.07)	(1.75)	(1.08)	(-1.38)
Employee	0.029	-0.007	0.041	-0.048	0.051	-0.047	0.010	0.016	-0.018	-0.018
	(0.74)	(-0.18)	(1.08)	(-1.29)	(1.30)	(-1.24)	(0.27)	(0.43)	(-0.48)	(-0.47)
College and Post-Graduate	-0.102***	0.015	0.029	-0.007	-0.011	0.039	0.009	0.035	0.035	-0.056
	(-2.76)	(0.38)	(0.81)	(-0.18)	(-0.29)	(1.04)	(0.24)	(0.96)	(0.99)	(-1.56)
Middle Income ([40k,110k])	0.058	0.020	0.061	-0.036	0.000	-0.018	-0.006	-0.041	-0.015	-0.014
	(1.50)	(0.50)	(1.52)	(-0.92)	(0.00)	(-0.44)	(-0.15)	(-1.05)	(-0.38)	(-0.34)
High Income (>110k)	0.082*	0.016	0.038	-0.016	-0.015	-0.039	-0.032	0.030	-0.076*	0.024
	(1.88)	(0.37)	(0.90)	(-0.39)	(-0.36)	(-0.90)	(-0.74)	(0.74)	(-1.87)	(0.54)
Other Degree	0.076*	-0.035	-0.047	0.028	0.058	-0.045	-0.012	0.044	-0.024	-0.038
	(1.70)	(-0.73)	(-0.95)	(0.60)	(1.21)	(-0.94)	(-0.25)	(0.92)	(-0.49)	(-0.81)
Econ Degree	0.110**	0.038	-0.058	-0.030	0.006	-0.106**	-0.021	0.052	-0.020	0.043
	(2.28)	(0.78)	(-1.15)	(-0.61)	(0.12)	(-2.05)	(-0.44)	(1.04)	(-0.40)	(0.88)
Self-Employed	-0.028	-0.024	0.100***	0.019	0.026	0.049	0.007	-0.071**	-0.057*	-0.019
	(-0.86)	(-0.70)	(2.91)	(0.58)	(0.78)	(1.38)	(0.20)	(-2.22)	(-1.80)	(-0.56)
Not Employed	-0.003	-0.068*	-0.022	0.037	0.037	0.066*	0.038	-0.055	-0.018	-0.008
	(-0.07)	(-1.85)	(-0.62)	(1.03)	(1.04)	(1.83)	(1.17)	(-1.60)	(-0.51)	(-0.24)
R^2	0.045	0.054	0.049	0.075	0.040	0.041	0.033	0.103	0.140	0.048
N	979	979	979	979	979	979	979	979	979	979

IA.C Additional Analyses: Reliance on Financial Value

Table IA.III: **Heterogeneity in Reliance on Financial Value by Action**

The table presents results from an OLS regression of participants' tendency to rely on financial value on participant characteristics. t-statistics based on robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

