

The Lure of Authority

Motivation and Incentive Effects of Power*

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Power and authority permeate political, social and economic life but still little is known empirically about the origins and consequences of authority. In this paper we tackle this question experimentally by implementing a simple version of Aghion-Tirole (1997) in the laboratory. We observe a strong tendency to retain authority even when it is in individuals' material interest to delegate it – indicating the existence of preferences for authority. Moreover, this tendency to hold on to authority is predicted by individuals' degree of loss aversion, suggesting that loss aversion is a key force behind the lure of authority. Finally, we also document that authority structures lead to a substantial over-provision of effort by those endowed with authority while a substantial minority of subjects are completely demotivated by a lack of authority and provide zero effort despite pecuniary incentives to the contrary. These motivational effects exacerbate the inefficiency inherent in authority relations.

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