



Objective and subjective compliance: A norm-based explanation of ‘moral wiggle room’



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ABSTRACT

We propose a cognitive-dissonance model of norm compliance to identify conditions for selfishly biased information acquisition. The model distinguishes between objective norm compliers, for whom the right action is a function of the state of the world, and subjective norm compliers, for whom it is a function of their belief. The former seek as much information as possible; the latter acquire only information that lowers, in expected terms, normative demands. The source of ‘moral wiggle room’ is not belief manipulation, but the coarseness of normative prescriptions under conditions of uncertainty. In a novel experimental setup, we find evidence for such strategic information uptake. Our results suggest that attempts to change behavior by subjecting individuals to norms can lead to biased information acquisition instead of compliance.

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1. Introduction

Suppose an individual feels compelled to comply with a norm but is able to influence what she knows about the normatively relevant facts. Can she use her information acquisition choices strategically? For example, imagine a company owner having to decide the size of a voluntary employee performance bonus. The employee is about to leave the company for good and a ‘selfish’ employer would therefore give nothing. However, suppose the owner feels bound by this social norm: ‘if an employee performed well, he ought to be rewarded’. The norm compels the employer to pay a bonus, but the size of the bonus depends on her beliefs about the employee’s performance. In such a situation, the owner may want to find out that the employee performed poorly in order to save money without violating the social norm.

In this paper, we demonstrate that individuals can ‘wiggle’ their way out of normative pressure by strategically acquiring only information that can activate less costly prescriptions. According to our model, these strategic incentives arise if norms prescribe the same action for different degrees of beliefs under conditions of uncertainty. Our analysis thereby reveals the important but so far largely neglected role of uncertainty in models of norm-compliance. We also offer experimental evidence that individuals strategically select normatively relevant information.

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We first provide the intuition for the theoretical mechanism we have in mind before turning to a formal analysis. To continue the introductory example, assume the employee has worked in a customer service function, and the employer, unable to observe the employee's performance directly, has to ask clients to learn whether the employee performed well. To find out, she can contact two different clients for references: one known to be a friend and one known to be a foe of the employee. Both are honest but have a poor response rate when being asked for reference. First, if the employee's performance was good, the friend sometimes replies with a positive report and sometimes fails to respond. The foe never responds to avoid saying anything positive. Second, if the employee's performance was bad, the friend never responds to avoid saying anything negative. The foe sometimes replies with a negative report and sometimes fails to respond. In other words, the employer has the option to choose one or two types of probabilistic signals about the employee's performance. Each signal can only lead to certainty for one of the two possible states of the world as displayed in this table:

		employee's performance	
		good	bad
reference from	friend	'good' or no response	no response
	foe	no response	'bad' or no response

In a formal model, we derive two jointly sufficient conditions under which asking only the foe is an attractive way to save norm-compliance costs. First, the employer must interpret the norm in a 'subjective' sense, so that complying with the norm means doing the action that is consistent with her beliefs about performance (rather than with what is factually the case). Only if the demandingness of the norm (the cost of complying with the norm prescription) depends on beliefs is it worthwhile to manipulate the beliefs by strategic information selection.¹ By contrast, if the employer interprets the norm in an 'objective' sense, the prescription does not depend on beliefs and the strategic incentives vanish. Second, for strategic information selection to arise, it also has to be the case that the action prescribed by the norm only changes once the employer becomes (near) certain about the employee's performance.² The demandingness of the norm is thus quite insensitive to changes in beliefs (as long as they do not approach certainty). We later introduce the notion of 'coarse-grained' norms to capture this property formally. If the two conditions are met, choosing to ask only the foe is attractive: If the foe responds, it lowers the normative demand, allowing the employer to give less; if the foe does not respond, the normative demand remains unchanged. We also test the implications of our model experimentally with a normatively framed dictator game with optional information choice, similar to the bonus payment example introduced here.

The phenomenon we are interested in is often framed in terms of 'strategic ignorance'. The seminal paper by Dana et al. (2007, 'DWK' from now on) shows that uncertainty over the receiver's payoff increases 'selfish' dictator choices. Strikingly, in DWK's experiments the uncertainty can be resolved costlessly, but most dictators with selfish behavior decide to remain ignorant, suggesting that these dictators 'have an illusory preference for fairness' and 'dislike appearing unfair' (DWK, p. 67). Grossman and van der Weele (forthcoming) offer a formal model for such strategic ignorance. It suggests that DWK's dictator information avoidance is driven by self-image concerns in a Bayesian preference-signaling model, building on earlier work by Bénabou and Tirole (2006, see also 2011). An agent cares about his own payoff, to varying degrees about the payoff of others, and about his self-image as an altruistic person, signaled by the actions performed. The agent can choose whether or not to commit to a costly prosocial action with a potential welfare benefit. Grossman and van der Weele show the existence of an equilibrium in which agents with limited altruism decide to remain ignorant and refrain from acting prosocially. Crucially, among the ignorant agents some would act prosocially if they knew with certainty about the positive social benefits. The results are driven by the fact that the signal about the agent's type is stronger if the agent fails to engage in an action with certain rather than only potential welfare benefits.³ Grossman and van der Weele's model (like all self-signaling models, starting with Bodner and Prelec, 2003), crucially hinges on the assumption of a *dual* self, such that one self is relatively more informed about the agent's type than the other self.⁴ Feiler (2014) offers an explanation of DWK's results based on the model of moral preferences and moral constraints by Rabin (1995): Agents following a moral rule have incentives to 'manipulate' their beliefs to circumvent the constraints imposed by this rule. Matthey and Regner (2011) provide yet another explanation for strategic ignorance. They argue that ignorance is attractive because it lowers the cost of deceiving oneself about what one ought to do.

¹ We will use the terms 'demandingness of the norm,' 'demand of the norm' and 'normative demand' interchangeably. We also use the terms 'demanding' and 'undemanding' to compare norm compliance costs. With respect to the selfish employer, the demandingness increases if the norm prescribes a higher bonus payment. More generally, the demandingness of the norm rises if the action it prescribes is further apart from the action that would maximize utility if there was no normative prescription.

² We thank an anonymous referee for helping us to clarify this.

³ Two experimental tests provide support for their model: Moral ignorance is strategically more valuable before a choice is made and some agents are willing to pay for remaining ignorant.

⁴ When taking decisions, the agent weighs in and anticipates which inference the uninformed self will draw about the agent's type. Conceptually, we can think of the uninformed self as a future self with imperfect recall about the underlying motivation behind past choices. The present self, being aware of the future self's forgetfulness, tries to manipulate the latter's inference. While the authors stress the importance of self-image concerns, it should be noted that the model stays formally the same when the observer is another person, turning it into a social-image model.

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