	Cost Cutting	Buyback	Leverage	Layoffs/Hiring	Outsourcing	Taxes	CEO Pay	Diversity	Energy	Governance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Between 24 and 64	0.040	-0.035	-0.017	-0.028	-0.077***	-0.045	-0.079**	-0.013	0.057**	-0.050*
	(1.39)	(-1.29)	(-0.58)	(-0.96)	(-2.65)	(-1.58)	(-2.56)	(-0.48)	(2.32)	(-1.66)
Older than 64	0.019	-0.061**	-0.052*	0.026	-0.066**	-0.031	-0.086***	-0.041	0.037	-0.007
	(0.63)	(-2.12)	(-1.88)	(0.85)	(-2.43)	(-1.14)	(-3.32)	(-1.52)	(1.45)	(-0.23)
Investor	0.002	0.012	0.052**	0.039	0.025	0.005	0.021	0.026	0.034	-0.026
	(0.06)	(0.46)	(2.01)	(1.52)	(0.98)	(0.22)	(0.88)	(1.07)	(1.41)	(-0.97)
Black or AA	-0.065***	-0.054**	-0.064***	0.002	0.066***	0.039*	0.091***	-0.036*	0.035	-0.027
	(-2.72)	(-2.42)	(-3.00)	(0.10)	(2.83)	(1.75)	(3.47)	(-1.69)	(1.60)	(-1.21)
Asian	-0.007	0.010	0.012	0.007	0.094***	0.064***	0.033	0.020	0.041**	0.030
	(-0.32)	(0.46)	(0.51)	(0.29)	(4.04)	(2.88)	(1.20)	(0.94)	(1.97)	(1.18)
Not Hispanic	0.035	0.039*	0.029	0.003	-0.023	0.008	0.012	0.003	0.013	0.031
	(1.47)	(1.67)	(1.24)	(0.15)	(-0.95)	(0.34)	(0.53)	(0.15)	(0.60)	(1.37)
Republican	0.033	0.045**	-0.026	0.017	0.006	0.164***	0.046**	0.309***	0.353***	-0.003
	(1.47)	(1.98)	(-1.13)	(0.72)	(0.25)	(7.29)	(1.99)	(13.80)	(16.02)	(-0.13)
Male	0.002	0.077***	0.007	-0.042*	0.064***	0.087***	0.115***	0.092***	-0.032	0.065***
	(0.07)	(3.35)	(0.31)	(-1.84)	(2.83)	(3.89)	(5.20)	(4.25)	(-1.49)	(2.81)
Shareholder	-0.003	0.053*	0.015	-0.018	0.004	0.050*	-0.011	0.009	0.034	-0.041
	(-0.13)	(1.92)	(0.55)	(-0.67)	(0.14)	(1.84)	(-0.39)	(0.33)	(1.37)	(-1.53)
Consumer	-0.030	-0.004	0.008	0.005	-0.024	0.019	-0.029	-0.023	-0.015	0.001
	(-1.10)	(-0.16)	(0.30)	(0.19)	(-0.90)	(0.71)	(-1.10)	(-0.87)	(-0.59)	(0.03)
Employee	-0.045*	-0.040	-0.039	0.001	-0.024	0.021	-0.001	-0.053**	0.056**	0.011
	(-1.66)	(-1.47)	(-1.45)	(0.05)	(-0.87)	(0.80)	(-0.03)	(-2.02)	(2.15)	(0.40)
College and Post-Graduate	0.011	-0.007	0.010	-0.009	0.008	-0.016	0.082***	-0.001	-0.049*	0.058**
	(0.40)	(-0.28)	(0.37)	(-0.34)	(0.31)	(-0.61)	(3.15)	(-0.04)	(-1.94)	(2.12)
Middle Income ([40k,110k])	0.027	-0.093***	0.002	0.032	0.034	0.027	-0.001	0.000	-0.001	0.043
	(0.94)	(-3.20)	(0.06)	(1.11)	(1.24)	(0.95)	(-0.05)	(0.01)	(-0.03)	(1.47)
High Income (>110k)	0.061**	-0.052*	-0.041	0.005	0.070**	0.063**	-0.015	-0.028	0.032	-0.011
	(2.01)	(-1.68)	(-1.33)	(0.17)	(2.32)	(2.07)	(-0.49)	(-0.96)	(1.09)	(-0.35)
Other Degree	-0.053	0.001	-0.005	-0.026	0.005	0.012	-0.063*	0.017	-0.025	0.013
	(-1.59)	(0.03)	(-0.14)	(-0.71)	(0.14)	(0.36)	(-1.85)	(0.50)	(-0.74)	(0.37)
Econ Degree	-0.037	0.017	0.011	0.037	0.073**	0.065*	-0.030	0.012	-0.013	0.015
	(-1.08)	(0.47)	(0.31)	(0.96)	(2.03)	(1.83)	(-0.80)	(0.35)	(-0.37)	(0.40)
Self-Employed	0.067***	-0.015	-0.035	0.044*	-0.006	0.005	-0.007	0.033	0.010	0.016
	(3.02)	(-0.63)	(-1.47)	(1.79)	(-0.25)	(0.19)	(-0.29)	(1.47)	(0.45)	(0.64)
Not Employed	0.048**	-0.021	0.020	0.017	-0.025	-0.012	-0.046*	0.027	0.024	0.007
	(1.98)	(-0.79)	(0.75)	(0.66)	(-1.02)	(-0.48)	(-1.93)	(1.09)	(0.99)	(0.27)
R^2	0.019	0.027	0.016	0.012	0.044	0.055	0.046	0.113	0.137	0.017
N	1,964	1,964	1,964	1,964	1,964	1,964	1,964	1,964	1,964	1,964

Table IA.IV: **Moral Universalism and Nonpecuniary Preferences (Excluding Purity)**

