



# Dishonesty: From parents to children<sup>☆</sup>



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## ABSTRACT

Acts of dishonesty permeate life. Understanding their origins, and what mechanisms help to attenuate such acts is an underexplored area of research. This study takes an economic approach to explore the propensity of individuals to act dishonestly across different contexts. We conduct an experiment that includes both parents and their young children as subjects, exploring the roles of moral cost and scrutiny on dishonest behavior. We find that the highest level of dishonesty occurs in settings where the parent acts alone and the dishonest act benefits the child. In this spirit, there is also an interesting, quite different, effect of children on parents' behavior: parents act more honestly under the scrutiny of daughters than under the scrutiny of sons. This finding sheds new light on the origins of the widely documented gender differences in cheating behavior observed among adults, where a typical result is that females are more honest than males.

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## 1. Introduction

Individuals encounter opportunities to act dishonestly for personal gain in all areas of life. People cheat on taxes, over-charge clients, steal from the workplace, download music and movies from the Internet illegally, and use public transportation without paying the fare. Such 'small scale but mass cheating' (Ariely, 2012) acts have great social and economic costs.<sup>1</sup> In addition to the direct pecuniary cost to business and government, the prevalence of dishonesty has detrimental impacts on the inner workings of modern economies. As expressed by Arrow over three decades ago, "Virtually every commercial transaction has within itself an element of trust ... It can be plausibly argued that much of the economic backwardness of the world can be explained by a lack of mutual confidence" (Arrow, 1972, p. 357).

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<sup>1</sup> For example, recent estimates show that in the U.S., employees are responsible for as much as \$994 billion of annual revenue losses to organizations due to occupational fraud (ACFE, 2008).

While economists have made important strides to explore the prevalence and importance of dishonesty (see, e.g., Gneezy, 2005; Sutter, 2009; Cappelen et al., 2013), understanding how such acts arise and what economic environments attenuate or exacerbate their prevalence is an underexplored area of research. We propose that both moral cost and scrutiny are key features affecting whether or not an individual will act dishonestly, and that these factors yield predictions regarding the influence of various contextual features on dishonest behaviors. We also posit that parental influence on children is one channel through which attitudes towards dishonesty develop.

We designed a field experiment in which parents of 3–6 year-old children have the possibility to increase their payoffs by misreporting the outcome of a private coin toss without being detected. We predict that increased scrutiny results in less dishonesty. To test this prediction, we vary whether the parent's child is in the room during the coin toss. Further, we propose that the moral cost associated with a dishonest act significantly impacts behavior. To evaluate this prediction, we conduct two additional treatments in which we vary whether the payoff is a prize for the child or for the parent.

The effect of “scrutiny” on honesty may arise both because a parent does not want to look like a dishonest person in front of their child and, relatedly, because parents want to transmit positive attitudes towards honesty to their children. For this reason, our empirical examination of the scrutiny effect provides insights into the development of dishonesty.<sup>2</sup> We propose that parents may transmit honest behavior because acting dishonestly imposes a moral cost, which is strongest when the child is nearby. Moreover, our analysis enables us to discover empirically whether existence and size of this scrutiny effect depends on whether the child is a son or a daughter.

Whether parents' impulse for dishonest behavior varies under the scrutiny of sons or daughters is an important empirical question. Studies in economics and psychology have shown adult males to be more likely than females to engage in acts of dishonesty (Alm et al., 2009; Jackson et al., 2002; Ward and Beck, 1990). To study gender differences in the propensity to lie, Dreber and Johannesson (2008) used a sender and receiver game in which the sender has a monetary incentive to send a deceptive message. They found that men lie more than women (55% versus 38%). This result accords well with Houser et al. (2012) who showed that men are more likely than women to incorrectly report the result of a private coin toss.

Field evidence also suggests that men cheat more than women. Data on fare dodging collected in Italy showed that men are more likely to cheat (Buccioli et al., 2013). Females were also found to be more likely to return excess change at a restaurant (Azar et al., 2013) and had weaker cheating intentions on exams (Tibbetts, 1999). Tibbetts' results may suggest that women have a stronger tendency to feel shame from actions that deviate from honesty. That research also finds that men display less self-control, leading them to disobey rules more frequently. Fosgaard et al. (2013) manipulated the moral cost of dishonesty and found that women are more honest than men in situations where the moral cost is higher (see also Friesen and Gangadharan (2012) and Erat and Gneezy (2012) for related results). Understanding parental modeling to sons and daughters is one way to shed light on the documented gender differences among adults.

In our experiment, we observe the highest level of cheating in the setting with low moral cost and no scrutiny: when the parent is alone and the prize is for the child. Overall, we find that parents are more likely to cheat to benefit their child than to benefit themselves. Thus, the impulse to benefit one's child through dishonest acts seems substantially greater than the impulse to benefit oneself in that same way. Importantly, we find that parents cheat less when their daughter is present, but do not change their behavior in front of sons. That is, the impulse to benefit one's daughter through dishonest acts is extinguished by that same daughter's scrutiny, perhaps due to the parent's desire to model honesty. This finding sheds light on the development of the widely documented gender differences in cheating behavior among adults discussed above.

The remainder of our paper is crafted as follows. Section 2 provides our conjectures and discusses related literature in light of the theory. Section 3 describes the experiment design and procedures. Section 4 summarizes findings. Section 5 concludes.

## 2. Background

### 2.1. Related literature

Research on dishonesty, deception, lying and cheating spans many fields including psychology (e.g., Hegarty and Sims, 1978; Beck and Ajzen, 1991; Depaulo et al., 1996; Monin and Jordan, 2009), neuroscience (e.g., Cazzaniga, 1995; Yang, 2005; Harvey et al., 2010; Uddin et al., 2005; Volz et al., 2015) and philosophy (e.g., Green, 2004). Within economics, a growing body of literature has found evidence of individual dishonesty when cheating is unobservable (Erat and Gneezy, 2012; Gneezy, 2005; Fischbacher and Föllmi-Heusi, 2013; Abeler et al., 2014; Buccioli and Piovesan, 2011; Pruckner and Sausgruber, 2011; Cappelen et al., 2013; Houser et al., 2012; Hao and Houser, 2013) and in cheap talk games in the laboratory (Sutter,

<sup>2</sup> Relatedly, scholars have investigated the inter-generational transfer of skills, preferences and attitudes from parents to children. For example, Bisin and Verdier (2001) find paternalistic altruism to underlie parents' transmission of preferences and cultural values to children. Recent data suggest that parents also transmit risk and trust preferences to children (Dohmen et al., 2012).

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