



Perceived motives and reciprocity

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ABSTRACT

In reciprocal interactions, both genuine kindness and self-interested material gain may motivate socially beneficial actions. The paper presents results from two experiments that distinguish the role of perceived motives in reciprocal decision making from the role of outcomes or perceived intentions. The results indicate that positive reciprocity triggered by the same beneficial action is lower when the first-mover is more likely to be motivated by strategic incentives. Therefore, stronger incentives for beneficial behavior may not increase total welfare.

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1. Introduction

An action that yields a beneficial outcome for others can be altruistically or strategically motivated.² Consider a man who lends money to his nephew with the intention of helping him with his college payments. On the one extreme, this act may be entirely motivated by altruism, with no expectation of reciprocity. On the other extreme, the man may be motivated by his intention to elicit a larger material favor from his nephew in the future and would not have helped him without this strategic motive. Does the nephew's inference about his uncle's motives influence how he reciprocates?

Economists have conjectured that perceived motives influence kindness perceptions and reciprocal decision making. Bellemare and Shearer (2011, p. 861) speculate that gifts “clearly in the short-term interests of the firm” may not be perceived as kind. Rabin (1998, p. 22) notes that “a crucial feature of the psychology of reciprocity is that people determine their dispositions toward others according to motives attributed to these others.... If you think somebody has been generous to you solely to get a bigger favor from you in the future, then you do not view his generosity to be as pure as if he had expected no reciprocity from you.” As discussed in more detail in the next section, the impact of perceived intentions on

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² The distinction between strategic versus altruistic motives in reciprocal interactions—and, relatedly, intrinsic and instrumental reciprocity—has been recognized in prior literature (Cabral et al., 2014; Dreber et al., 2014; Gneezy et al., 2000; Reuben and Suetens, 2012; Segal and Sobel, 2008; Sobel, 2005).

reciprocal behavior has been a topic of great interest. Although perceived *motives* are likely central to kindness attributions, the experimental literature is silent on whether these perceptions matter for reciprocal behavior, possibly due to challenges in experimentally identifying the impact of perceived motives from that of perceived intentions.

Intentions and motives, while related, are distinct constructs. Intention refers to *what* an individual meant his or her action to yield as a consequence. The theoretical work on sequential reciprocal interactions has defined the kindness of a first-mover's intention as depending on (i) the voluntariness of the action and (ii) how he thought his action would affect the utility of the second-mover in equilibrium (Dufwenberg and Kirchsteiger, 2004; Falk and Fischbacher, 2006).³ In contrast, motive refers to *why* the individual wanted to achieve the intended consequence. As the opening example demonstrates, different motives may drive the same intent. The distinction between intent and motive is not merely a semantic one, as demonstrated by its role in psychological attributions (Kelley, 1973; Ross and Fletcher, 1985) and its relevance in criminal law.⁴

In this paper, I examine whether perceived motives influence reciprocal behavior above and beyond the actualized consequences and perceived intent of an action. I present treatments that manipulate beliefs about the first-mover's strategic motive without generating confounding movements in perceived intentions and without the need to deceive subjects about the nature of the interaction. The experiments also elicit second-order beliefs and inferences about a first-mover's altruism that support the hypothesized impact of perceived motives by revealing players' mental models and providing evidence for their strategic thinking.

In related work, Stanca et al. (2009) and Johnsen and Kvaloy (2016) show that the degree of positive reciprocity triggered by the first-mover's helpfulness is higher in treatments in which the first-mover mistakenly believed that he could not materially benefit from being helpful compared with treatments in which the first-mover knew that second-movers could positively reciprocate. However, it is unclear whether the differences in reciprocity are driven by a reaction to perceived motives or to perceived intentions. In treatments in which the first-mover may harbor expectations of rewards for being helpful, he is more likely to be strategically motivated rather than intrinsically motivated by altruism. However, because rewards come at a cost, his helpful action is associated with worse expected material consequences for the second-mover, and therefore the helpful action is perceived to be driven by less kind intentions (Dufwenberg and Kirchsteiger, 2004; Falk and Fischbacher, 2006). Therefore, varying perceptions about whether the first-mover expected rewards for his helpful action, while intuitively in line with the example of the uncle helping his nephew with college tuition payments, produces confounding movements in both perceived intent and perceived motive. Instead, the identification strategy used in this paper rests on manipulating what the first-mover expects to lose by not being helpful. When the helpful action is strategically motivated to avoid punishment, it also protects the second-mover from a worse expected material payoff that she would have obtained due to having levied a costly punishment, and thus the intention of the first-mover cannot be perceived as less kind. Therefore, lower degrees of positive reciprocity when strategic motives are perceived as being stronger cannot simultaneously be explained by an account of intentions.

To demonstrate, consider two firms, one in California and one in Texas, that each install special filters in their factories. Both firms expect the filters to decrease employees' exposure to air pollutants, and both desire this outcome. Therefore, both firms intend to improve working conditions. However, the California firm is motivated mainly by the fear that its employees will strike if it does not install the filter, while the Texas firm is motivated mainly by a concern for its employees' well-being. All else being equal, how will the employees view and react to their respective firm's actions? A consideration of motives would clearly identify the Texas firm's action as kinder than that of the California firm, and one could conjecture that employees of the Texas firm may be more likely to oblige a request to work over the weekend if needed. Intent alone, however, cannot capture this intuition, as both firms expect and desire to bring about the same consequence.⁵

I present data from two main experiments that share the same identification strategy in the context of a two-player reciprocal interaction. The results show that reciprocation hinges on whether the beneficiary believes that the benefactor made a sacrifice for strategic reasons or out of altruism. Fixing the first-movers' intentions about the impact of his helpful action on the second-mover, in cases where second-movers can punish, first-movers are more likely to be helpful, but second-movers are less likely to positively reciprocate. Moreover, the within-person data on beliefs provide direct support for the proposed mechanism of perceived motives. Second-movers become more likely to reward the first-mover's helpful action the more they expect that the first-mover would have been helpful even in the absence of a strategic incentive. Several robustness treatments prove that these findings are not driven by menu-effects and are robust to many variations in experimental design, including variations in the type of decisions, whether beliefs are elicited, whether actions are elicited directly or via the strategy method, and whether the treatments are within- or between-subjects.

The findings have important implications for contract design. The welfare gains achieved in reciprocal interactions depend not only on the initial action but also on the degree of reciprocity it triggers from the other party. Prior studies have shown that people tend to reward helpful actions and punish hurtful ones and that these responses can lead to large welfare gains

³ Henceforth, for simplicity, the male pronoun is used to refer to the first-mover and the female pronoun is used to refer to the second-mover.

⁴ Criminal courts must determine a defendant's intent behind an action that caused harm to another. Did the defendant expect his or her conduct to cause harm to the victim and desire this outcome? The court also must establish the defendant's motive. Was the intentional harm inflicted in self-defense, or was it fueled by revenge? The intent element of a crime may exist without any malicious motive—or may even exist with a perceived benevolent motive, as in the case of mercy killing.

⁵ The predictions of intention-based reciprocity models are formally derived in Experiment 1, which closely resembles this example.

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