The table repeats Table 9 in the main paper, after excluding the purity foundation from the variables *Moral Universalism*, *Avg. MFT Score*, and *Communal Values*. t-statistics based on robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

Panel A: Positive and Negative Financial Value

	Propensity to Choose Financial Value			
	(1)	(2)	(3)	(4)
Moral Universalism		-0.288***	-0.282***	
		(10.12)	(-9.85)	
Avg. MFT Score			-0.058**	
			(-2.42)	
Universalist Values				-0.240***
				(-9.72)
Communal Values				0.160***
				(5.71)
Republican	0.199***	0.034	0.045*	0.045*
	(8.97)	(1.29)	(1.65)	(1.65)
Male	0.084***	0.049**	0.045**	0.045**
	(3.77)	(2.20)	(2.02)	(2.02)
Asian	0.062***	0.041*	0.040*	0.040*
	(2.76)	(1.89)	(1.85)	(1.85)
Other coefficients suppressed for brevity				
R^2	0.063	0.115	0.118	0.118
N	1,964	1,964	1,964	1,964

Panel B: Positive Financial Value Only

	Propensity to Choose Financial Value			
	(1)	(2)	(3)	(4)
Moral Universalism		-0.294***	-0.301***	
		(-7.48)	(-7.61)	
Avg. MFT Score			0.062*	
			(1.86)	
Universalist Values				-0.165***
				(-4.88)
Communal Values				0.256***
				(6.60)
Republican	0.245***	0.080**	0.068*	0.068*
	(8.03)	(2.23)	(1.83)	(1.83)
Male	0.103***	0.058*	0.063**	0.063**
	(3.43)	(1.94)	(2.10)	(2.10)
Asian	0.125***	0.092***	0.094***	0.094***
	(3.91)	(2.98)	(3.06)	(3.06)
Other coefficients suppressed for brevity				
R^2	0.119	0.171	0.174	0.174
N	995	995	995	995

Panel C: Negative Financial Value Only

	Propensity to Choose Financial Value			
	(1)	(2)	(3)	(4)
Moral Universalism		-0.264***	-0.251***	
		(-6.27)	(-5.95)	
Avg. MFT Score			-0.146***	
			(-4.13)	
Universalist Values				-0.280***
				(-7.87)
Communal Values				0.081*
				(1.91)
Republican	0.171***	0.018	0.038	0.038
	(5.36)	(0.45)	(0.97)	(0.97)
Male	0.080**	0.056*	0.048	0.048
	(2.48)	(1.73)	(1.52)	(1.52)
Asian	0.010	0.002	0.001	0.001
	(0.29)	(0.07)	(0.03)	(0.03)
Other coefficients suppressed for brevity				
R^2	0.067	0.111	0.131	0.131
N	969	969	969	969

