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Corporate Actions as Moral Issues

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Abstract

We examine nonpecuniary preferences across a broad set of corporate actions using a representative sample of the U.S. population. 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 emerges as an important driver of nonpecuniary preferences. Combined, our findings provide new evidence on the importance of moral concerns as a key determinant of nonpecuniary preferences over corporate actions.

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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 both financial wealth and nonpecuniary utility derived from holding stocks with certain characteristics (e.g., Pástor, Stambaugh, and Taylor (2021), Pedersen, Fitzgibbons, and Pomorski (2021)). In corporate contexts, Hart and Zingales (2017) argue that firms should aim to maximize shareholder welfare—not just financial value. However, while it is becoming clear that investors care about both financial returns and nonfinancial values, many first-order questions on the nature and drivers of nonpecuniary preferences remain unanswered to date.

In this paper, we aim 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. The corporate actions we study include "classic" corporate finance decisions, such as layoffs, capital structure, CEO pay, and payout policy, which have been studied in the academic finance literature for decades, as well as more novel issues emphasized in recent academic work on environmental, social, and governance (ESG) investing, such as the use of fossil energy and the promotion of workforce diversity. Despite valuable work on selected issues, there is currently little evidence that systematically studies and compares a broad range of corporate actions in terms of their nonpecuniary properties. This gap in the literature is notable, because understanding whether, how, by how much, and why nonpecuniary preferences affect people's evaluation of various corporate actions can potentially inform finance researchers, fund managers, and corporate managers about how to model financial decision making more effectively, serve client preferences more accurately, and how to make better 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. 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 layoffs and increases in CEO pay consistently rank as the most wrong/least right. By contrast, actions related to 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 comparably, raises the question whether nonpecuniary aspects should be considered for a much broader set of issues in financial research than previously thought. We conduct additional surveys to show that the elicited rankings of corporate actions are remarkably stable across time, different political environments, and modes of elicitation.

We next turn to the question of 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 deviate from maximizing financial value—for example, by not implementing a corporate action even if its financial value is positive, or by implementing an action even if its financial value is negative. Finance curricula around the world teach students the net present value (NPV) rule, which holds that projects with 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 consider only *financial* benefits and costs, maximize their present value to shareholders, and otherwise refrain from considering "social responsibilities" in their corporate actions (Friedman (1970)). In contrast to this traditional view, respondents in our survey would frequently want the firm to forego a project with positive financial value and do what they perceive as "the right thing" instead. For example, more than 85% of the respondents say that the company should not lay off employees even if firing employees would provide a large, positive, and certain financial value for shareholders. Importantly, respondents are not indiscriminately suggesting that firms should forego financial value: for general cost cutting, for example, only 20% say that the firm should do so. Respondents also consider the magnitude of the financial value of the stated corporate decisions, which suggests that respondents are neither pure virtue signalers nor pure deontologists. We provide additional evidence to show that a lack of knowledge, sophistication, or experience with actual investing are not driving our results. Overall, our results are consistent with the view that respondents care about both financial value and nonfinancial 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 respondents' true preferences. To verify 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 chosen to have missions that align with some of the corporate actions in our survey. 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 in the firm. We 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, respondents in our survey "put their money where their mouths are," which speaks against concerns that survey responses do not reflect respondents' true preferences. Adding to this evidence, we show that using the incentivized Krupka and Weber (2013) procedure yields cross-action rankings that are almost identical to the ones we obtain in our main survey.

Next, we study heterogeneity in nonpecuniary preferences along a rich set of participant characteristics. Across all ten actions, partisan leaning and gender are the strongest drivers of heterogeneity in the average propensity to prioritize financial value over nonpecuniary concerns, with Republican and male respondents being more likely to prioritize 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," while the underlying drivers are rarely specified or rigorously examined. Our paper contributes to filling this gap in the literature by providing a simple conceptual framework and new empirical evidence.

We hypothesize that a key driver of the nonpecuniary preferences we have identified in the first part of our paper are moral intuitions and that those moral intuitions about corporate actions are driven by prosocial concerns about people (other than shareholders) who are affected by these actions. To probe this hypothesis, we develop a simple framework in which a respondent's utility over a corporate action has two components: financial utility and nonpecuniary ("moral") utility. To put some structure on the nonpecuniary utility component, we make use of a prominent recent framework for thinking about moral values in economics: moral universalism (e.g., Enke (2024)). In a nutshell, moral universalism is an in-group/out-group-based framework, which posits that (i) people are more concerned about people in their in-group than people in their out-group, and (ii) different people vary in the degree to which they treat in-group and out-group members differently. In-group and out-group status can relate to geographical or social distance. Pure moral universalists exhibit the same degree of prosociality towards strangers as to people who are geographically or socially close to them. As a person's degree of moral universalism

decreases, she will increasingly favor close others (the in-group) over distant others (the out-group). Moral universalism delivers the testable prediction that the strength of prosocial concerns should depend on a person's degree of moral universalism, and on the extent to which people affected by a given corporate action are in the in-group or out-group.

To empirically test the framework, we follow Enke (2020) and construct a person-specific measure of moral universalism from our survey participants' responses to a validated 32-item questionnaire. We start by presenting causal evidence in line with the moral universalism framework, using the layoff scenario as a laboratory. Specifically, we show that respondents' opposition to layoffs decreases when we exogenously increase their geographical or social distance to the laid off workers. In addition, sensitivity to social and geographical distance decreases with a respondent's degree of moral universalism.

We next use our framework to explain the variation in responses from our original survey along two dimensions: across respondents and across actions. Starting with variation across respondents, we find that moral universalism explains heterogeneity with respect to prioritizing nonpecuniary concerns over financial value even better than gender or party affiliation. In fact, once moral universalism is controlled for, party affiliation loses most of its predictive power, consistent with the notion that political beliefs are a reflection of an individual's moral values. Additional evidence supports the interpretation that moral universalists tend to feel closer to the stakeholders affected by the set of corporate actions we study, explaining why they assign greater weight to nonpecuniary utility relative to financial value.

We also show that the framework is useful for explaining variation in nonpecuniary concerns across different corporate actions. Using the method by Aron, Aron, and Smollan (1992) to elicit a validated measure of closeness between survey respondents and people affected by a given corporate action, we provide evidence consistent with the prediction that the strength of prosocial concerns should depend on the degree to which people affected by a given corporate action are in a respondent's in-group or out-group. To the best of our knowledge, our study is the first to document a link between moral universalism and individuals' views on whether firms should pursue financial or nonfinancial objectives.

Given that all of the corporate actions we consider are legal, and pursuing them would—in our main treatment in which financial value is positive—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 committed to avoiding any of the ten financial value generating corporate actions

that were the subject of our study. The respondents tell us strongly that it would. If firms committed to avoiding CEO pay increases or layoffs, self-reported 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.

To summarize, we provide evidence that nonpecuniary preferences matter for a wide range of corporate actions, and that moral universalism is a powerful framework that can help explain substantial variation across both participants and corporate actions. In short, corporate actions are frequently perceived as moral issues.

The rest of this study proceeds as follows. In the next section, we discuss the related literature. Section 3 describes the data and the study design. Section 4 presents evidence that respondents frequently take into account nonpecuniary aspects when evaluating corporate actions, and discusses heterogeneity in nonpecuniary concerns across actions and across participants. Section 5 examines moral universalism as a key underlying driver of participants' nonpecuniary preferences over corporate actions. Section 6 presents results from additional treatment variations and robustness tests. Section 7 discusses our results, and Section 8 concludes.

2 Contribution to the Literature

Our paper contributes to several branches of the literature. First, our paper contributes to the literature that studies nonpecuniary utility as a driver of corporate and 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; Hart and Zingales (2017), who study which objective function firms should maximize; Broccardo, Hart, and Zingales (2022), who study how socially responsible investors optimally engage with firms (exit vs. voice), and Oehmke and Opp (2024), 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 a nonpecuniary component in the investor's utility function.

There is also empirical literature in finance on how moral values affect financial decisions. Hong and Kacperczyk (2009) argue that investors shun sin stocks because of moral concerns. Hartzmark and Sussman (2019), Riedl and Smeets (2017), and Bauer, Ruof, and Smeets (2021) provide evidence that investors invest sustainably due to social preferences.

Henkel and Zimpelmann (2023) suggest self-image concerns as the reason why many people shy away from participating in the stock market altogether. Bonnefon, Landier, Sastry, and Thesmar (2025) 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 nonpecuniary motivation for institutional investors to incorporate climate risk into their portfolio decisions are moral or ethical considerations. For retail investors, Giglio, Maggiori, Stroebel, Tan, Utkus, and Xu (2025) report that, among investors who consider investing in ESG stocks, almost half 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 prosocial 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 (2023) 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 influence an individual's policy preferences.

Our paper adds to the above literature in several ways. First, complementing work that analyzes preferences for broad concepts such as sustainability or industry membership, we directly elicit nonpecuniary 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). Second, we provide results on the relative strength of nonpecuniary preferences across the corporate actions we analyze. Third, we show that moral universalism is a key driver behind nonpecuniary preferences, explaining substantial variation both across participants and across corporate actions.

We also add to the growing literature on moral universalism. 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), Cappelen, Enke, and Tungodden (2025)). To the best of our knowledge, we are among the first to link moral universalism to individuals' preferences for the behavior of firms.

