



The framing of financial windfalls and implications for public policy ☆

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Abstract

Governments, employers, and companies provide financial windfalls to individuals with some regularity. Recent evidence suggests that the framing (or description) of these windfalls can dramatically influence their consumption. In particular, income described as a positive departure from the status quo (e.g., as a bonus) is more readily spent than objectively identical income described as a return to the status quo (e.g., as a rebate). Such findings are consistent with psychological accounts of decision making and should supplement existing economic models. These results have important implications for the marketing of such windfalls, and discussion focuses particularly on implications for government tax policies.

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