IA.D Instructions

IA.D.1 Attention Checks

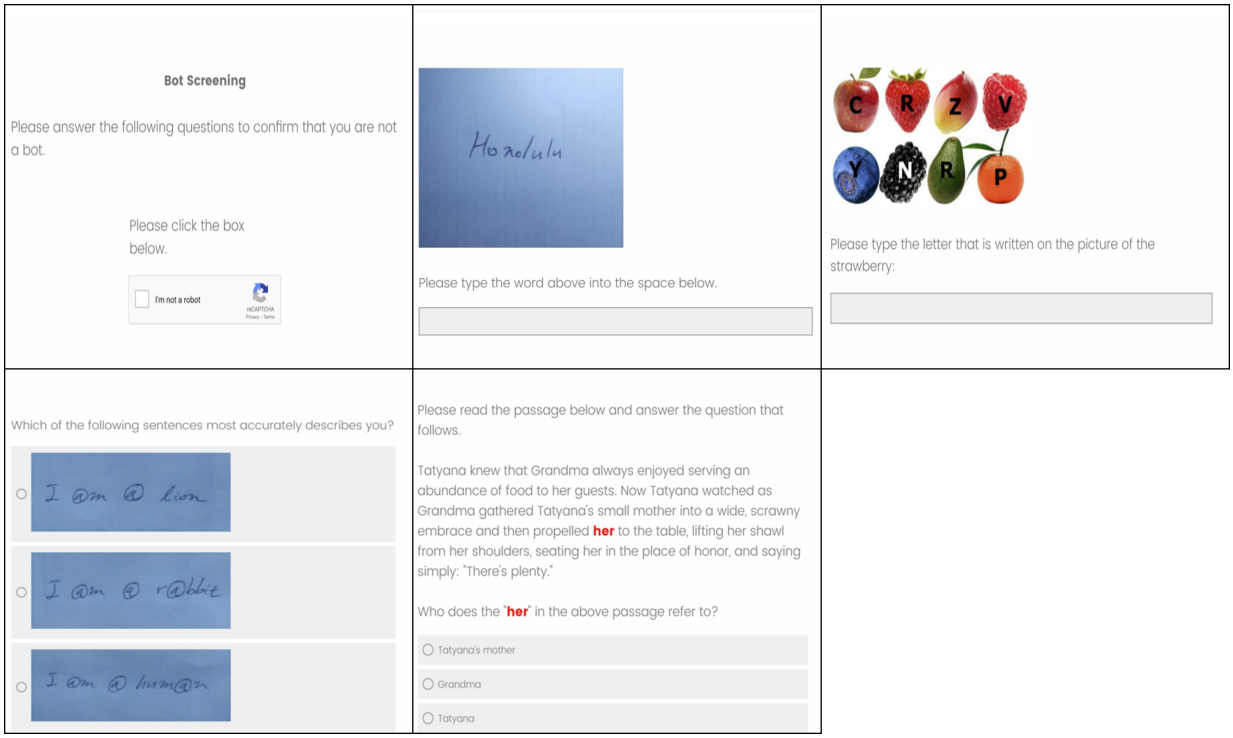


Figure IA.I: **Screenshots of Bot, Attention and Comprehension Checks.** To participate in the study, subjects needed to pass all checks.

IA.D.2 Pre-Study Questionnaire

> Please answer the following questions. Your participation in the survey and your remuneration do not depend on your answers.
>
> - In politics, as of today, do you consider yourself a Republican, a Democrat or an independent?
> - As of today, do you lean more to the Democratic Party or the Republican Party?
> - What is your gender?
> - What is your race?
> - What is your ethnicity?
> - Your highest level of education?

- What was your total household income this year?
- Is one of your degrees business or economics related?
- What is your current occupational status?
- Are you currently investing in the stock market, e.g., via holding individual stocks, or via ETFs, mutual funds, retirement plans, or other investment vehicles?

IA.D.3 Welcome Screen

Dear Participant,

Thank you for taking the time to participate in our study. The aim of this study is to gain insights about your perception of corporate decisions. The study takes up to 20 minutes to complete.It consists of three parts.

In part one, we will ask you about your opinion on ten potential decisions by a hypothetical company called XYZCorp. In part two, we will ask you how you would allocate an additional remuneration if you were randomly selected for it. Part three is a questionnaire.

Click "Next" for more information

You will receive $3.80 as a financial remuneration for participating. In addition, you have the chance to earn a bonus of $0.50, which depends on you answering certain questions correctly, and to be randomly selected for additional compensation worth $50. To receive your remuneration, you need to complete the entire study. At the end of the study, you will receive a completion code you need to submit on the Prolific platform.

Click "Next" to proceed.

IA.D.4 Company Description

The following statistics about a hypothetical company XYZ Corp. are presented in between-subject randomized order. The order of presentation is fixed within-subject on all subsequent screens. The minimum required reading duration before being allowed to proceed to the next screen is 30 seconds.

> Please read the following description of XYZCorp carefully.
>
> XYZCorp is a multinational corporation headquartered in the United States. Currently, it ...
>
> - Employs 40,000 workers domestically
> - Pays an average tax rate of 21% on its profits
> - Pays its CEO a total compensation of $16.7 million per year, which is 272 times the pay of the average employee at the company
> - Pays out 50% of its earnings to its shareholders in the form of share buybacks in a normal year (a share buyback is when a company uses corporate funds to buy back its own shares from its shareholders)
> - Has debt outstanding that equals 20% of its total assets
> - Has 13% of its energy usage coming from renewable energy sources
> - Has a minorities share of 7% and a female share of 16% among top leadership positions
> - Has recently acquired a competitor
>
> Click "Next" to proceed.

IA.D.5 Ranking of Corporate Actions (Role=Shareholder, FV>0)

In the following, we outline the instructions for the shareholder role and the positive financial value condition. Section IA.D.6 outlines the instructions for negative financial value.