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 Section IA.A of the Internet Appendix, available on the authors' websites.[1]

A representative sample of U.S. participants (N=2,047) was recruited on Prolific and received approximately $16 per hour for their participation in the experiment.[2] The median response time was 20 minutes. The 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).[3]

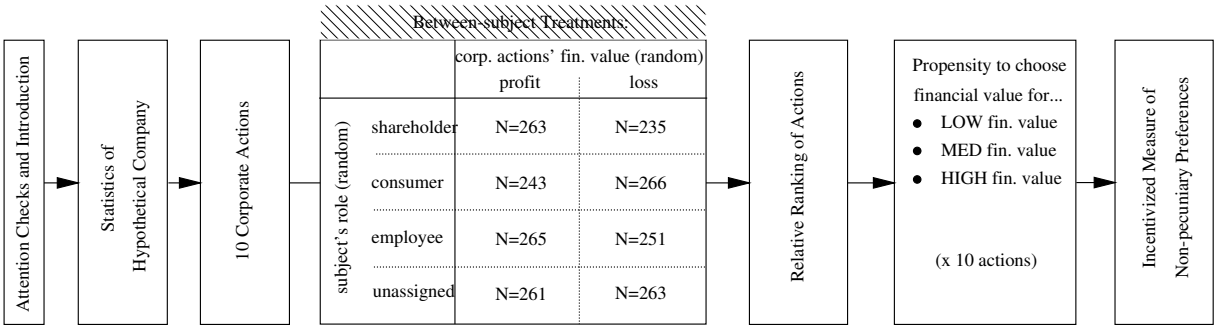

Figure 1: Study Design and Sample Size

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 ten potential corporate actions. All actions represent legal actions that are frequently studied in corporate finance textbooks and in the academic literature. A common feature of all actions is that they entail a potential trade-off between financial value and nonpecuniary preferences.[4] Table 1 presents the ten actions for the

[1]The study was pre-registered at the Wharton Credibility Lab. The pre-registration can be obtained at https://aspredicted.org/6hq3-x677.pdf.

[2]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.

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

[4]That respondents perceive the corporate actions we present to them as morally wrong when their

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

treatment in which the financial value of each action is positive. The actions are presented to the participants in a randomized within-subject design. In addition, we use a between-subject design to vary additional aspects of the tasks—the role of the respondent and the sign of the financial value of the corporate action. For brevity, in this section we focus on the case of actions with positive financial value for the firms' shareholders. Internet Appendix IA.A outlines the design of a mirror treatment with negative financial value actions, which are formulated to reflect the inverse of corporate actions in the positive financial value treatment (e.g., a financial value enhancing increase in CEO pay versus financial value reducing decrease in CEO pay).

The main tasks are as follows. First, we ask subjects for a *relative ranking* of the ten corporate actions, while holding their *beliefs* and the *uncertainty* about the financial value of the actions constant and equal across all actions.[5] Specifically, we ask:

> "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.

financial value is positive and vice versa; i.e., that there indeed is a trade-off, is validated in a pilot study.

[5]The complete instructions are included in Internet Appendix IA.F.

> 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 against financial value*. For example, we ask the following question regarding an action with a large positive financial value.

> "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 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:

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

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 potential biases in attention and recall, we remind respondents of the firm characteristics at the bottom of the decision screen. To make the responses most relevant to the set of firms most commonly studied 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 level of pay of the CEO, etc.

We identify ten corporate actions for our survey based on their relevance to both traditional corporate finance research and recent ESG discussions. Seven of these actions represent "classic" corporate finance decisions that have long been central to both academic research and business practice. Specifically, we select capital structure, CEO compensation, layoffs, outsourcing, cost-cutting, payout policy, and tax optimization—topics that have been extensively studied in the finance literature for decades. A keyword search in the Web of Science database reveals that approximately 12% of all papers published in the three leading finance journals—the Journal of Finance, the Journal of Financial Economics, and the Review of Financial Studies—between 1990 and 2020 examine at least one of these corporate actions (see Internet Appendix IA.B). Given that many papers published in these journals fall outside the corporate finance domain, this represents a significant fraction. For instance, Bhattacharya, Dong, Li, Ma, and Wang (2016) estimate that about one-third of finance papers published between 2011 and 2015 were corporate finance papers.

We complement these seven classic topics with 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), leadership 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).[6] To be clear, while we argue that our set of corporate actions is highly relevant, it is not exhaustive. We limit ourselves to ten actions to keep the empirical exercise manageable, leaving the exploration of other important corporate decisions for future research.

When describing the actions, our aim is to present them succinctly and neutrally in order to capture the general attitudes of the respondents toward these actions. 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. As our subject pool contains non-finance experts, we provide short 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. Future research could fruitfully analyze whether and how different wordings and details matter.

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 infeasible. For policies such

[6]The boundaries of ESG are inherently fluid (e.g., Starks (2023)). While we do not claim that some actions are definitively ESG-related while others are not, fossil energy usage and leadership diversity have been especially salient in recent debates. Climate and diversity concerns are also frequently cited as key motivations for incorporating nonpecuniary preferences into financial research.

Charity	Mission	Corporate Action	Expected Fit
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 Potential Link to Corporate Actions

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 (2025), 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 previous research to elicit incentivized preferences for environment-related actions (e.g., Dechezleprêtre, Fabre, Kruse, Planterose, Stantcheva, and Chico (2025)). Prior to choosing the donation amount, subjects select a charity from a subset of pre-selected, highly effective, and efficient charities. Although finding a corresponding charity for each corporate action in our broad list of actions was not possible, we selected a set of four charities, displayed in Table 2, with the goal of maximizing the fit to a specific corporate action. As can be seen from the mission statements, the connection to the corporate actions is not always perfect, and some charities link more clearly to a particular corporate action than others. We discuss this feature in greater detail in Section 4.4 below.[7]

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 on previous Prolific tasks (>90%). Before the beginning of the experiment, subjects sign a consent form, undergo a bot check, as well as attention and comprehension checks

[7]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.

(see Internet Appendix IA.F). Only subjects who pass all checks are allowed to proceed with the study. Participants also complete a demographic characteristics questionnaire before starting with the main tasks. Fewer than 5% of the participants left the experiment after being randomized to treatments, which assuages concerns about selective attrition.

Panel A in Table 3 reports the average propensity to choose against the action that increases the firm's financial value, averaged across both financial value treatments and all financial stake sizes. Panel B reports summary statistics for participants' social and moral preferences, and Panel C provides information on the demographics of our sample of respondents.

4 Nonpecuniary Preferences Over Corporate Actions

In this section, we provide evidence that respondents frequently take into account nonpecuniary aspects when evaluating corporate actions, and we explore cross-action and cross-participant heterogeneity in nonpecuniary concerns.

4.1 Cross-Action Heterogeneity in Nonpecuniary Preferences

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 present and discuss the analogous results for the case in which financial value is negative in Section 6.1 below.) 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. The heterogeneity in the average relative ranks 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. Thus, respondents seem to have correlated 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 diversity and the use of fossil fuel rank significantly below layoffs and CEO pay and even 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 use, 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 Section 2 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, suggests that nonpecuniary aspects may be worth considering as modeling ingredients for a much broader set of issues in financial research than previously thought.

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 (b) presents the average responses to the question of whether XYZCorp should implement a given action, averaged across all financial stake sizes in the positive financial value treatment. 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, only 21.2% say that the firm should not go ahead with cost cutting if it creates financial value, suggesting that many respondents do not associate cost cutting with layoffs.

The latter result has two key implications. First, it shows that responses do not naively respond that the firm should forgo positive financial value opportunities. 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 that 100% of the respondents opt for financial value if they all followed the NPV rule based on financial costs and benefits. This is evidently not the case.

Table 4 presents further details on the trade-off between financial value and nonpecuniary utility. In Table 4, column (1), we regress participants' propensity to choose against financial value on the financial value at stake. The dependent variable is the percentage of times that the participant prefers the corporate decision that does not maximize the financial value to shareholders (i.e., the participant indicates that XYZCorp should (not) implement a corporate action that generates negative (positive) financial value), computed across all actions within a given magnitude of the financial value (low, medium, high). Hence, respondents do consider the magnitude of the financial value created or destroyed

by the corporate decisions that we present. The point estimates suggest that the average propensity to choose against financial value across all actions is 66.8% when the financial value at stake is low, 60.9% (=66.8–5.9) when the financial value at stake is medium and 54.6% (=66.8–12.2) when the financial value at stake is high. This finding rules out strong versions of social desirability bias or virtue signaling in which participants respond based on what they believe others would like to hear, irrespective of the hypothetical financial consequences of their actual choice. Furthermore, it shows that our respondents are not pure deontologists. If they were, they would want the company to do what they believe is right, regardless of the financial cost.

One potential concern with finding that respondents often feel nonfinancial concerns should rank higher than financial value is that such answers may reflect a lack of knowledge, sophistication, or experience with actual investing. If this were the case, we would expect to see large differences between subsamples constructed to reflect these traits. Columns (2) to (7) in Table 4 present such tests, where subsamples are formed based on respondents' income (columns (2) and (3)), whether or not they actually own stocks (columns (4) and (5)), and whether they have an economics or business-related college degree (column (6) and (7)), respectively. As the table makes clear, we find no evidence to suggest that the responses are driven by a lack of knowledge, sophistication, or investment experience. Although the propensity to choose in favor of financial value is slightly higher for the high-income, investor, and economics-related degree subsamples, the fraction of respondents for whom nonfinancial concerns outweigh financial value remains high in *all* subsamples.

4.3 Cross-Participant Heterogeneity in Nonpecuniary Preferences

Our survey allows us to analyze heterogeneity in responses among our participants, which is useful for two reasons. First, it provides us with a better understanding of how much the average nonpecuniary preferences documented above vary across various subgroups of participants. Second, documenting variation across subgroups can inform hypotheses about possible underlying drivers of nonpecuniary preferences in our setting. We begin by exploring cross-participant heterogeneity in the *average* tendency to rely on financial value as a decision criterion across all ten actions, and then explore heterogeneity in the *relative* rankings of corporate actions.

Table 5 presents results on cross-participant heterogeneity in the general propensity to choose against financial value. The dependent variable is an indicator whether a respondent chooses the action that does not increase financial value, averaged across all corporate actions and all financial value scenarios. In columns (2) to (4), we separately report results for the low, medium, and high financial stake 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 also remove participants who indicate 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 less likely than Democrats and women to prioritize nonfinancial concerns over financial value for shareholders. Looking at columns (2) to (4), the coefficients on Republican and, to a lesser degree, male are also highly statistically significant in each of the three financial stake sizes. Also significant in column (1), but economically weaker and not consistently significant in all subsamples, are the characteristics of Asian and older than 64.[8] Other variables are not reliably significant.

