



# Cooperation and authoritarian values: An experimental study in China



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## ABSTRACT

Using samples of both students and workers in China and comparing democratic decision making (i.e. being able to choose one's rules) to non-democratic decision making (i.e. exogenously imposed rule), we show that Chinese participants cooperate the most in a public goods game under the stylized authoritarian environment. This finding may be surprising in light of previous evidence for a "democracy premium" but is in line with authoritarian norms which are prominent in China. We further show that there is a systematic association between participants' values and their relative contribution decisions in exogenous and endogenous implementation of the rule. Our major finding is that those subjects that place greater value on accepting authority are responsible for greater levels of cooperation under top-down governance. Our findings provide evidence that the effectiveness of a political institution depends on its congruence with individual values and societal norms.

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*And economies that adopt the formal rules of another economy will have very different performance characteristics than the first economy because of different informal norms and enforcement.*

North (1993), Nobel lecture

## 1. Introduction

Institutions are the humanly devised constraints that structure human interaction (North, 1990). They are made up of formal constraints (rules, laws, and constitutions) and informal constraints (norms of behavior, conventions, and self-imposed

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codes of conduct). The interplay of both is said to be important in explaining economic development and especially the successful transformation of societies into market economies. Moreover, North (1990, 1993), Bowles (1998), and Ostrom (2000) pointed out that norms of behavior, values, and tastes evolve within a certain economic, social, ecological, and cultural contexts and their interaction with implemented formal rules or policies is unclear or needs to be evaluated case by case (Ostrom, 2000). Hence, formal rules may perform differently depending on the underlying set of personal values and informal norms. Hay et al. (1996) mention – among several other factors – the importance of achieving congruence between prevailing social norms and laws. Despite the insights from these prominent academics, much political debate still centers on blueprint policy prescriptions and panacea solutions that do not account for local context factors. One reason may be that, to our knowledge, no strong empirical evidence exists to support this conjecture. In this paper, we investigate the interplay of individual values for acceptance of authority and how people with such values perform under democratic decision making (i.e. being able to choose one's rules) compared to non-democratic decision making. Using samples of both students and workers in China, we show that Chinese participants cooperate the most in a public goods game under a stylized authoritarian environment (i.e. exogenously imposed law) that is in line with authoritarian norms, which are undoubtedly very prominent in China.<sup>1</sup> We further show that there is a systematic association between participants' values and their *relative* contribution decisions in exogenous and endogenous implementation of the law. Our major finding is that those subjects that place greater value on accepting authority are responsible for the higher cooperation under top-down governance.

A widespread assumption in economics, political science, development studies, and management science is that institutions that enable participation in decision-making increase the motivation of individuals to cooperate. Empirical evidence from studies on participation in the workplace (Ichniowski and Shaw, 2003; Zwick, 2004), public participation to foster development (Casey et al., 2012), the provision of public goods (Pommerehne and Weck-Hannemann, 1996) or the management of common pool resources (Bardhan, 2000) highlights higher cooperation with the use of democratic principles as well as higher satisfaction among community members in participatory processes (Olken, 2010). The link between participation and positive motivation to cooperate seems straightforward, because agreeing with certain decisions means that the subsequent actions conform to individual preferences. One possible explanation is that democratic participation increases self-determination, a sense of personal control and actors' intrinsic motivation to cooperate with each other (Frey and Oberholzer-Gee, 1997). In contrast, externally imposed policies can crowd-out this intrinsic motivation to cooperate (Bowles, 2008), and a lack of perceived autonomy is a major factor in driving the crowding-out of intrinsic motivation (Deci et al., 1999). Thus, higher levels of democratic participation increase an individual's motivation to cooperate in any given level of social organization, such as common goals shared by the employees of a company or the responsible behavior of a nation's citizens.

There is a growing body of literature in experimental economics that vindicates the higher cooperation under democratically enacted laws (Ostrom et al., 1992; Alm et al., 1999; Walker et al., 2001; Decker et al., 2003; Tyran and Feld, 2006; Ertan et al., 2009; DalBó et al., 2010; Sutter et al., 2010; Kube et al., 2015; Kamei et al., 2015; Markussen et al., 2014). Furthermore, the meta-analysis in social psychology (Foels et al., 2000), covering 19 independent studies, also reports a significant positive effect for democratic leadership in triggering satisfaction and cooperation. Public goods games are the primary tool for studying cooperation in the experimental literature, thus defining cooperation explicitly as the willingness to cooperate in spite of individual incentives to exploit others in order to maximize individual gain (free riding). Sutter et al. (2010: p. 1563) conclude that “*the option of participating democratically in the choice of institutions makes the difference*”.

However, these conventional laboratory studies cannot explore the initial statements by North (1990, 1993) and Ostrom (2000) that formal institutions may lead to different results in terms of effectiveness if they interact with different informal constraints like societal norms and values. Education has fostered normative principles in western societies for decades, which substantiates behavior leading to the positive democracy premium. Thus, a law achieves legitimacy through fair procedures. Additionally, the previous experiments were carried out without eliciting personal values to analyze the determinants of the cooperation-enhancing effect of democracy. We resolve these two shortcomings in our study by combining controlled laboratory experiments (carried out with students and workers), with a broad set of value questions, in order to explain their behavior in the laboratory experiment.

Besides the rational-legal legitimacy stemming from institutional procedures, Weber (1968) mentions that legitimacy may also be derived from traditions and charismatic leadership. While in Western democracies, fair procedures such as majority voting are seen as a way to legitimize authority, one of the most conspicuous examples of distinct normative foundations is the decades-long debate over East Asian societies, in particular China, Japan, and Korea, often conflated under the term “Confucian societies”. These societies apparently support a long tradition of authoritarian paternalism in enterprise management, government, family and the educational system (Farh et al., 2008; Liu et al., 2010). Empirical support for this hypothesis has been garnered by large-scale value surveys, in which those societies score high marks in “collectivism”, “long-term orientation” and “power distance” (Hofstede et al., 2010). According to Hofstede et al. (2010), a high power distance implies that respect for authority is a social norm, there is little discussion and subordinates expect to be told what to do. The GLOBE study on leadership identifies similar “Confucian” values (House et al., 2004), and the study by

<sup>1</sup> We use the term “value” whenever we refer to ideals people have or the desirability of certain actions elicited from survey items at the individual level. We refer to “norms” when we compare behavioral regularities between countries. Norms often support personal values. However, a person can have a relatively low acceptance of authority (value) while living in a country where most people follow hierarchical norms.

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