The treatment-specific instructions for the role treatment "Shareholder" are highlighted in blue (color added). The treatment-specific sentence is modified analogously in the role treatments "Consumer" and "Employee". It is omitted in the "Unassigned" role treatment, where the subject is not explicitly given any specific role.

The corporate actions were listed in randomized order.

> In the following you will find a list of corporate actions, which the management of XYZ Corp is considering for implementation in the near future (for a reminder about XYZ Corp scroll to the bottom of the screen).
>
> Please assume that, if implemented, each of these corporate actions would have a **positive** financial value to the firm's shareholders (below, we will sometimes refer to

this as a "financial profit"). This means that, for shareholders, all current and future financial benefits of the action would outweigh all current and future financial costs and risks.

Assume that the financial value to the firm's shareholders is **certain** and **equal** across all corporate actions listed below. Also assume that all actions by XYZCorp are **legal**.

Further assume that you are a shareholder of the firm.

We are interested in the degree to which you feel these corporate actions are right or wrong. Please rank the actions by assigning numbers from 1 to 10.

Assign 1 to the action you view as the most right / the least wrong, assign 10 to the action you view as the least right / the most wrong, and use intermediary values to rank the remaining actions. **Please rank all actions by clicking and dragging each statement below to reflect your preferred order.** There is no correct or incorrect answer; we are interested in your opinion.

1. Implement a new cost cutting program at the recently acquired firm
2. Increase share buybacks (i.e., pay out a greater fraction of corporate funds to shareholders in the form of Share buybacks), thereby reducing corporate funds available for other purposes
3. Take out a loan in order to pay a dividend to its shareholders (thereby increasing the risk of bankruptcy and Reducing corporate tax payments)
4. Lay off employees
5. Outsource parts of its operations in the United States to a foreign country with lower wages
6. Reduce the taxes it pays in the United States by having more of its profits taxed in low-tax countries
7. Increase the total compensation of the CEO
8. Discontinue existing personnel programs which increase the share of women and minorities in corporate Leadership roles
9. Increase the usage of fossil energy sources (e.g., oil, coal, and natural gas) in its operations
10. Appoint the current CEO also as the Chairman of the Board, giving the CEO more power inside the company

Reminders:

The financial value to the firm's shareholders is **certain** and **equal** across all corporate actions. All actions are **legal**.

XYZCorp is a multinational corporation headquartered in the United States. Currently, it ... [*see Section IA.D.4*]

- Employs...
- ...

Click "Next" to proceed.

IA.D.6 Ranking of Corporate Actions (Role=Unassigned, FV<0)

In the following, we outline the instructions for the role treatment "Unassigned" and the negative financial value condition.

The corporate actions were listed in randomized order.

In the following you will find a list of corporate actions, which the management of XYZ Corp is considering for implementation in the near future (for a reminder about XYZ Corp scroll to the bottom of the screen).

Please assume that, if implemented, each of these corporate actions would have a **negative** financial value to the firm's shareholders (below, we will sometimes refer to this as a "financial loss"). This means that, for shareholders, all current and future financial costs and risks of the action would outweigh all current and future financial benefits.

Assume that the financial value to the firm's shareholders is **certain** and **equal** across all corporate actions listed below. Also assume that all actions by XYZCorp are legal.

We are interested in the degree to which you feel these corporate actions are right or wrong. Please rank the actions by assigning numbers from 1 to 10.

Assign 1 to the action you view as the most right / the least wrong, assign 10 to the action you view as the least right / the most wrong, and use intermediary values to rank the remaining actions. **Please rank all actions by clicking and dragging each statement below to reflect your preferred order.** There is no correct or incorrect answer; we are interested in your opinion.

1. Discontinue an existing cost cutting program at the recently acquired firm
2. Decrease share buybacks (i.e., pay out a smaller fraction of corporate funds to Shareholders in the form of share buybacks), thereby increasing corporate funds available for other purposes
3. Reduce dividends to its shareholders and use the funds to repay a loan (thereby Increasing corporate tax payments and reducing the risk of bankruptcy)
4. Hire new employees
5. Repatriate parts of its operations, which were previously outsourced to a foreign country with lower wages, back to the United States
6. Increase the taxes it pays in the United States by having less of its profits taxed in low-tax countries
7. Decrease the total compensation of the CEO
8. Implement new personnel programs which increase the share of women and minorities in corporate leadership roles
9. Decrease the usage of fossil energy sources (e.g., oil, coal, and natural gas) in its operations
10. Separate the roles of CEO and Chairman of the Board, giving the current CEO & Chairman less power inside the company

Reminders:

The financial value to the firm's shareholders is **certain** and **equal** across all corporate actions. All actions are **legal**.