All coefficients in Table 5 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 decreases the propensity to choose against financial value by 20% of one standard deviation of the dependent variable (see column (1)). Being male is associated, all else equal, with a decrease of 8% of one standard deviation. Notably, and similar to the results in Table 4, measures of financial sophistication have relatively little explanatory power. For example, having higher income or an economics or business-related college degree is not associated with economically or statistically significant heterogeneity in the propensity to opt for financial value. Being an actual stock market investor (*Investor*) increases the propensity to prioritize financial value when the financial value at stake is large, but the effect is only marginally statistically significant and economically weaker than the effect of party affiliation.

In the Internet Appendix, we explore participant heterogeneity on an action-by-action basis. Figure IA.IV reports the results from univariate sorts across different subgroups of respondents for each corporate action.[9] Focusing on the propensity to choose against financial value, and starting with political leaning and gender, we see that the partisan gap is largest for 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 previous surveys (e.g., Pew Research (2020), Pew Research

[8]The finding that nonpecuniary preferences play a larger role for older people is in line with the findings by Hart, Thesmar, and Zingales (2023) in a different context.

[9]In addition, Internet Appendix Table IA.III reports multivariate regressions split by corporate action using the same demographic variables as in Table 5.

(2021)). Partisan differences are surprisingly small for all other decisions, including CEO pay and layoffs. The gender gap also varies between actions and is strongest for decisions related to tax avoidance, diversity, and CEO pay (Panel (d)). More generally, Internet Appendix Figure IA.IV reveals that our survey captures ex ante plausible variation in responses and supports the view that the answers by our participants are informative and reflective of their true views. For example, in addition to Democrats caring more about climate, Democrats, blacks or African Americans, and women also care more about diversity, and younger people care more about the environment.

That said, the *relative* ranking of corporate actions is overall 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 noninvestors (Panel (n)), all income groups (Panel (q)), and people with or without economics or business degree (Panel (t)). In fact, there is not a single subgroup in the Internet Appendix Figure IA.IV 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.

The ranking of various corporate actions being generally very stable across individuals is a relevant finding 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 Task

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 nonincentivized and incentivized studies frequently yield similar results. Nevertheless, there may be a concern that our survey participants do not truthfully reveal their attitudes. The purpose of this section is to assuage such concerns.

We investigate whether the actual behavior of our survey respondents aligns with their stated nonpecuniary preferences when real money is at stake. Specifically, we ask subjects to choose how to split an endowment of \$50 between themselves and a charity of their choice. 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 eliminate potential social signaling motives.

Donation choices are implemented with some probability (participants are told that 50 participants will be randomly selected to receive a bonus payment of $50 and their donation choices will actually be implemented). Thus, there is real money on the line, and donating is costly to participants in expectation. We verify that the participants have understood these features by asking comprehension questions and providing feedback to the participants 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 relatively more about fossil fuel usage than other participants. 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, thus connecting to layoffs. As mentioned in Section 3, finding charities that match perfectly the corporate actions we consider is not trivial, and for some charities, the link is clearer than for others. The connection between donations to The Nature Conservancy and views about firms' fossil energy usage, as well as between donations to the YWCA and views about leadership diversity, are arguably the most obvious. The connection is less obvious for Operation Gratitude and, even more so, for Americares, but we include them in our tests nonetheless to cover a broader set of actions. Because we elicit the incentivized charity donation measure for the same participants that also answer the hypothetical ranking and choice questions about corporate actions, 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 columns (1) to (4), the dependent variable is the respondent's action-specific propensity to choose against financial value, averaged across all levels of financial value (low, medium, high) within a given corporate action (i.e., the percentage of times that the participant indicates that XYZCorp should (not) implement a corporate action that generates negative (positive) financial value). We regress this measure on *Donates*

to Mission, an indicator equal to one if the action is related to fossil energy and the participant has donated to The Nature Conservancy, if the action is related to diversity and the participant has chosen to donate to the YWCA, if the action is related to outsourcing and the participant has chosen to donate to Operation Gratitude, or if the action is related to layoffs or hiring and the participant has chosen to donate to Americares. The indicator is equal to zero otherwise. Specification (1) shows that *Donates to Mission* is strongly positively related to the participant's propensity to prioritize nonfinancial concerns over financial value, indicating that nonfinancial concerns are stronger for corporate actions relating to issues that participants care more deeply about.

Specification (2) presents a richer model in which we include participant fixed effects and thus absorb variation in both observable and unobservable personal characteristics. In that column, we obtain an average increase in the propensity to choose against financial value of 14.1 percentage points when a respondent donates to the mission ($t = 11.58$), which is large relative to the unconditional average of the dependent variable of around 60%. In specification (3), we present disaggregated results by including dummy variables for each charity as well as indicators that identify corporate actions related to fossil fuel usage ("Energy"), outsourcing, or diversity, respectively. In column (4), we add layoffs and restrict the sample to the positive financial value treatment (we discuss further below how layoffs differ from hiring). Columns (3) and (4) show that individuals who donate to The Nature Conservancy indeed place greater importance on nonpecuniary concerns about the firm's use of fossil energy, and we find similar results for the donations to Operation Gratitude and YWCA and their associated actions. We also find the predicted sign for donations to Americares and layoffs in column (4), but the effect is statistically insignificant. Column (5) replicates column (4) and shows that Americares/layoffs becomes statistically significant when the dependent variable is the relative rank of each corporate action. A weaker effect for layoffs is not completely unexpected, given that the conceptual link between the mission of Americares and layoffs is weaker than for the other actions. All other results are qualitatively unchanged when we use relative ranks as the dependent variable.

The above findings are consistent with the importance of value alignment observed in the incentivized lab experiment by Bonnefon, Landier, Sastry, and Thesmar (2025): respondents donate to causes that match their (stated) values. Because donations represent real money, the views about corporate actions that we elicit are unlikely to be an artifact of the hypothetical self-reported nature of our main survey. Instead, respondents seem to put their money where their mouths are.

5 Corporate Actions as Moral Issues

In the previous section, we asked respondents if they view a wide 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 documented that these nonpecuniary concerns often outweigh financial value. Moreover, we document meaningful variation in the extent to which participants prioritize financial value relative to nonpecuniary utility, with Republican and male respondents exhibiting a greater tendency to favor financial value maximization.

In this section, we explore the potential drivers of participants' nonpecuniary preferences. 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. The model of morality on which we build in this paper is Moral Foundations Theory (MFT), one of the leading theories in the moral psychology literature, developed by Jonathan Haidt and coauthors (see Haidt (2012) for a comprehensive introduction to MFT). According to Haidt (2012):

> *Moral judgment is not a purely cerebral affair in which we weigh concerns about harm, rights, and justice. It's a kind of rapid, automatic process more akin to the judgments animals make as they move through the world feeling themselves drawn toward or away from various things.*

In other words, humans make intuitive moral judgments about *almost everything all the time*. From that point of view, it would not be surprising if people evaluated corporate actions along moral dimensions. To the contrary, it would be surprising if they did not make moral judgments also in the corporate domain.[10] In the following, we provide evidence consistent with the view that corporate actions are perceived to a considerable extent as moral, not just financial, issues.

5.1 Theoretical Framework

Our goal is to examine whether variation in survey responses can be explained by variation in moral intuitions about corporate actions. Our central hypothesis, which links moral intuitions to corporate actions, is that:

[10]To be clear, Haidt (2012) does not argue that moral judgment is exclusively intuitive. Sometimes, moral reasoning can override moral intuition, but, as he shows in several seminal studies, intuitions are, in general, the driving force, not reason.

Hypothesis: Moral intuitions about corporate actions are driven by prosocial concerns about people (other than shareholders) who are affected by these actions. The strength of prosocial concerns depends on the degree to which affected people are in the in-group or out-group.

To clarify the setup, consider the following stylized framework. Survey respondent i evaluates corporate action j via a utility function that takes into account both financial value as well as nonpecuniary (moral) utility:

$$U_{ij} = FV_j + M_{ij}. \tag{1}$$

A respondents' support for a given corporate action therefore depends on two inputs. The first is the action's financial value, FV_j, to shareholders. The higher the financial value, the greater should be a respondent's support of an action. We have already provided evidence to that effect in Section 4.2.

The second input, M_{ij}, is more novel. It reflects person i's nonpecuniary utility, which we argue depends on the impact of corporate action j on stakeholders other than shareholders. While most papers in the literature treat M_{ij} as a taste-parameter that is not further specified (e.g., a "taste" for high ESG stocks), our aim in this paper is to provide new evidence on the deeper drivers of moral utility. Motivated by recent work on moral universalism, one of the leading frameworks in economics for describing moral preferences (see Enke (2024) for a review), we specify moral utility as:[11]

$$M_{ij} = -(a_i - (1 - \mu_i)d_{ij}) \times \mathcal{I}_j, \tag{2}$$

where μ_i is the degree of moral universalism of person i, d_{ij} is a distance parameter, $\mathcal{I}_j > 0$ is a measure of the absolute impact of action j, and $a_i > 0$ is a person-specific constant.

