

Tips for Keeping Your Mind Working: Unpacking the Perplexing Science of Tipping



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Tipping – i.e., gratuities – is a widespread yet often misunderstood practice that shapes the livelihoods of millions of workers and influences billions of dollars in service transactions worldwide. This essay summarizes findings from a novel modeling framework that captures how tipping norms evolve and interact with firm pricing, customer behavior, and regulatory interventions. We highlight two psychological drivers of tipping – appreciation and social pressure – and examine how they shape outcomes such as service quality, wage structures, and firm strategy. The framework further allows us to assess the implications of major policy tools, including tip credits, tip pooling, and the abolition of tipping. By translating theoretical insights into practical takeaways, we aim to inform managerial decision-making and support thoughtful policy reform in service-based economies.