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When foul play seems fair: Exploring the link between just deserts and honesty[☆]

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ABSTRACT

The distributive justice norm of "just deserts"—i.e. the notion that one gets what one deserves—is an essential norm in a market society, and honesty is an important factor in economic and social exchange. We experimentally investigate the effect of violations of the distributive justice norm of "just deserts" on honesty in a setting where behaving dishonestly entails income redistribution. We find that the violation of the just deserts norm results in a greater propensity toward dishonesty. We then test a more general proposition that violations of just deserts induce dishonesty, even in cases where dishonesty does not have redistributive consequences. Our results confirm this proposition but only for cases in which the violation of just deserts also entails income inequality.

"If people feel that they are taken advantage of, why should they not rip off the system in return?"— Elster (1989)

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1. Introduction: honesty and just deserts

Norms play a crucial role in the functioning of any socio-economic system. In particular the norms of trust and honesty are important norms for economic, political and legal development (Guiso et al., 2008; Uslaner, 2008; Rose-Ackerman, 2001; Rothstein and Uslaner, 2005; Zak and Knack, 2001; Mazar and Ariely, 2006) as they reduce the riskiness of market transactions in a world of uncertainty and incomplete contracts (Robert and Arnab, 2013). While trust and honesty help facilitate market exchange, a market economy paradigmatically relies on a meritocratic equity norm or *just deserts*—i.e. the notion that one gets what one deserves—to give legitimacy to the inequality of the distribution of income in society (Miller, 1979; Arnold, 1987; Mankiw, 2010). The presumption of this norm is that one deserves the income one has, as a function of merit. We define merit as productivity (the result of skill plus effort), adopting the economic approach of rewarding merit on the basis of consequences: actions are to be rewarded for the good they do, so that incentives are well defined to produce a more efficient society in the long run. While the belief in the extent to which just deserts *should* play a role in the distribution of income within a society varies across individuals in large part as a function of political ideology (Lewin-Epstein et al., 2003; d'Anjou and Steijn, 1995; Mitchell et al., 2003), and context (Scott and Bornstein, 2009), most individuals in advanced industrial societies support the principle of merit as one (perhaps among several) criterion in decisions regarding distributive justice (Scott et al., 2001; Kunovich and Slomczynski, 2007).

In this study, we investigate the relationship between these norms: honesty on the one hand, and just deserts on the other. Our principal hypothesis is that violations of the norm of just deserts encourage and justify dishonest behavior as a corrective mechanism against meritocratic inequity, inducing those who feel that the system is inequitable, to "rip it off" in turn. To test our hypothesis, we conduct two earned-income laboratory experiments in which we manipulate the just deserts and inequality of the payoffs from a real effort task as a function of performance relative to the median. In Experiment 1, we focus on a specific setting where dishonesty is instrumental to redistribute income between a person who benefited from inequity and another who did not. The aim is to study the interplay between inequity, dishonesty and distributional concerns.[1] In the experiment, we pair high-performing subjects with low-performing subjects, allowing the high performers to record the outcomes of a series of private signals in which a misrepresentation of the signals can materially benefit the high performer at the expense of the low performer. High-performing but rule-disadvantaged subjects in the inequitable conditions are expected to behave more dishonestly in order to restore distributional justice. In Experiment 2, we test a more general proposition that the mere experience of inequity induces more dishonesty quite independently from redistributional concerns. The experimental setting is analogous to the one used in Experiment 1 except that subjects are not matched in pairs. Hence, in Experiment 2, the misrepresentation of the signals does not affect others' earnings.

Our experimental design brings together two growing trends in experimental and behavioral economics: experiments on dishonesty and lying behavior, the majority of which follow the paradigms laid out in Gneezy (2005) and Fischbacher and Föllmi-Heusi (2013), and real-effort experiments in which income (or a privileged role) is "earned" by performance on a quiz or task embedded in the experiment (Hoffman et al., 1994; Ruffle, 1998; Rutström and Williams, 2000; Jakiela, 2011; Esarey et al., 2012; Balafoutas et al., 2013; Durante et al., 2014).

The rest of the paper is organized as follows. In Section 2, we briefly survey the related literature. In Section 3, we describe the experimental design and the behavioral predictions of Experiment 1. In Section 4 we show and discuss the results. Section 5 reports the experimental design, predictions and results of Experiment 2. Section 6 concludes.

2. Related literature

There is extensive evidence that individuals care not only about the nature of the final distribution of income but also about the procedures that brought it about (e.g. Rabin, 1993; Hoffman et al., 1994; Konow, 1996, 2000; Frey et al., 2004; Bolton et al., 2005; Almås et al., 2010; Dal Bó et al., 2010; Jakiela, 2011; Grimalda et al., 2016). There are numerous theoretical and empirical studies of meritocracy in the behavioral economic tradition, with a number of theoretical conceptions of merit-based equity having been put forth, often combined with experimental tests.

Konow (1996, 2000) develops the "accountability principle" in which individuals are to be held responsible for outcomes under their control but not for factors outside of their control. Schokkaert and Devooght (2003) and Ooghe et al. (2007) develop a similar concept they call "responsibility-sensitive egalitarianism". Cappelen et al. (2007, 2010) manipulate the sources of rewards (i.e., whether they are earned or a result of luck) to test meta-preferences for equity, such as strict egalitarianism, libertarianism and liberal egalitarianism, the latter of which is functionally equivalent to Konow's accountability principle. Though they find heterogeneous preferences among their experimental subjects, there is a preponderance of "liberal egalitarians." Almås et al. (2010) demonstrate, through the use of a modified dictator game, that acceptance of equitable inequality (i.e. inequality generated by differential returns to effort and achievement) tends to develop during early adolescence. Taken together, these results demonstrate that just deserts is an important criterion for establishing the equitability of income distributions. Our study builds on these to investigate the link between (un)just deserts and (dis)honesty.

[1] Previous studies focused on the relationship between procedural fairness and distributional preferences (see next section). The main novelty of our experiment is to test whether this relationship holds in a context where subjects must forgo the honesty norm in order to restore equity.