



Gain-loss framing effects in dilemmas of trust and reciprocity



Anthony M. Evans*, Ilja van Beest

Tilburg University, The Netherlands

A B S T R A C T

How do trust and reciprocity decisions change when outcomes are framed in terms of potential losses (vs gains)? In two studies, with 7464 trust decisions from 359 participants and 2723 reciprocity decisions from 221 participants, we find that loss framing increases mean-level trust, but has no effect on mean-level reciprocity. Additionally, loss framing changes how decisions are made: In the domain of losses, trustors and trustees become less calculative — trust decisions involving losses are less sensitive to changes in expected value and reciprocity decisions are less sensitive to the financial temptation to betray trust. Critically, these changes in the process of decision-making are more pronounced when people interact with a human (vs computer) partner, pointing to uniquely social consequences of loss framing. The present results contribute to our understanding of the factors that shape trust and reciprocity, and emphasize that interpersonal processes play an important but under-examined role in gain-loss framing effects.

Trust and reciprocity are central to the success of organizations and society at large (Dasgupta, 2007; Hosking, 2014; Putnam, 2001). Recent reviews have proposed that gain-loss framing may be an important situational factor that influences trust (Evans & Krueger, 2016; Thielmann & Hilbig, 2015). However, previous work has focused primarily on behavior in the domain of gains, and has not yet asked how trust and reciprocity change when decisions involve potential losses. Motivated by prior research, which suggests that loss framing discourages rational calculation and activates a moral concern to avoid harming others (Baron, 1995; Böhm & Theelen, 2016; Royzman & Baron, 2002; Van Beest, Van Dijk, De Dreu, & Wilke, 2005), we examine how loss framing affects trust and reciprocity among strangers.

In addition to testing mean-level effects on behavior, asking if overall levels of trust and reciprocity increase (or decrease) in the domain of losses, we also ask how framing changes the process of decision-making. Recent theories have proposed that trust decisions are related to both rational (Evans & Krueger, 2016) and normative (Schlösser, Mensching, Dunning, & Fetchenhauer, 2015) considerations. Rational trust is based on calculative reasoning and financial incentives. Normative trust, on the other hand, occurs out of respect for social norms (and is blind to potential outcomes and consequences). We propose that loss framing shifts the extent to which trust and reciprocity are based on rational considerations (i.e., expected value calculation) versus respect for norms. Finally, we ask whether the effects of loss framing are different for individual and interpersonal decisions. Can framing effects be understood in terms of individual-level decision

processes (e.g., Kahneman & Tversky, 1979), or are there uniquely social consequences of loss framing? The present research contributes to our understanding of trust and reciprocity, and clarifies the interpersonal consequences of loss framing.

1. Dilemmas of trust and reciprocity

Trusting behavior involves the willingness to accept vulnerability or uncertainty based on an expectation of reciprocity (Evans & Krueger, 2009; Rousseau, Sitkin, Burt, & Camerer, 1998; Thielmann & Hilbig, 2015). To study how people reason in dilemmas of trust, researchers use variants of the two-stage trust game (see Fig. 1A). During the first stage, Player 1 (the trustor) chooses between the guaranteed status quo and trusting Player 2 (the trustee). If Player 2 is trusted, then she chooses to reciprocate or betray Player 1's initial act of trust. Both players' decisions are influenced by the game's payoffs: Trust is more likely to occur when the potential payoffs are favorable; in other words, when the potential cost of betrayal is small and when the potential benefit from reciprocity is large. In turn, reciprocity is more likely to occur when the financial temptation to choose betrayal (i.e., the extra earnings Player 2 receives for choosing betrayal instead of reciprocity) is small (Evans & Krueger, 2014; Malhotra, 2004; Snijders & Keren, 1999).

In the current research, we propose that additional psychological factors, beyond the players' objective payoffs, influence trust game behavior. Specifically, decisions may also depend on whether the payoffs are described as gains or losses (Fig. 1). Many real-life trust

* Corresponding author at: Department of Social Psychology, Tilburg University, P.O. Box 90153, 5000 LE Tilburg, The Netherlands.
E-mail address: A.M.Evans@uvt.nl (A.M. Evans).

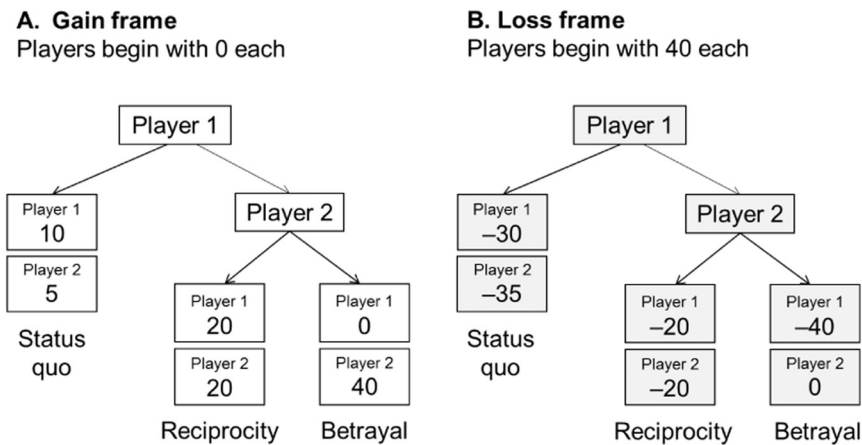


Fig. 1. An example of the economic trust game with the outcomes described in terms of potential gains (A) and potential losses (B).

