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Intentions under cover – Hiding intentions is considered unfair

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ABSTRACT

Unkind intentions provoke negative reciprocity, making their concealment potentially beneficial. This paper explores whether people hide their intentions from others and how hiding intentions is perceived in fairness terms. Our experimental data show a high frequency of cover-up attempts and that affected parties punish the concealment of intentions, indicating that people consider not only unkind intentions but also hiding intentions unfair. When choosing whether or not to hide intentions, subjects trade-off the lower punishment when hiding unkind intentions is successful against the higher punishment when cover up fails. We show that hiding unkind intentions is treated differently than unkind intentions in punishment terms.

1. Introduction

Intentions play a prominent role in legal codes. For a given outcome, the legal implications can vary widely with the individual's intention. This can be seen, for example, in the practice of making punitive damages in civil cases contingent on the tortfeasor's malicious intent. Similarly, with regard to the range of possible sanctions in criminal cases, it makes a huge difference whether a suspect is convicted of manslaughter, second-degree murder, or first-degree murder. Anticipating intentions' decisive role, perpetrators go to great lengths to cast doubt on their malicious intentions. This regularly culminates in another wrong, namely evidentiary misdeeds (e.g., concealing evidence), which are themselves punishable.[1] In other words, the legal system specifies sanctions for attempts to manipulate the legal decision-maker's information about any specifics related to the incident.[2]

In the economics literature on fairness, intentions feature prominently since the early distribution-based models (Fehr and Schmidt 1999; Bolton and Ockenfels 2000) have been criticized for their neglect of reciprocity (Charness and Rabin 2002; Falk et al., 2003). For example, Falk et al. (2008) present evidence showing the greater explanatory power of theories that include roles for both outcomes and intentions in fairness. In models that incorporate intentions (e.g., Falk and Fischbacher 2006), unkind intentions provoke negative reciprocity, making their concealment potentially beneficial.

The present contribution is the first to study both the possibility of hiding one's intentions and how concealment is treated by parties affected by the cover-up. We are particularly interested in how hiding intentions is perceived in fairness terms and for that reason allow affected parties to voice their feelings via punishment.[3] In addition, we seek to establish a typology of subjects in order to shed light on the question of how many people care about outcomes, intentions, and/ or the concealment of intentions.

To explore the use of cover-up activities and how offenders are treated by subjects affected by the cover-up, we rely on a laboratory experiment (as successful attempts at concealment are by definition difficult to monitor). In our one-shot, two-player experimental design,

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[1] For example, in the US, obstruction of justice, criminal contempt, and perjury are relevant categories that may be punished by fines or imprisonment (Sanchirico 2012).

[2] The literature on deterrence and legal proceedings has been criticized for focusing on evidence as something that investigators must uncover rather than something that violators may cover up (Sanchirico 2006), despite the fact that incentives for concealment activities are very important in practice (as they are relevant in almost every legal proceeding).

[3] To clarify, our use of the term fairness is thus wider than the inequity-aversion interpretation commonly found in the experimental literature. A second clarification may be in order: Using punishment to approximate fairness perceptions is quite standard. For example, Fehr and Fischbacher (2004) allow third parties to punish players who may have violated a distribution norm.

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player A chooses between two probability distributions, while chance determines whether a given sum of points is distributed either equally or in favor of player A. One probability distribution makes it almost certain that the allocation that favors player A will result; the other is skewed towards the equal allocation of points. The first (second) probability distribution thus represents an *unkind* (*kind*) procedural choice on the part of player A. Next, contingent on the allocation, player A decides whether or not to attempt to hide his or her procedural choice from player B. A given allocation may result from either a kind or an unkind procedural choice by player A, and player A can try to manipulate player B's information about this selection. However, concealment only lowers the probability that player B will learn about the probability distribution chosen by player A, allowing for the situations of *successful* and *unsuccessful* concealment. Finally, player B can punish player A, where we differentiate punishment levels in two informational settings. Player B chooses punishment knowing either only the allocation or the full history of play.

Our primary contribution lies in analyzing the potential punishment of cover-up activities. Since unkind intentions often provoke punishment, we find that many players A invest to hide such intentions. When concealment is successful, hiding intentions significantly reduces the level of punishment received. However, when the cover-up is not successful, players B impose an additional penalty for the concealment attempt. In other words, player A's manipulation of information significantly increases punishment (with both the procedure choice and the allocation held constant); substantiating that hiding intentions is considered unfair. We suggest that this punishment may be traced back to the fact that successful concealment disallows affected parties to reciprocate according to the specifics of the case at hand. When it comes to the level of punishment, the aspects of fairness dealt with in the prior literature are also important in our study. More specifically, punishment in our experiment depends on the outcome (i.e., whether or not an equal allocation results), on the first-mover's intentions[4] (i.e., whether or not the unkind procedure was chosen), and on the attempt to cover-up intentions.

