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Paying for Integers

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Abstract

Leveraging the unique context of New York City taxi rides, we estimate that passengers are 25 to 30 percentage points more likely to tip a suggested amount when presented an integer tip suggestion. Moreover, we find this behavioral response to integer suggestion varies by tip menu placement, fare amounts and deviation to social norm tip rate. By combining our empirical results with a behavioral model, we find that our results are consistent with integers acting as focal points for giving. Focusing on a 2012 rate fare change that increased the probability of integer tip suggestions by 700%, our estimates imply a transfer from riders to drivers of 1.3 million dollars in 2013

JEL codes: D01, D12, D91

Key words: Integers; Defaults; Tips; Suggestions; Taxi; Focal Points

Working Paper 22-02

Date

Acknowledgement: Use was made of computational facilities purchased with funds from the National Science Foundation (CNS-1725797) and administered by the Center for Scientific Computing (CSC). The CSC is supported by the California NanoSystems Institute and the Materials Research Science and Engineering Center (MRSEC; NSF DMR 1720256) at UC Santa Barbara. Any opinions expressed here are those of the author(s) and not those of the center. Research disseminated by SCAER may include views on policy, but the center itself takes no policy positions.