Moral universalism is a framework based on in-group versus out-group distinctions. It holds that people tend to care more about those in their in-group, such as individuals who are geographically or socially close, and that individuals differ in how sharply they distinguish between in-group and out-group members. In equation (2), $\mu_i \in (0, 1)$ denotes the person-specific degree of moral universalism, where a higher μ_i implies a greater degree of universalism, and $d_{ij} > 0$ denotes the distance between survey respondent i and the people affected by corporate action j. Pure moral universalists ($\mu_i = 1$) exhibit the same

[11] For ease of exposition, we focus here on the case in which the action negatively impacts stakeholders. The framework applies equally to actions that benefit stakeholders. In that case, the moral utility in equation (2) is multiplied by minus one. In the following, we will focus on equation (2) in our discussions, but all reasoning applies analogously to the case in which the action affects stakeholders positively.

degree of prosociality towards strangers as to people who are geographically or socially close to them. As a person's degree of moral universalism decreases, she increasingly favors close others (the in-group) over distant others (the out-group).[12] Moral universalism can therefore be thought of as a more refined theory of altruism: rather than modeling altruism as person-specific and fixed, it makes altruism a function of distance. An attractive feature of the theory is that the link to distance yields additional testable predictions which turn out to be of relevance in our setting.

Note that a_i is person-specific, so our formulation nests the framework presented in Enke (2024), which posits for inter-person comparisons that individuals with lower moral universalism (lower μ_i) have higher a_i. Finally, $\mathcal{I}_j$ captures the impact of corporate action j on stakeholders other than shareholders. The more strongly a corporate action affects other people, the more relevant that action becomes from a moral utility point of view.

A few comments about distance in the moral universalism framework are in order. Distance can mean geographical or social distance, but who is "near" and "far" is often subjective and context-dependent. Understanding the concept of distance better is a topic of special interest in recent research on moral universalism (see Enke (2024)). In the following, we present an experimental setting in which distance and moral universalism can be separated (we use an within-person design in which we exogenously vary the distance to affected workers in the layoff scenario). We also address the more general case in which distance is harder to measure objectively.

To understand the above framework, take layoffs as a concrete example. Our hypothesis implies that respondents' moral intuitions about corporate layoffs are driven by their prosocial concerns for the laid-off workers. Because U_{ij} increases in d_{ij}, the smaller the distance of the respondent to the fired workers, the more likely she will be to say that a firm should refrain from layoffs even if they create financial value. Moreover, the effect of distance is predicted to decrease with the degree of a respondent's moral universalism, as $\partial U_{ij}/\partial d_{ij}$ decreases in μ_i. Both are sharp and testable predictions of the moral universalism framework.

How does the framework apply to the broader set of corporate actions we study? We argue that all corporate actions in the positive financial-value treatment of our survey can be understood as potentially harming others. These negative effects may arise along multiple dimensions: physically (e.g., environmental externalities), financially (e.g., layoffs or outsourcing), or in terms of perceived fairness (e.g., diversity efforts that can be viewed

[12] As a technical assumption, we assume that $a_i - (1 - \mu_i)d_{ij} > 0$ for any d_{ij}, which ensures that the sign of the nonpecuniary utility does not change as a function of distance. Intuitively, this assumes that a corporate action that is perceived as morally bad when its impact falls on close people (think of layoffs, for example) is not perceived as morally good when it falls on distant people (and vice versa).

as redressing injustice, or high CEO pay that may seem inequitable relative to worker compensation).[13] Broadly speaking, the moral concern stems from the sense that affected stakeholders are not being treated in a way that aligns with respondents' intuitive sense of what is right.

To be clear, we do not claim that the above framework is the only possible way to think about the link between moral preferences and corporate actions. Rather, we argue that its parsimony, combined with strong foundations in moral psychology and moral economics, makes it a compelling and scientifically useful approach. In the sections that follow, we examine how far this simple framework can go in explaining the variation observed in our survey responses.

We start our exploration by studying the layoff scenario in greater detail. Doing so requires a measure of moral universalism μ_i for each of our survey respondents.

5.2 Measuring Moral Universalism

A key advantage of the moral universalism framework is that there are several validated person-specific measurement methods that we can apply in our setting (see Enke (2024)). The main measure we use, following prior work on morals in economics, is based on psychological questionnaires developed in the context of Moral Foundations Theory (MFT). A core idea in MFT is that moral intuitions are multi-dimensional. According to the theory, all individuals are equipped with "receptors" for each dimension (i.e., "foundation") of morality, but individuals vary greatly in how sensitive their moral intuitions are to each dimension. In the latest validated version of MFT, developed by Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023), there are six moral foundations:

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.

[13] We show below that the latter effect is empirically relevant for the respondents in our survey by analyzing their free-text responses.

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

To measure how strongly an individual's moral intuitions rely on each foundation, Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023) have developed a validated survey tool, the second moral foundations questionnaire (MFQ2), which we administer to our survey participants (see Internet Appendix IA.F for the complete questionnaire). For the U.S. population, Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023) demonstrate that the six moral foundations can be grouped into two distinct subcategories: "individualizing" and "binding" values. Individualizing values are care and equality, as they emphasize protecting other individuals from harm and unfair treatment, regardless of group status. Binding values are authority, loyalty, proportionality, and purity, as they focus on the preservation of group cohesion and the binding of individuals into larger groups and institutions.

Following Enke (2020), we compute a uni-dimensional, person-specific measure of moral universalism as the difference between the average of individualizing and binding values:

$$\begin{aligned}\text{Moral Universalism} =& \frac{1}{2} \times (\text{Care} + \text{Equality}) \\ & - \frac{1}{4} \times (\text{Authority} + \text{Loyalty} + \text{Proportionality} + \text{Purity}),\end{aligned} \tag{3}$$

where *Care*, *Equality*, *Authority*, *Loyalty*, *Proportionality*, and *Purity* are moral foundations measured on a scale from 1 to 5 via the MFQ2. Intuitively, an individual's degree of moral universalism depends on how strongly her set of moral foundations focuses on values that do not rely on group status relative to values that are strongly group-specific. The less group status matters for an individual's moral intuitions (i.e., the lower the binding scores), and the stronger the general tendency to rely on universal values (i.e., a higher individualizing score), the more she will resemble a moral universalist.

While this procedure closely follows Enke (2020), we deviate in two ways. First, we use MFQ2, which Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023) show to be superior to the previous version, MFQ1, used in Enke (2020). We thus use the most up-to-date measurement tool for moral foundations currently available. Second, Enke (2020) does not include purity in the set of binding values. We do so because Atari, Haidt, Graham, Koleva, Stevens, and Dehghani (2023) include purity in binding values in MFQ2, but we also show in Internet Appendix IA.E that our results on moral universalism are virtually unchanged if we remove purity from equation (3).

To ensure that our results are not specific to the exact procedure by which we measure moral universalism, we complement our baseline measure, which is constructed using a

psychological questionnaire, with an alternative measure of moral universalism elicited in a hypothetical money allocation task, as suggested and validated by Enke, Rodríguez-Padilla, and Zimmermann (2022). The alternative measure is available for a subset of respondents in the positive financial value scenario. We provide more details on the construction of this alternative measure in Internet Appendix IA.A.4.

5.3 Moral Universalism and Layoffs: Causal Evidence

We can now test the main predictions of the moral universalism framework for the case of layoffs. Layoffs are attractive as a laboratory because (i) the relevant stakeholder is unambiguous and (ii) we can exogenously vary the distance to the affected stakeholders, thus identifying whether distance to the affected stakeholders is a causal driver of respondents' nonpecuniary concerns. The basic design of the experiment in this section follows Enke, Rodriguez-Padilla, and Zimmermann (2023) and a full description is included in Internet Appendix IA.A. In summary, we closely follow the main survey and ask respondents to evaluate the case where XYZCorp contemplates laying off employees. Respondents are explicitly told that laying off employees would generate financial value. To isolate the effect of distance and thus focus on the most novel prediction from our framework, we fix the size of the impact by specifying that 1,000 workers are laid off in all scenarios. All our regressions include participant fixed effects, so we are analyzing within-person variation. We exogenously vary the distance to affected workers as explained below.

Table 7 presents results on the relationship between distance and opposition to layoffs, as well as the interaction of distance with moral universalism. The theoretical framework presented in Section 5.1 predicts that opposition to layoffs should decrease in the distance to affected workers and that the effect of distance should decrease in the degree of a respondent's moral universalism.

We define three groups of workers: close, neutral, and foreign. *Neutral* refers to the scenario in which participants are told that the laid-off workers are neither geographically close nor belong to the respondent's social network, while *Foreign* refers to the scenario in which the laid-off workers are located in a foreign country. In columns (1) and (2), *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 opposes layoffs, on indicators for *Neutral* and *Foreign* and participant fixed effects. The support for layoffs is 23.8 percentage points lower than in the base group (close) when the instructions specify that the laid-off workers are neither geographically close nor belong to the respondent's social network (*Neutral*, t=8.69) and is 34.8 percentage points lower when the laid-off workers are foreigners (*Foreign*, t =11.18). These results show

that distance matters greatly, as predicted by our theoretical framework.

Column (2) includes interactions of the distance variables with the moral universalism score of the respondent. This tests the more subtle prediction that distance effects should be muted for individuals who are more morally universalistic. We indeed find that moral universalists' opposition to layoffs is less sensitive to distance, in particular when the laid-off workers are foreigners. In terms of magnitude, the gap in the opposition to layoffs between the scenarios of foreign and local workers declines by almost 30% (=0.102×1.03/0.358) for respondents who score one standard deviation higher on the moral universalism scale.

A potential concern with these results is that people may care more about layoffs in their local communities for reasons not related 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 (3) and (4), are very similar to the local worker scenario, thereby mitigating concerns that respondents' opposition to layoffs could be driven by their self-interest.

Overall, the above results illustrate that (i) the geographical and social distance to workers threatened to be laid off *causally* affects opposition to layoffs and (ii) a greater degree of moral universalism is associated with muted distance effects. Both results are nontrivial and central predictions of the moral universalism framework presented in Section 5.1. Seeing them borne out in our data strongly supports the idea that moral universalism is an important driver of nonpecuniary preferences over layoffs.