XYZCorp is a multinational corporation headquartered in the United States. Currently, it ... [*see Section IA.D.4*]

- Employs...
- ...

Click "Next" to proceed.

IA.D.7 Propensity to Choose: Low, Medium and High Financial Value

In the following, we outline the instructions for positive financial value and shareholder role. The instructions for all other role treatments are analogous except for the "Unassigned" role treatment, where the treatment-specific text highlighted in blue below is omitted. The instructions in the negative-financial value treatments is analogous, except the word "profit" (highlighted below in magenta, color added) is replaced with "loss".

> Next, we are interested in your view as to whether or not XYZCorp should implement the above corporate actions. There is no correct or incorrect answer; we are interested in your opinion.
>
> First, assume that the **financial profit** of each corporate action is comparatively **small**. Specifically, 10% of the profit-making corporate actions that the company has implemented in the past have yielded a smaller financial profit, and 90% of all past profit-making corporate actions have yielded a bigger financial profit.
>
> You can find a reminder about information on XYZCorp and the corporate actions at the bottom of this screen.
>
> Below you see the list of all proposed corporate actions, **ordered according to your ranking** from the action you find most right / least wrong at the top of the list to the action you find least right/most wrong at the bottom of the list.
>
> Suppose that you could determine in your role as a shareholder whether or not XYZCorp implements the proposed corporate actions.
>
> **Should XYZCorp implement the corporate action or not?**
>
> - Corporate action with subjective rank = 1 [Yes/No]
> - Corporate action with subjective rank = 2 [Yes/No]
> - ...
>
> Click "Next" to proceed.

> Next, assume that the financial profit of each corporate action is comparatively **moderate**. Specifically, 50% of the profit-making corporate actions that the company has implemented in the past have yielded a smaller financial profit, and 50% of all past profit-making corporate actions have yielded a bigger financial profit.

Suppose that you could determine in your role as a shareholder whether or not XYZ-Corp implements the proposed corporate actions.

Should XYZCorp implement the corporate action or not?

- Corporate action with subjective rank = 1 [Yes/No]
- Corporate action with subjective rank = 2 [Yes/No]
- ...

Click "Next" to proceed.

Next, assume that the financial profit of each corporate action is comparatively **large**. Specifically, 90% of the profit-making corporate actions that the company has implemented in the past have yielded a smaller financial profit, and 10% of all past profit-making corporate actions have yielded a bigger financial profit.

Suppose that you could determine in your role as a shareholder whether or not XYZ-Corp implements the proposed corporate actions.

Should XYZCorp implement the corporate action or not?

- Corporate action with subjective rank = 1 [Yes/No]
- Corporate action with subjective rank = 2 [Yes/No]
- ...

Click "Next" to proceed.

IA.D.8 Incentivized Dictator Game: Charity

In this part of this study, we will first give you some information and then ask you to make a decision. At the end of the study, a random-number generator will select 50 participants from this study, whose decisions will actually be implemented. If you are randomly selected, the consequences of your decision will be realized exactly as described. Therefore, since your decision may actually be implemented, you should think carefully about it. We will also ask you about some personal characteristics (without requiring you to reveal your identity)

Click "Next" to proceed.

Below you will find important information that is relevant to your decision later. On the next page, we will ask you two simple questions about the information and instructions presented below. You will receive an additional $0.25 for each question you answer correctly (i.e., you will receive a cash bonus of $0.50 if you answer both questions correctly). Please read all the information carefully. **Not only is the information important for your decision, but you will also receive a higher payout if you recall the provided information correctly.**

In this part we will first ask you about the possibility of making a donation to a charity. Then, at the end of the study, a random number generator will select 50 study participants. **If you are randomly selected, your choices will be implemented; i.e, real money will be donated to actual charities according to your answers on the next screens.**

Specifically, there are three options to make a donation in our study:

Option	Description	Payment	Selection
Option A	Donate to a set of charities, that most effectively save or improve lives per dollar donated, as backed by 50,000+ hours of research by the givewell foundation. More information HERE.	We transfer the donation to the givewell foundation on your behalf. The foundation then makes the donation to a set of charities.	The set of charities is pre-selected by the givewell foundation. No additional effort on your part needed.
Option B	Donate now to a charity of your choice from a short list of 4 charities (see below).	We transfer the donation to the charity on your behalf.	You select the charity now.
Option C	Request a charity voucher (to be sent to you via Prolific message) that can be redeemed against a donation to a charity of your choice from a list of 2500+ charities. The charity voucher cannot be cashed out. More information HERE.	We send you a charity voucher to redeem later at your convenience.	You select the charity later.

