



Feelings of ownership in dictator games



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1. Introduction

The attributes of dictator games affect dictators' generosity. One attribute that affects generosity is whether the dictator earns the endowment or receives it as a windfall. Dictators are less generous when they earn the endowment. [Cherry \(2001\)](#) reports that when dictators earn the endowment, the average gift is 3.04% of the endowment, [Cherry, Frykblom, Shogren \(2002\)](#) report that the average gift is about 5% of the endowment, and [Oxoby and Sparragon \(2008\)](#) report a 0% gift. On the other hand, when dictators do not earn but are simply given the endowment, the average gift is usually around 25%.² Another attribute that affects generosity reported in other studies is whether the decision is framed as giving to the recipient or as taking from the recipient. [Korenok, Millner, and Razzolini \(2014\)](#), [Oxoby and Sparragon \(2008\)](#), and [Cox, List, Price, Sadiraj, and Samek \(2015\)](#) find that the average gift is greater in the taking game.

In this paper we ask why earning the endowment and changing the frame of actions affect dictators' generosity. The literature suggests a potential explanation: differences in the attributes of the game define different property rights over the endowment. [Cherry et al. \(2002\)](#) speculate that the actions of the dictators, at least partially, are driven by the legitimacy of the wealth. [Dreber, Ellingsen, Johannesson, and Rand \(2013\)](#) hypothesize that the recipients would get more money in the take frame, because dictators would be relatively averse to taking, as taking could be considered a violation of the recipient's entitlement. [Oxoby and Sparragon \(2008\)](#) "conjecture that the legitimizing of assets creates property rights which participants observe" (p. 704). Similarly, [Banerjee and Chakravarty \(2014\)](#) suggest that the sense of personal property induced by earning reduces the amount given by dictators.

"Feelings of ownership" rather than "property rights" more precisely characterize the consequences of the different attributes. In economics, property rights are defined as "the exclusive authority to determine how a resource is used" ([Alchian, 2008](#)) and in law a common criteria of property rights is "... if one person holds a 'right' to something, at least one other person must have a corresponding duty not to interfere with her possession and use" ([Cole & Grossman, 2002, p. 318](#)). Earning or not earning the endowment does not change the dictator's exclusive authority to determine how the endowment is used. Similarly, the different frames of the game do not change the recipient's duty not to interfere with the use of the

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² Using a meta-study, [Engel \(2011\)](#) reports that in a traditional dictator game, on average, 70% of dictators give a positive amount and the average gift is about 25% of the dictator's endowment.

endowment chosen by the dictator. Therefore, earning or not earning the endowment and the giving or taking frames do not modify the property rights, as defined in economics or law. Property rights always reside with the dictator. However, feelings of ownership may change across different attributes of the game. A dictator that earned the endowment may have strong feelings of ownership. Similarly, a dictator may have weak feelings of ownership over an endowment earned by the recipient. These feelings of ownership, in turn, may affect the dictator's behavior.

Studies not involving dictator games find that the institutional changes associated with feelings of ownership affect behavior. [Hoffman and Spitzer \(1985\)](#) find that earning the right to control affects decisions in bargaining games. [Hoffman, McCabe, and Smith \(1994\)](#) find that earning both the right to be the first mover and the endowment affects decisions in ultimatum games. [Bushong, King, Camerer, and Rangel \(2010\)](#), [Knetsch and Wong \(2009\)](#), [Peck and Shu \(2009\)](#) and [Reb and Connolly \(2007\)](#) report that being present with the item or touching it increase the endowment effect.

In this paper, we conduct a dictator game experiment with two treatments designed to maximize the differences in feelings of ownership: in the first treatment, the dictator earns the endowment and gives; in the second treatment, the recipient earns the endowment and the dictator takes. We use a questionnaire developed by psychologists to measure the feelings of ownership in the two treatments. We find that feelings of ownership mediate the effect of the changes in the treatments on dictators' generosity; having the dictator earn the endowment, possess it, and give indirectly reduces the payoff to the recipient by increasing the dictators' feelings of ownership.

2. Experimental design, model and hypotheses

[Pierce, Kostova, and Dirks \(2003\)](#) define "psychological ownership as the state in which individuals feel as though the target of ownership or a piece of that target is 'theirs' (i.e., 'It is mine!')" (p. 86). They "propose three major experiences (i.e., routes, paths, and mechanisms) through which psychological ownership emerges: controlling the ownership target (object), coming to know the target intimately and investing the self in the target" (p. 92.). In dictator games, by design the dictator has control over the endowment, as he/she is the sole decision maker. Thus, controlling the ownership target cannot be changed. We use the two remaining paths to change the feelings of ownership over the endowment in the laboratory: Let the participant come to know the target by touching and possessing the endowment; Allow the participant to invest the self in the target by earning the endowment.

Feelings of ownership were elicited in the laboratory by having all participants complete a questionnaire. The questionnaire asked participants to rate their agreement or disagreement with a series of statements about the money distributed in the game. The rating used a 7-point scale ranging from 1 (Strongly Disagree) to 7 (Strongly Agree). The questions were:

1. I feel like this is my money.
2. I feel a very high degree of personal ownership of this money.
3. I feel like I own this money.
4. I feel like this is another person's money.
5. I feel like another person has a very high degree of personal ownership of this money.
6. I feel like another person owns this money.
7. I think that another person feels like this is her money
8. I think that another person feels a very high degree of personal ownership of this money.
9. I think that the other person feels like she owns this money.

Questions 1–3 were used to measure psychological ownership by [Peck and Shu \(2009\)](#) who in turn adapted [Pierce, Kostova and Dirks's \(2001\)](#) questions. Questions 1–3 elicit how strongly the participant feels that the money is theirs. Questions 4–9 are small modifications of questions 1–3. Questions 4–6 elicit how strongly the participant feels that the money is someone else's. Questions 7–9 elicit how strongly the participant thinks that someone else feels that the money is someone else's. High ratings on questions 1–3 indicate strong feelings of ownership, while high ratings on questions 4–6 and 7–9 indicate weak feelings of ownership.

We run an experiment with two treatments of an otherwise similar dictator game, with experimental design and procedures based on [Oxoby and Sparragon \(2008\)](#). The two treatments are Dictator Earns-Give and Recipient Earns-Take. In the two treatments, either the dictator or the recipient earns the endowment by answering questions drawn from the GMAT and GRE tests. The amount earned varies from \$10, to \$20, to \$40, depending on the number of correct answers. After taking the test and earning the money, the participant counts the money and puts it in his/her wallet, pocket or purse.

The Dictator Earns-Give treatment is designed to induce strong feelings of ownership in dictators through the two primary paths of investing self and intimate knowledge. In this treatment, the dictator invests self in the target by earning the endowment. Also the dictator comes to know the target intimately by taking the money and putting it into a wallet, pocket or purse. At the end of the experiment, the dictator gives to the recipient. The Recipient Earns-Take treatment uses the same paths to induce strong feelings of ownership in recipients and weak feelings of ownership in dictators. The recipient earns the endowment, takes the money and puts it into a wallet, pocket or purse, and later the dictator takes from the recipient. Since in this treatment the dictator neither invests self nor has intimate knowledge of the target and is fully aware that the recipient did invest self and has intimate knowledge of the target, the dictators' feelings of ownership should be

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