5.4 Moral Universalism and Cross-Participant Heterogeneity in Nonpecuniary Preferences

In Section 4.3 we have shown that, out of a long list of person-specific socio-demographic variables, partisan leaning and gender emerged as the two variables most strongly related to our respondents' average propensity to prioritize financial value. Suppose now that a researcher had elicited for each survey participant a person-specific measure of moral universalism (as we have): relative to the standard socio-demographic variables used in Section 4.3, how would the moral universalism variable fare in explaining variation in responses across survey participants? We first present the empirical results and then explain how they relate to our framework from Section 5.1.

In Table 8, we regress an indicator for whether a respondent chooses against financial value for a given corporate action on the set of socio-demographic variables from Table 5

as well as corporate action fixed effects. We include these fixed effects to eliminate action-specific variation and thus focus on variation in person-specific characteristics. Intuitively, we ask whether variation in participants' moral universalism explains variation in their responses, while keeping fixed the properties of a given corporate action, including its objective impact on stakeholders.

To set the stage, specification (1) shows that the main results from Table 5 also obtain when we use disaggregated data and focus on variation across respondents within action. The unit of observation is at the respondent $\times$ corporate action level and the dependent variable is the respondent's propensity to choose against financial value, averaged across all financial value scenarios (low, medium, high) for a given corporate action. As before, Table 8 specification (1) shows that Republican and male respondents are more likely to prioritize financial value.

Column (2) adds the moral universalism measure, which performs exceptionally well in explaining the observed heterogeneity between participants within a given action. The moral universalism variable is highly statistically significant with a t-statistic of 10.49. In terms of magnitude, an increase in moral universalism of one standard deviation is associated with a 13.8% of a one-standard deviation increase in the propensity to choose against financial value. (All coefficients are standardized and therefore comparable.) This effect is almost 50% higher than the partisan gap in specification (1) and almost four times the size of the gender gap. Remarkably, the moral universalism variable explains 87% of the partisan gap and 45% of the gender gap, as can be seen from the decline in the magnitude of the coefficients on *Republican* and *Male* between columns (1) and (2). In fact, the partisan gap, which has a t-statistic of 9.28 in column (1), is no longer statistically significant after controlling for moral universalism. While these results are new in the corporate context, the latter finding is in line with previous work by Enke, Rodriguez-Padilla, and Zimmermann (2023), which documents that differences in political views are well captured by differences in the degree of moral universalism.

Figure 3 presents additional evidence on the striking relationship between moral universalism and the propensity to choose against financial value. The binned scatter plot shows that the relationship is also strong in the raw data: the propensity to choose against financial value increases monotonically across all moral universalism deciles. The inverse S-shape of the figure shows that individuals at the extremes of the moral universalism spectrum are particularly sensitive to the financial value versus moral utility trade-off, with extreme moral universalists focusing strongly on nonpecuniary aspects and individuals who score low on moral universalism focusing strongly on financial value. The difference between these groups is economically large: respondents in the bottom decile of moral uni-

versalism are more than 20 percentage points less likely to choose against financial value than respondents in the top decile.

How can one understand these results in light of the framework in Section 5.1? Consider first the case in which a_i in equation (2) is uncorrelated with μ_i. In that case, $\frac{\partial M}{\partial \mu} < 0$ and thus more universalistic respondents would be, all else equal, more likely to choose against financial value, consistent with the empirical results in Table 8 and Figure 3. Consider now the model presented in Enke (2024), which is nested by our framework. In that model, a_i is lower for individuals with high μ_i, implying that moral particularists (those with low μ_i) are more prosocial than moral universalists (those with high μ_i) with respect to close people, whereas universalists are more prosocial than particularists with respect to distant people. The results in Table 8 are consistent with this framework if our respondents perceive affected stakeholders to be relatively distant on average. Given that our survey questions involve a hypothetical multinational firm and that the people affected by the firm's actions remain, by design, abstract and unspecified, this interpretation strikes us as very plausible.[14]

The previous results show that moral universalism is highly effective in explaining variation in survey responses. A natural question, however, is whether simpler measures of general altruism might perform equally well—or even better. In column (3) of Table 8, we therefore add a frequently used measure of altruism (see, e.g., Falk, Becker, Dohmen, Huffman, and Sunde (2023)): the amount donated to charity in the incentivized charity donation experiment described in Section 4.4. Whereas moral universalism focuses on the slope of moral utility as a function of distance, altruism from the donation task is a general measure of prosociality that does not explicitly take into account the distance dimension. To illustrate this distinction in the context of our model, consider the case of a perfect universalist ($\mu_i = 1$) in equation (2). That person can be very altruisitc if a_i is very high, or very selfish if a_i is very low. Hence, general altruism and moral universalism are related but nevertheless conceptually different.

Consistent with moral universalism and general altruism being conceptually different, the raw correlation between the two variables in our sample is low ($\rho = 0.02$). Column (3) shows that greater general altruism is associated with a greater propensity to choose against financial value. The magnitude of the effect is substantial and comparable to the effect of gender in specification (1), but notably smaller than the effect of moral univer-

[14]The appropriate assumption regarding a_i remains unsettled in the literature. Assuming that a_i is uncorrelated with μ_i implicitly assumes moral universalists and moral particularists have on average the same level of concern for those closest to them. Conversely, assuming that a_i is lower for individuals with higher μ_i suggests that moral universalists are not per se more prosocial than moral particularists. Both assumptions are plausible, and we do not take a position on this issue in this paper. Rather, we show that our results are consistent with either case.

salism. Importantly, however, general altruism as measured by the donation task does not subsume the effect of *Republican*, consistent with the idea embedded in the moral universalism framework that what separates people who vote for the right versus the left is not their general level of prosociality, but how much they care about close versus distant people. Column (4) further shows that the coefficient of moral universalism remains virtually unchanged when we include the donation measure of altruism.

Our moral universalism measure is constructed from the foundations of MFT as the difference in the strength of respondents' individualizing versus binding values. Landier and Thesmar (2022) propose another measure that is also constructed from MFT: *individualism*, defined as minus the average support for all moral foundations. Landier and Thesmar (2022) use this measure as a proxy for a person's general tendency to support market mechanisms, competition, and optimizing behavior by agents. Specification (5) adds this individualism measure and shows it is negatively related to respondents' propensity to prioritize nonpecuniary concerns, consistent with the findings in Landier and Thesmar (2022). Importantly, though, the effect of moral universalism is largely unchanged compared with specification (2), showing that the two measures are both conceptually different and empirically distinct.

The relationship between the moral universalism variable and the propensity to choose against financial value is very robust. Figure IA.V in the Internet Appendix presents the coefficient on the moral universalism variable from column (2) of Table 8, estimated separately for each of the ten corporate actions. The relationship is positive for all ten actions and statistically significant at the 5% level for nine out of ten actions. Also for robustness, Internet Appendix Figure IA.VI and Table IA.VI replicate our main results using the alternative measure of moral universalism based on money allocation tasks (see Internet Appendix IA.A.4 for details and discussion).

To the best of our knowledge, this section provides the first evidence in the corporate finance literature that moral universalism is a personal characteristic that strongly predicts an individual's propensity to prioritize nonpecuniary concerns over financial value when evaluating firm behavior.

5.5 Moral Universalism and Cross-Action Heterogeneity in Nonpecuniary Preferences

In the previous section, we showed that the moral universalism framework is highly effective in explaining variation in survey responses across individuals. We now turn to the question of whether the same framework can also account for variation across corporate actions. Why, for example, do layoffs and CEO pay consistently elicit stronger nonpecuniary

concerns than other types of corporate decisions?

According to equation (2), the two key drivers of cross-action heterogeneity are the distance to affected stakeholders and the magnitude of the impact, as these are the only variables that vary across actions for a given individual. Specifically, respondents should be more inclined to prioritize financial value over moral utility when the affected individuals are more distant and the impact on them is smaller. The causal evidence from Section 5.3, where we exogenously vary distance in the layoff scenario, supports this prediction.

In this section, we examine this prediction across the broader set of ten corporate actions featured in our original survey. Doing so requires a more nuanced understanding of "distance." In the moral universalism framework, distance can be geographical or social, and different respondents may interpret it differently depending on the specific corporate action. Moreover, the distance to affected stakeholders depends on whom respondents imagine as being impacted. In our setting, where stakeholders are not explicitly defined, these perceptions are likely shaped by respondents' degree of moral universalism. For example, moral universalists may be more likely to consider distant stakeholders, or perceive the same group as closer than moral particularists do.[15] These considerations suggest that directly eliciting objective distance (d_{ij} in equation (2)) and treating it as independent of μ_i is inappropriate. We therefore adopt the following alternative approach.

We recruit participants from our main survey to a follow-up survey conducted four months later. To reduce complexity, we only reach out to the participants from our main survey who were in the positive financial value treatment. For each corporate action, we (i) prime subjects to think about the stakeholders they expect to be negatively affected by the action and (ii) ask them to specify "how connected" they feel to that group of stakeholders. Connectedness is obtained using a graphical tool of moving Venn diagrams, in which respondents can use a slider to position two circles relative to each other. One circle represents the respondent and the other circle represents the reference group. The more overlap of the two circles, the stronger the connection. The approach of moving Venn diagrams to measure closeness was developed and validated in prior work by Aron, Aron, and Smollan (1992), who label the resulting variable as "Inclusion of Other into Self" (IOS). IOS is defined as the percentage of overlap between the circles. The key advantage of the approach by Aron, Aron, and Smollan (1992) in our context is that it does not require us to exogenously specify the group of negatively affected stakeholders or the dimension on which distance should be evaluated (geographical versus social). Instead, we can allow for different factors driving participants' responses for different actions and, nevertheless, compare them across actions. Because μ_i may directly impact IOS_{ij}, as discussed above

[15] In line with this argument, subjective distance perception has been proposed by Andries, Bursztyn, Chaney, Djourelova, and Imas (2024) as a micro-foundation for moral universalism.

(and as we show below), IOS_{ij} is best thought of as a proxy for the term $-(1-\mu_i)d_{ij}$ in our framework in equation (2).