Our paper proposes a typology of subjects according to whether they are concerned about outcomes, intentions, and/or the hiding of intentions. We find that the majority of subjects display outcome-based as well as intention-based preferences. Interestingly, some subjects treat cover-up attempts differently than unkind intentions, allowing the conjecture that they represent a behavioral category of their own in our setting.

The remainder of the paper is organized as follows. The next section briefly discusses the related literature. Section 3 introduces the experimental design. Section 4 offers behavioral predictions. Section 5 presents the results, and Section 6 concludes.

2. Related literature

The present research contributes to the discussion on fairness preferences. Early contributions to this line of research have emphasized that people dislike unequal allocations, that is, people have preferences regarding the distribution and may take steps to prevent advantageous or disadvantageous inequity (Bolton and Ockenfels 2000; Fehr and Schmidt 1999). Charness and Rabin (2002) present a critique of this explanation, stressing the importance of efficiency and reciprocity concerns. Dufwenberg and Kirchsteiger (2004) and Sebald (2010) follow the lead of Rabin (1993) and discuss fairness incorporating the intentions that made a distribution come about while abstracting from distributional preferences. Lastly, Cox et al. (2007), Falk and Fischbacher (2006), Krawczyk (2011), and Trautmann (2009) present frameworks with a combined focus on both outcomes and intentions.

The different attempts at describing social preferences have been extensively tested. Falk et al. (2008) provide evidence in favor of the conjecture that both outcomes and intentions impact fairness.[5] Bolton et al. (2005) and Charness and Levine (2007) consider the scenario in which an allocation is determined by the first-mover's choice and a move of nature. In Charness and Levine (2007), a worker's wage is co-determined by the employer's choice and luck, such that a given wage level may be the result of either a generous employer and bad circumstances or a miserly employer and good circumstances. Importantly and in contrast to our setting, the second-mover has complete information (i.e., he or she knows the wage offered by the employer). The researchers show that –with the level of the effective wage held constant – workers repay a high wage offer by the employer with high effort and punish a low wage offer with low effort; that is, they exhibit behavior responsive to their employers' intentions. Bolton et al. (2005) study procedural fairness, finding that a fair procedure may substitute for a fair outcome and that randomness itself must be perceived as fair. The subjects in the study by Rand et al. (2015) play a repeated game in which intended actions are implemented with error but always known by the other player. The authors find that most subjects condition exclusively on intentions. In contrast, Cox and Deck (2006) study versions of a simple trust game and do not find that trustees in a treatment in which the trustor's decision was always implemented behave differently from trustees in a treatment in which the trustor's decisions were potentially reversed by nature. The key contribution of our paper to this literature lies in allowing subjects to hide their intentions and to let other subjects penalize this cover-up.

Our design allows subjects to hide their intentions from other subjects. Hiding intentions is different from lying about intentions. More generally, trying to conceal something is in many ways (e.g., morally) different from knowingly misrepresenting something. Lying is attracting great interest by experimentalists recently (see, e.g., Fischbacher and Föllmi-Heusi 2013 for an important contribution and Rosenbaum et al., 2014 for a survey). In the experimental setups considered, dishonesty has a direct monetary benefit but may entail some lying costs. In our setup, hiding intentions is costly and can only possibly produce a monetary benefit when the other party's punishment is higher for unkind intentions.

Whereas in our setup, the first-moving subject has complete information about all consequences of decisions to be made, subjects in Bartling et al. (2014) and Conrads and Irlenbusch (2013) can remain willfully ignorant about the possible negative consequences of their actions for others. For example, Bartling et al. (2014) use modified dictator games and show that willfully ignorant dictators receive lower sanctions than informed dictators when an unfair outcome results but higher sanctions when fair outcomes result. Our paper focuses on punishment for people who have knowingly and intentionally chosen to inflict negative consequences on others and have tried to hide their intentions. Van der Weele et al. (2014) present evidence indicating that reciprocal behavior is not much influenced by the presence of moral wiggle room, something that has been shown to be important in dictator game settings (e.g., Dana et al., 2007, DellaVigna et al., 2012).

Our experimental design allows second-movers to punish first-movers in order to convincingly establish how second-movers perceive the hiding of intentions. Leibbrandt and López-Pérez (2012) have considered different motives for second-party and third-party punishment, arriving at the conclusion that inequity aversion and selfish preferences best explain their results. In contrast, our results clearly show that people focus significantly on intentions and possible attempts to hide intentions when determining punishment. To the best of our

[4] Accordingly, our data is inconsistent with theories that relate fairness perceptions either solely to outcomes (e.g., Fehr and Schmidt 1999) or intentions (e.g., Dufwenberg and Kirchsteiger 2004). Instead, our evidence (like that presented by Falk et al. 2008) speaks in favor of understanding fairness as something influenced by both outcomes and intentions.

[5] Falk et al. (2003) similarly provide evidence that cannot be dovetailed with an exclusive focus on outcomes.