We have pre-screened all options to make sure your donation, should you choose to make one, would reach beneficiaries in a reliable way.

Whichever option you choose, your donation will **not be public**. You will receive a **receipt for the transfer** of your donation to the charities. For Options A or B, we will send you the receipt for the donation we have made on your behalf in a Prolific message at the end of the study. For Option C, you will get the receipt upon redeeming your voucher on the independent charity-voucher website.

In Option B you can choose among the following charities:

Charity	**Mission**
The Nature Conservancy	The Nature Conservancy protects Earth's most important natural places — for you and future generations — through great science and smart partnerships.
Americares	Responds to people affected by poverty or disaster with life-changing health programs, medicine and medical supplies.
YWCA of the USA	Our mission is to empower women and eliminate racism.
Operation Gratitude	Our mission is to say Thank You to our Military and First Responder communities, and to honor their service. We send care packages & letters to boost the morale and resilience of our service members and give them warm reminders of home.

Comprehension Questions:

Please indicate if the following statements are true or false. For each correct answer, you will receive an additional payment of $0.25.

[True/False] The choices you make in this part of the survey will be implemented if you are randomly selected.

[True/False] Your donation will be public if you choose to donate.

Charity Choice:

> On the next page we will ask you to make a choice about a donation. But first, please select your preferred option for donating:[Option A/B/C]
>
> [*Conditional on selecting Option B the subjects are subsequently asked to select among the four charities.*]

Donation:

> Suppose you will receive $50 as an additional payment. You can choose to donate a certain amount of the $50 to the charity option you selected above. You can choose any amount between $0 and $50. This amount will then not be paid out to you but donated to the charity option of your choice. Thus, you will receive a bonus payment of $50 minus the amount you donate.
> **Please indicate the amount you wish to donate on the slider below.**
>
> [*Slider range from "donate $0, keep $50" to "donate $50, keep $0"*]

IA.D.9 Moral Universalism Measure

Our measure of moral universalism is based on the revised Moral Foundations Questionnaire by Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023). The items are elicited in randomized order. All items are weighted equally. Reverse-coded items are indicated below. Items marked with "(p)" are excluded in the robustness checks reported in Internet Appendix IA.C.

> For each of the statements below, please indicate how well each statement describes you or your opinions from 1, "Does not describe me at all", to 5, "Describes me extremely well."
>
> - The world would be a better place if everyone made the same amount of money.
> - Our society would have fewer problems if people had the same income.
> - I believe that everyone should be given the same quantity of resources in life.
> - I believe it would be ideal if everyone in society wound up with roughly the same amount of money.
> - When people work together toward a common goal, they should share the rewards equally, even if some worked harder on it.

- I get upset when some people have a lot more money than others in my country.
- Caring for people who have suffered is an important virtue.
- I believe that compassion for those who are suffering is one of the most crucial virtues.
- We should all care for people who are in emotional pain.
- I am empathetic toward those people who have suffered in their lives.
- Everyone should try to comfort people who are going through something hard.
- It pains me when I see someone ignoring the needs of another human being.

[Reverse-coded items:]

- I think people who are more hardworking should end up with more money.
- I think children should be taught to be loyal to their country.
- I think it is important for societies to cherish their traditional values.
- (p) I think the human body should be treated like a temple, housing something sacred within.
- I think people should be rewarded in proportion to what they contribute.
- It upsets me when people have no loyalty to their country.
- I feel that most traditions serve a valuable function in keeping society orderly.
- (p) I believe chastity is an important virtue.
- The effort a worker puts into a job ought to be reflected in the size of a raise they receive.
- Everyone should love their own community.
- I think obedience to parents is an important virtue.
- (p)It upsets me when people use foul language like it is nothing.
- It makes me happy when people are recognized on their merits.
- Everyone should defend their country, if called upon.
- We all need to learn from our elders.
- (p) If I found out that an acquaintance had an unusual but harmless sexual fetish I would feel uneasy about them.
- In a fair society, those who work hard should live with higher standards of living.