Finally, we also ask respondents how large they believe the impact of a given corporate action will be on those negatively affected, measured on a Likert-type scale from one to six. We thus have measures of both closeness (IOS_{ij}) and impact ($\mathcal{I}_j$) and can relate them to our respondents' propensity to prioritize nonpecuniary concerns over financial value. Equation (2) provides predictions on what we should observe in our empirical tests. First, when included in a regression without any interaction terms, IOS_{ij} and impact should both be associated with a higher propensity to choose against financial value. Second, the interaction between the two variables should be positive and significant. Third, as a very literal prediction from the model, when the interaction is included, only impact should remain significant.

Table 9 presents the results of these tests. In Panel A, we test how the IOS_{ij} measure correlates with other respondent characteristics and find that Republicans and males report lower IOS_{ij} values; i.e., a lower degree of connectedness to the people affected by a given corporate action. The impact of moral universalism on IOS_{ij} is statistically significant and economically large (see column (2)), providing direct support for our interpretation of IOS_{ij} as a proxy for the term $-(1-\mu_i)d_{ij}$ in equation (2). Figure IA.VII shows that the strong link between moral universalism and IOS obtains also for each of the ten corporate actions separately.

Panel B presents the main results relating IOS_{ij} and impact size to respondents' propensity to prioritize nonpecuniary concerns over financial value. All regressions in this panel include participant fixed effects, so we are exploiting variation across actions within participant, and coefficients are standardized for ease of comparability. Specification (1) shows that IOS_{ij} is strongly related to the strength of nonpecuniary concerns: a one-standard-deviation increase in IOS increases the propensity to choose against financial value by almost 25% and is highly statistically significant ($t = 11.95$).[16] In addition, the propensity to choose against financial value increases strongly when the expected impact on stakeholders is larger (see coefficient of 0.184 with $t = 11.36$ in column (2)). Specification (3) reveals that both variables have incremental explanatory power, and specification (4) includes the interaction of the two variables. The coefficients on the interaction term and the impact variable are both positive and significant, whereas the baseline effect of IOS is not significantly different from zero. These results are completely in line with the predictions of the framework in equation (2). Seeing them borne out in the data shows that our simple framework based on moral universalism is very successful in capturing variation in

[16] In Internet Appendix Table IA.VII, we find very similar results if we use the relative rank of a given corporate action as the dependent variable.

nonpecuniary utility across a relevant and diverse set of corporate decisions.

6 Extensions

This section presents results from additional treatment variations and additional surveys designed to assess the robustness of our main findings.

6.1 Positive Versus Negative Financial Value Scenarios

In most of our previous analyses, we pooled data from both the positive and negative financial value scenarios. In the former, the corporate action generates financial value but is perceived as morally "bad"; in the latter, it incurs a financial cost but is viewed as morally "good." In this section, we present two sets of results that provide additional detail on how responses differ between these two conditions.

First, note that in our core hypothesis that links moral intuitions to corporate actions in Section 5.1, prosocial concerns capture both doing good and avoiding harm. Hence, the hypothesis applies to both positive and negative financial value scenarios. In line with this argument, we find that moral universalism explains attitudes in both the positive and negative financial value domains, with similar economic magnitudes (see Internet Appendix Table IA.IV).

Second, we report the relative ranking of corporate actions separately for the negative financial value scenario in Internet Appendix Figure IA.II. As can be seen from comparing Panels (a) of Figures 2 and IA.II, the relative rankings of corporate actions are largely symmetric across the two treatments. For instance, participants view increasing CEO pay as comparatively wrong when it creates financial value (Figure 2) and view decreasing CEO pay as comparatively right when it reduces financial value (Figure IA.II). Similar patterns hold for most actions, suggesting that eliciting nonpecuniary preferences for financially beneficial but morally questionable actions yields results that closely mirror those for financially costly but morally desirable actions.

The one notable exception to this pattern involves layoffs and hiring. While respondents express a strong preference against layoffs in Figure 2, they do not exhibit a similarly strong preference for hiring in Figure IA.II. This asymmetry is intuitive: unlike increasing versus decreasing CEO pay—which are naturally perceived as opposites—layoffs and hiring may not be viewed as mirror-image decisions. Respondents may believe that firms have a moral obligation to avoid layoffs, but not a corresponding duty to hire when doing so is unprofitable. A possible implication is that stakeholders' nonpecuniary preferences function as a form of asymmetric labor adjustment costs—an avenue we leave for future research.

6.2 Stakeholder Treatments

We also investigate whether the nonpecuniary preferences we elicit differ across stakeholder roles. How such preferences vary by stakeholder status is not obvious ex ante. For instance, while shareholders might be more inclined to prioritize financial value, they could also place greater weight on moral considerations than customers or employees if they feel more responsible for the firm's actions. To explore this, we follow Hart, Thesmar, and Zingales (2023) and implement a between-subject design in which participants are randomly assigned to one of four roles: shareholder, consumer, employee, or a control group with no assigned role.

In most of our tests, we do not find significant differences across stakeholder roles. For example, participants who are randomly assigned to be shareholders do not consistently exhibit a greater tendency to prioritize financial value, as can be seen, for example, from the insignificant coefficients on the variable *Shareholder* in Table 5.

This non-result may indicate either that our intervention has low power or that the preferences over financial and nonfinancial values are quite similar for shareholders, employees, and customers. Preferences being stable across different stakeholder groups would be in line with our other findings from Tables 4 and 5 that higher income or an economics/business-related college degree are not associated with significant differences in the relative rankings of corporate actions, as well as with the comparatively weak effect of being a stock market investor. Preference stability is an attractive feature for both theory and practice, because it greatly simplifies the task of dealing with multiple stakeholder groups.

6.3 Stability of Nonpecuniary Preferences Across Time and Political Environments

How strongly do nonpecuniary concerns about corporate actions vary across time and how much do they depend on the political environment? To address these questions, we conducted an additional study to elicit the subjective relative rankings of corporate actions for a representative sample of the U.S. population (N=287) at the end of February 2025, eight months after our main study. The timing of this additional study makes it particularly informative as it comes after the general election in November 2024 and, thus, under a different presidential administration and Congressional composition. With the change in presidency came significant changes in policy positions, such as with respect to diversity goals in the workplace.[17]

[17]For example, in January 2025, Executive Orders 14151 and 14173 were issued to discontinue Diversity Equality and Inclusion (DEI) programs in government related entities and to instruct federal departments not to issue contracts to private organizations that enforce DEI frameworks.

Our estimates of the cross-action rankings are largely unchanged between the two surveys. Internet Appendix Figure IA.III, Panel (a) compares the relative rankings from our main study in June 2024 to the relative rankings from the additional study in February 2025. No statistically significant differences can be detected at the 5% level. The consistency of the subjective rankings over time provides further support for the view that subjects' moral intuitions about corporate actions are relatively stable over time.

6.4 Second-Order Beliefs About the Nonpecuniary Preferences of Others

An alternative approach to eliciting the nonpecuniary preferences of a representative sample of Americans is to ask respondents not about their own views, but about their second-order beliefs—that is, their perceptions of the nonpecuniary preferences of others. Eliciting second-order beliefs offers two distinct advantages. First, it enables us to gather, for each respondent, not just a single data point reflecting their own view, but a summary informed by their interactions with others. Second, unlike responses about one's own preferences, second-order beliefs can be incentivized, making them less susceptible to virtue signaling and other demand effects.

To implement this approach, we conducted an additional study in late February 2025, using an incentivized coordination game to elicit participants' second-order beliefs about the relative importance of corporate actions among a representative sample of the U.S. population. Our elicitation procedure closely follows the validated and widely replicated task developed by Krupka and Weber (2013), which has proven robust to framing effects and response bias (see, e.g., Krupka (2025) for an overview). To assess potential systematic differences between individuals' own nonpecuniary preferences and their second-order beliefs about others' preferences, we employed a counterbalanced design: each respondent was asked to rank corporate actions from both perspectives, two weeks apart. Additional details are provided in Internet Appendix IA.A.5.

Subjects' second-order beliefs about others' relative rankings of the corporate actions overlap with their own relative rankings to a very high degree. Internet Appendix Figure IA.III, Panel (b) shows the comparison of own preferences and second-order beliefs. There are no significant differences at the 5% level. The consistency between hypothetical (own) relative rankings and incentivized (others') relative rankings reinforces the earlier evidence that incentives do not alter the cross-action heterogeneity that we document.

6.5 Corporate Actions as Moral Issues: Free-Text Elicitation

The evidence in Section 5 strongly supports the idea that respondents perceive corporate decisions as moral issues. Here, we provide additional direct evidence that participants explicitly consider moral concerns when evaluating the corporate actions presented to them. While the morals-as-intuitions framework of Haidt (2012) suggests that individuals may not be able to fully articulate the basis of their moral judgments, respondents' acknowledgment that morality influences their views offers further support for interpreting the elicited nonpecuniary preferences as moral in nature.

We implemented a separate study in which we collected 85 free-text responses. Participants were presented with the same set of corporate actions as in Table 1, completed the ranking and choice tasks from our main experiment, and were then asked to explain their rationale for the corporate action they ranked as the most wrong or least right. The instructions were as follows:

> "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."

To ensure objectivity, we do not analyze the 85 free-text responses ourselves, nor do we apply simple dictionary-based methods, which risk losing contextual nuance. Instead, following Bordalo, Conlon, Gennaioli, Kwon, and Shleifer (2025), we use ChatGPT to evaluate the responses. After a brief description of the task, we instructed ChatGPT that respondents had been asked to explain why they opposed the corporate action they ranked as most wrong, despite its positive financial value. The prompt we used follows Bordalo, Conlon, Gennaioli, Kwon, and Shleifer (2025):

> " I will give you a message in which a respondent explained 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 result is consistent with our own subjective assessment of the free-text answers. Some of them are very direct, for example:

- *"It's already unethical how much (the CEOs) are making."*
- *"Further increasing the CEO's salary is morally wrong."*

- *"[...] laying off employees instead of cutting the salaries of higher-up executives is morally deplorable."*
- *"(Layoffs are) not ethical or fair."*
- (Layoffs): *"Morally bad [...]"*
- *"(Tax avoidance) is unethical [...]"*

Thus, it is not only our findings on the importance of moral universalism that suggest corporate actions are often perceived as moral issues—respondents also state this explicitly in their free-text responses.