decisions involve the minimization of losses (instead of the maximization of gains). For example, when leaders and bargainers face crisis situations or economic downturns, their goal is to minimize negative outcomes for the group (Levy, 1996). Additionally, changes in reference points may lead a decision-maker to perceive the same situation in terms of either gains or losses; an investor who recently lost money (or a manager who recently performed poorly) will perceive future interactions in terms of minimizing losses (Camerer, 2004). Under these conditions, are decision-makers more (or less) willing to trust in others? In the following sections, we review relevant work on the effects of gain-loss framing, and consider the specific implications of framing effects in trust dilemmas.

1.1. The consequences of gain-loss framing

How does gain-loss framing influence decision-making? According to prospect theory, a descriptive model of individual decision-making, people differentiate between outcomes described in terms of gains versus losses (Camerer, 2004; Kahneman & Tversky, 1979). Specifically, people are more sensitive to losses compared to gains (Novemsky & Kahneman, 2005; Sokol-Hessner et al., 2009); and are more risk-seeking for decisions involving losses (Budescu & Weiss, 1987; Kühberger, Schulte-Mecklenbeck, & Perner, 1999; Tan et al., 2017).

Studies of framing in individual decision-making raise questions about how framing affects behavior in social situations, where there is a conflict between self-interest and the collective good (De Heus, Hoogervorst, & Van Dijk, 2010; Raub & Snijders, 1997). A body of research suggests that loss framing influences social behavior by changing how people perceive selfish actions: Baron (1995) proposed that people follow a heuristic whereby they avoid courses of action seen as actively harmful to others. Actions that cause losses for others are perceived as more harmful than equivalent actions that cause decreased gains. In other words, causing someone else to lose money is seen as more overtly harmful than depriving them of a gain — even if the final consequences are the same. As a result, when coalition formation and bargaining occur in the domain of losses, individuals are more motivated by fairness and the desire to avoid harming others (Böhm & Theelen, 2016; Leliveld, Van Beest, Van Dijk, & Tenbrunsel, 2009; Leliveld, Van Dijk, & Van Beest, 2008; Royzman & Baron, 2002; Van Beest et al., 2005; Van Beest, Wilke, & Van Dijk, 2003).

1.2. Framing effects in dilemmas of trust and reciprocity

To understand how gain-loss framing influences trust and reciprocity, we examine the potential effects of gain-loss framing on three levels: first, we test whether loss framing leads to mean-level changes in trust and reciprocity; second, we test if framing impacts the extent to

which decisions are influenced by economic (i.e., rational) calculations; and third, we ask if gain-loss framing effects can be understood in terms of purely individual-level decision processes, or if there are uniquely interpersonal consequences of framing.

1.3. Mean-level changes in behavior

Previous work posited that prosocial behavior increases in the domain of losses because selfish decisions involving losses are perceived as more harmful to others than equivalent (selfish) decisions involving gains (Leliveld, van Dijk, & van Beest, 2008; Van Beest et al., 2005). Following this logic, both trust and reciprocity should increase in the domain of losses: In the trust game, Player 1's decision to show trust increases the payoff of Player 2. Regardless of whether Player 2 ultimately chooses to betray or reciprocate trust, Player 2 will always end up with an outcome that is preferable to the status quo. For this reason, refusing to trust Player 2 is seen as immoral (Krueger, Massey, & DiDonato, 2008) and personally insulting to Player 2 (Dunning, Anderson, Schlösser, Ehlebracht, & Fetchenhauer, 2014). We propose this may be particularly so when trust involves the opportunity to minimize Player 2's losses (as opposed to maximizing Player 2's gains).

Similarly, this logic predicts increased reciprocity in the domain of losses. Reciprocity decisions are related to fairness concerns and respect for norms (Gouldner, 1960; Pillutla, Malhotra, & Murnighan, 2003). Those who betray trust are judged negatively (Bicchieri, Xiao, & Muldoon, 2011), and therefore we predict that loss framing will strengthen Player 2's motivation to reciprocate initial acts of trust.

1.4. Process changes in decision-making

In addition to influencing the mean-levels of behavior, framing may also change the processes underlying both trust and reciprocity. Specifically, recent theories have asked to what extent trust decisions are based on economic calculations versus respect for social norms (Dunning & Fetchenhauer, 2013; Evans & Krueger, 2016; Kugler, Connolly, & Kausel, 2009; Schlösser, Mensig, Dunning, & Fetchenhauer, 2015). The calculative view suggests people trust because of the potential economic outcomes (what can be gained and lost), and the probabilities of those outcomes occurring; in other words, calculative trust is based on the logic of expected value (Evans & Krueger, 2014). In contrast, the normative view posits that people trust strangers because they feel it is what they should do, even though it may go against what they want to do (Dunning et al., 2014, but see also Thielmann & Hilbig, 2016). When trust is based on normative concerns, decision-makers ignore the economic consequences of their choices (Dunning & Fetchenhauer, 2013).

Here, we propose that loss framing changes the extent to which trust

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