- Everyone should feel proud when a person in their community wins in an international competition.
- I believe that one of the most important values to teach children is to have respect for authority.
- (p) People should try to use natural medicines rather than chemically identical human-made ones.
- I feel good when I see cheaters get caught and punished.
- I believe the strength of a sports team comes from the loyalty of its members to each other.
- I think having a strong leader is good for society.
- (p) I admire people who keep their virginity until marriage.

IA.D.10 Distance to Negatively Affected and Expected Scope of Impact

The following questions were elicited from subjects in the positive-financial value treatments (all roles) in a follow-up study. The measure of proximity to the negatively affected group X was reverse-coded for the purposes of the analyses.

> In the following you will find a list of 10 corporate actions, which the management of XYZ Corp is considering for implementation in the near future. Please assume that, if implemented, each of these corporate actions would have a **positive financial value** to the firm's shareholders (below, we will sometimes refer to this as a "financial profit"). This means that, for shareholders, all current and future financial benefits of the action would outweigh all current and future financial costs and risks.
>
> Assume that the financial value to the firm's shareholders is **certain** and **equal** across all corporate actions listed below. Also assume that all actions by XYZCorp are **legal**.
>
> Next, we will give you information on each corporate action and ask you some questions.

All 10 corporate actions, as listed in Section IA.D.6, are presented in randomized order. The following example illustrates the instructions for layoffs.

Layoffs:

> The management of XYZ Corp is considering **laying off employees**.
>
> Think about the group of people who, in your opinion, may be **negatively affected** by this proposal. Let's denote this group of people by **X**.
>
> Please answer the following questions:
>
> 1. Please indicate by using the pair of circles below **how connected** do you feel to the group of people X. [Move the slider below to bring the circles closer together or take them apart.]
> 2. How large do you expect the impact of this proposal to be on the group of people X?
>
> Reminders:
>
> XYZCorp is a multinational corporation headquartered in the United States. Currently, it ... [*see Section IA.D.4*]
>
> - Employs...
> - ...

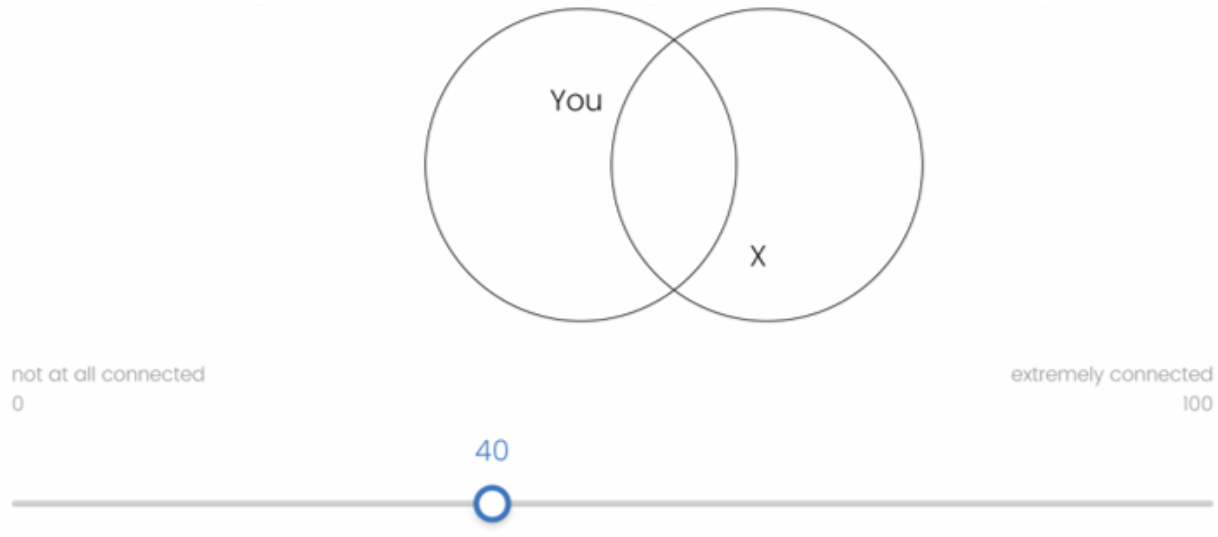


Figure IA.II: **Elicitation of proximity through a graphical dynamic Venn diagram** The circles are disjoint by default and the slider-default is at 0.