7 Discussion

The results in this paper may have implications for many different constituents beyond academic researchers. Although exploring those implications in full detail is left for future research, we provide a brief discussion in this section.

Understanding Preferences Over Corporate Actions. Our findings are relevant to actors who are interested in maximizing welfare, which includes both pecuniary and nonpecuniary utility, rather than maximizing only financial value. These actors can include asset managers, corporate managers, and policy makers. Asset managers need to understand investor preferences to construct investment portfolios that reflect these preferences. The results in our paper are particularly informative for mutual fund managers and pension fund managers, since our sample comprises the type of individuals who typically invest in these vehicles.

Our results are also relevant to corporate managers because Hart and Zingales (2017) argue that firms should maximize shareholder welfare, not shareholder value. Yet, the academic literature provides relatively little concrete guidance to corporate managers on (i) which corporate actions give rise to nonpecuniary utility, and (ii) what are the underlying drivers of nonpecuniary utility. By filling some of this gap, the findings in this paper allow managers to better serve the goal of maximizing shareholder welfare. An open question to be addressed in future work is whether the largest shareholders have preferences that are captured well by the responses given by a representative sample of Americans. Given the very small and insignificant differences between wealthy / sophisticated respondents and other respondents in Table 4, our results indicate, at a minimum, that it cannot be taken for granted that larger shareholders do not have similar nonpecuniary preferences.

Finally, our results are also informative to financial regulators who want to design policies that encourage asset managers and corporations to provide disclosure or behave in a manner consistent with maximizing investor welfare.

Societal Implications: Trust in Institutions. Viewing corporate actions as moral issues may have societal implications that go beyond better understanding investor welfare. While fully exploring these implications is left for future research, we provide evidence on one potential dimension here. Misalignment between institutional behavior and individuals' nonpecuniary preferences could affect public confidence in institutions, such as corporate America, which has eroded in recent years (e.g., Saad (2021)).

To shed light on this potentially important dimension, we conducted a survey in which we asked participants how hypothetical commitments of U.S. firms would influence their confidence in corporate America. The hypothetical commitments we present to them are to not engage in a given corporate action from our list of actions with positive financial value (e.g., to avoid laying off workers or increasing CEO pay). See Internet Appendix IA.A.6 for a detailed survey description. Participants are instructed to give their responses on a 5-point Likert scale, ranging from would "strongly decrease" to would "strongly increase" their confidence in corporate America.

Figure 4 plots the percentage of respondents who report that U.S. firms committing to not take a particular action would increase their confidence. There are several takeaways. First, for eight out of ten actions, a majority reports that firms refraining from these actions would increase their confidence in corporate America. For layoffs, more than 75% of respondents do so. Second, as before, survey participants appear to differentiate in the sense that their responses vary strongly between corporate actions. For example, less than 45% of respondents state that their confidence would increase if U.S. companies committed not to engage in cost cutting. Third, the relative rank of actions has a striking similarity 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.[18]

These results indicate that firm behavior that aligns well with participants' nonpecuniary preferences has the potential to boost trust in U.S. firms. Conversely, the results highlight a critical societal tension: while firms and executives may consider maximizing financial value to be the right course of action, public trust in corporations can erode if corporate behavior is perceived as morally wrong.

[18]Note that, in this survey, we do not indicate the average pay-ratio between CEOs and the average worker. The strong concerns about CEO pay revealed in our main survey are therefore unlikely to be induced by the reporting of the average pay ratio.

8 Conclusion

Finance research increasingly focuses on nonpecuniary utility to analyze financial decision making of professional 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 best to model financial decision making, how to best serve client preferences, and how to make optimal decisions in their companies.

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, for stock market investors and non-investors as well as for participants with high and low income and with and without college degree; (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. Our findings thus shed new light on the importance of moral preferences as a driver of nonpecuniary utility in the context of corporate behavior.

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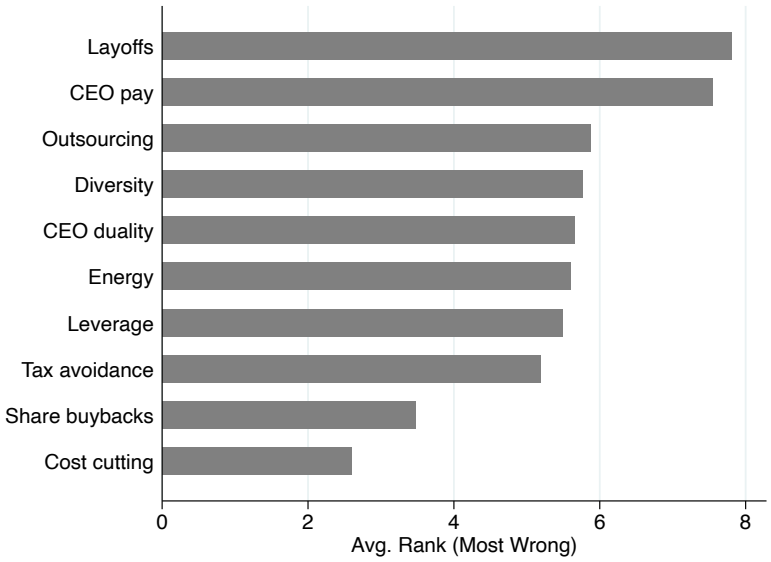
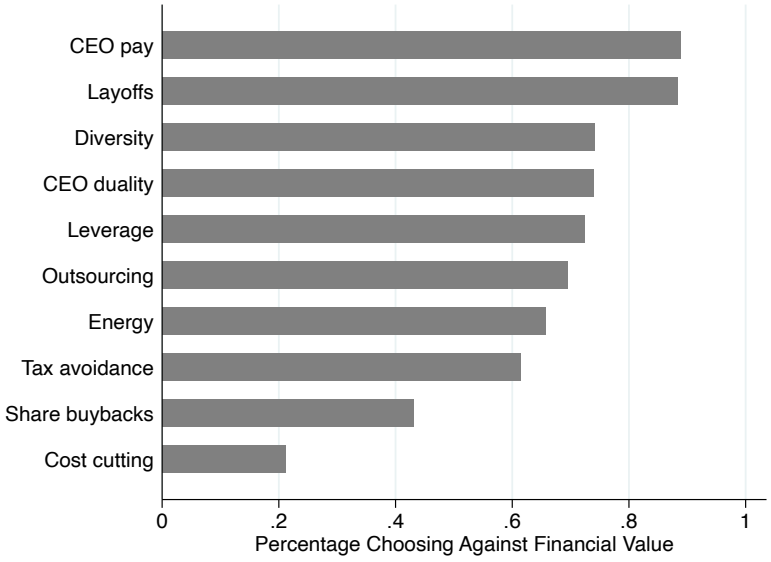


(a) Relative Ranks



(b) Average Propensity to Choose Against Financial Value

Figure 2: Nonpecuniary Preferences Over Corporate Actions

The figure reports the average responses to the survey questions related to participants' nonpecuniary preferences over corporate actions. We condition on corporate actions with positive financial value.

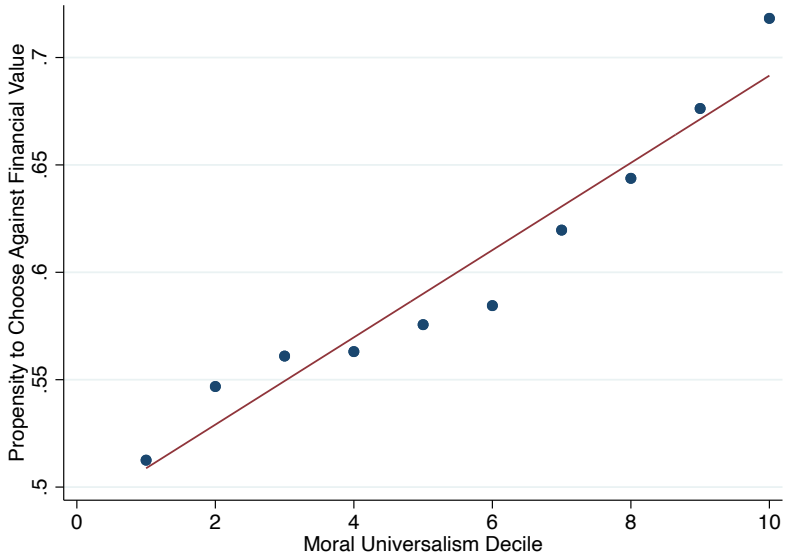


Figure 3: Moral Universalism and Nonpecuniary Preferences

The figure plots the average propensity to choose against financial value (i.e., the percentage of times a participant indicates that XYZCorp should (not) implement a corporate action that generates negative (positive) financial value), computed across all corporate actions and financial value scenarios (low, medium, high), against participants' degree of moral universalism, sorted into deciles.

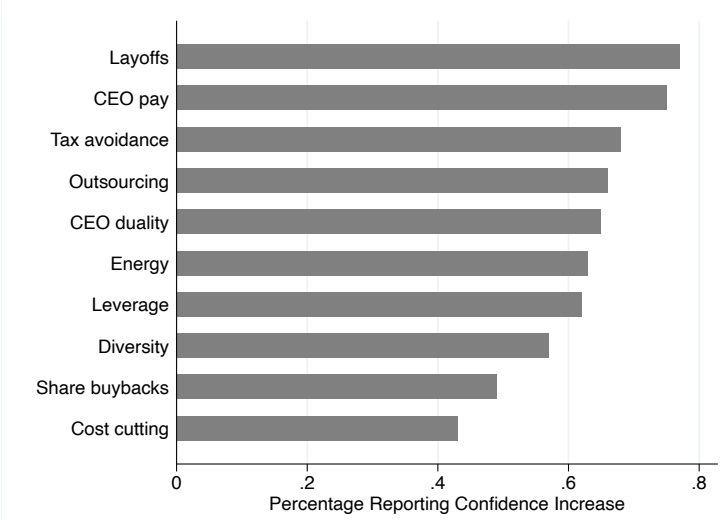


Figure 4: Corporate Actions and Confidence in Corporate America

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

Table 3: **Summary Statistics**

This table presents summary statistics for our key variables. Panels A and B report summary statistics for the key dependent variables and measures of participants' social and moral preferences, respectively. Panel C reports summary statistics for participants' demographic characteristics.

Panel A: Key Dependent Variables

	N	Mean	Stdev.	p25	Median	p75
Propensity to Choose Against Financial Value:						
Cost cutting	2,047	0.224	0.337	0.000	0.000	0.333
Share buybacks	2,047	0.472	0.412	0.000	0.333	1.000
Leverage	2,047	0.628	0.395	0.333	0.667	1.000
Layoffs/Hiring	2,047	0.653	0.400	0.333	1.000	1.000
Outsourcing	2,047	0.647	0.389	0.333	0.667	1.000
Tax avoidance	2,047	0.529	0.422	0.000	0.667	1.000
CEO pay	2,047	0.869	0.275	1.000	1.000	1.000
Diversity	2,047	0.677	0.403	0.333	1.000	1.000
Energy	2,047	0.639	0.417	0.333	1.000	1.000
CEO duality	2,047	0.658	0.399	0.333	1.000	1.000

Panel B: Social and Moral Preferences

	N	Mean	Stdev.	p25	Median	p75
Donation Amount (in $)	2,047	15.073	14.404	4.000	10.000	25.000
Moral Universalism	2,047	0.349	1.144	-0.417	0.250	1.083

Panel C: 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

Table 4: **Trade-Offs**

The table presents the results from an OLS regression of participants' average propensity to choose against financial value on the magnitude of the financial value at stake (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 decides against 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 Against 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	0.668***	0.676***	0.663***	0.676***	0.662***	0.673***	0.647***
	(162.68)	(84.18)	(80.77)	(110.99)	(119.25)	(149.24)	(65.88)
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 5: **Cross-Participant Heterogeneity in Nonpecuniary Preferences**

The table presents results from an OLS regression of participants' average propensity to choose against financial value on participant characteristics. The dependent variable is the percentage of times that the participant decides against 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 negative (positive) 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 Y, also measured in standard deviations. t-statistics based on robust standard errors are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

	Propensity to Choose Against 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)
Investor	-0.041	-0.006	-0.044*	-0.049*
	(-1.60)	(-0.25)	(-1.74)	(-1.93)
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)
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 6: **Survey Responses and Donation Behavior**

The table presents results from an OLS regression of participants' evaluation of corporate actions on their donation choices. The unit of observation is at the participant × action level. In columns (1) to (4), the dependent variable is the respondent's action-specific propensity to choose against financial value, averaged across all levels of financial value (low, medium, high) within a given corporate action. In column (5), the dependent variable is the respondent's relative ranking of a corporate action in terms of how wrong it feels relative to the other actions. *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 columns (4) and (5), 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.

	Propensity to Choose Against Financial Value				Rel. Rank
	(1)	(2)	(3)	(4)	(5)
Donates to Mission	0.133***	0.141***			
	(10.94)	(11.58)			
Donation Amount	0.001***				
	(2.93)				
Energy			0.044***	0.036**	0.508***
			(4.24)	(2.44)	(4.50)
Energy × Nature Conservancy			0.099***	0.093***	0.488**
			(4.56)	(3.08)	(1.99)
Outsourcing			0.053***	0.085***	0.807***
			(6.24)	(7.07)	(8.75)
Outsourcing × Operation Gratitude			0.179***	0.103**	0.773**
			(6.50)	(2.35)	(2.44)
Diversity			0.091***	0.129***	0.707***
			(9.98)	(9.93)	(7.21)
Diversity × YWCA			0.150***	0.130***	0.757**
			(5.24)	(3.53)	(2.08)
Layoffs				0.280***	2.738***
				(27.72)	(28.69)
Layoffs × Americares				0.018	0.575**
				(0.75)	(2.53)
Constant	0.580***	0.593***	0.576***	0.601***	4.994***
	(89.34)	(1004.48)	(322.77)	(200.94)	(205.66)
Participant f.e.	No	Yes	Yes	Yes	Yes
R^2	0.006	0.217	0.223	0.240	0.087
N	20,470	20,470	20,470	10,320	10,320

Table 7: **Moral Universalism and Distance to Laid-Off Workers**

The table presents results from a linear probability model that regresses participants' opposition to layoffs on their degree of moral universalism and the distance to the affected workers. *Neutral* refers to the scenario where the laid-off workers are neither geographically close nor belong to the respondent's social network. *Foreign* refers to the scenario where the laid-off 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) and (2), the close group are laid-off workers in participants' local community. In column (3) and (4), they are friends of the participant, who live outside of her local community. *Moral Universalism* is defined as the difference between *Individualizing Values* and *Binding Values*, where binding values represent the average score for the moral foundations authority, loyalty, proportionality, and purity, and individualizing values represent the average score for the moral foundations care and equality. *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.

	Oppose Layoffs			
	(1)	(2)	(3)	(4)
Neutral	-0.238***	-0.243***	-0.225***	-0.229***
	(-8.69)	(-8.76)	(-7.86)	(-7.84)
Foreign	-0.348***	-0.358***	-0.336***	-0.344***
	(-11.18)	(-11.54)	(-10.69)	(-10.96)
Neutral × Moral Universalism		0.055**		0.041
		(2.49)		(1.57)
Foreign × Moral Universalism		0.102***		0.088***
		(3.80)		(3.10)
Close group	Locals	Locals	Non-local friends	Non-local friends
Participant f.e.	Yes	Yes	Yes	Yes
R^2	0.744	0.752	0.735	0.740
N	732	732	732	732

Table 8: **Moral Universalism and Cross-Participant Heterogeneity in Nonpecuniary Preferences**

The table presents results from an OLS regression of participants' average propensity to choose against financial value for a given corporate action on measures of participants' moral universalism and the same participant characteristics as in Table 5 (other coefficients from column (1) of Table 5 are suppressed for brevity). The unit of observation is at the participant × action level. The dependent variable is the respondent's action-specific propensity to choose against financial value, averaged across all levels of financial value (low, medium, high) within a given corporate action. *Moral Universalism* is defined as in Table 7. *Individualism* is minus 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 Y, also measured in standard deviations. 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.

	Propensity to Choose Against Financial Value				
	(1)	(2)	(3)	(4)	(5)
Moral Universalism		0.138***		0.137***	0.142***
		(10.49)		(10.41)	(10.69)
Donation Amount			0.028***	0.024**	0.020**
			(2.68)	(2.36)	(1.97)
Individualism					-0.028**
					(-2.38)
Republican	-0.093***	-0.012	-0.093***	-0.013	-0.018
	(-9.28)	(-0.96)	(-9.32)	(-1.03)	(-1.45)
Male	-0.037***	-0.020**	-0.034***	-0.019*	-0.017*
	(-3.62)	(-2.04)	(-3.40)	(-1.87)	(-1.72)
Other coefficients suppressed for brevity					
Action f.e.	Yes	Yes	Yes	Yes	Yes
R^2	0.157	0.169	0.158	0.169	0.170
N	19,880	19,880	19,880	19,880	19,880

Table 9: **Perceived Closeness and Cross-Action Heterogeneity in Nonpecuniary Preferences**

The table relates participants' perceived closeness to the affected stakeholders to their degree of moral universalism as well as to their propensity to choose against financial value. Panel A presents results from an OLS regression of participants' inclusion-of-other-in-self (IOS) measure on the same personal characteristics as in Table 5 (other coefficients from column (1) of Table 5 are suppressed for brevity), and to their degree of *Moral Universalism* (as defined in Table 7). Panel B presents results from an OLS regression of participants' propensity to choose against financial value for each corporate action on participants' IOS measure with respect to the potentially negatively affected stakeholders, their estimated size of the action's impact on these stakeholders, and the interaction term. IOS is measured as the participants' perceived closeness to the affected stakeholders in the range from 0 (disjoint circles) to 100 (overlapping circles), divided by 100. *Impact Size* refers to the estimated size of the impact on the affected stakeholders (Likert-type scale from 1 to 6). In both panels, the unit of observation is at the participant × action level. All coefficients in both panels 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 standard errors clustered at the participant level are reported in parentheses. *, **, and *** denote statistical significance at 10%, 5%, and 1% level.

Panel A: Moral Universalism and Perceived Closeness to Affected Stakeholders

	IOS (Perceived Closeness)		
	(1)	(2)	(3)
Moral Universalism		0.196***	0.197***
		(7.08)	(5.32)
Republican	-0.115***		0.002
	(-4.00)		(0.06)
Male	-0.106***		-0.082***
	(-3.67)		(-2.77)
Other coefficients suppressed for brevity			
R^2	0.040	0.038	0.061
N	6,287	6,427	6,287

Panel B: Perceived Closeness and Cross-Action Heterogeneity in Nonpecuniary Preferences

	Propensity to Choose Against Financial Value			
	(1)	(2)	(3)	(4)
IOS	0.232***		0.155***	0.006
	(11.95)		(6.98)	(0.11)
Impact Size		0.184***	0.112***	0.081***
		(11.37)	(5.93)	(3.54)
IOS × Impact Size				0.171***
				(2.74)
Participant f.e.	Yes	Yes	Yes	Yes
R^2	0.212	0.210	0.218	0.219
N	6,425	6,425	6,425	6,425