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Lying about luck versus lying about performance☆

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ABSTRACT

I compare lying behavior in a real-effort task in which participants have control over outcomes and a task in which outcomes are determined by pure luck. Participants lie significantly more in the random-draw task than in the real-effort task, leading to the conclusion lying about luck is intrinsically less costly than lying about performance.

1. Introduction

People react differently to outcomes that are gained by luck than to those over which they have control, such as choices or performance. Evidence from fairness research shows that experimental participants are often willing to accept inequalities that result from effort, but they tend to redistribute when inequalities are due to luck (e.g., Konow, 2000; Cappelen et al., 2007; Almås et al., 2016). Cappelen et al. (2013) show people redistribute between lucky and unlucky risk-takers (differences in luck), but not between risk-takers and participants who choose the safe alternative (differences in choices). Experimental participants are also more generous when their endowment is randomly assigned than when it is earned with effort. Cherry et al. (2002) find that in a dictator game, dictators who bargain over earned wealth rather than unearned wealth are more selfish. Gravert (2013) shows participants who gained their payoff by merit are more likely to steal at the end of the experiment than participants with a randomly assigned payoff. Finally, low offers generated by bad luck are less likely than intentionally chosen low offers to be punished in an ultimatum game and other games involving reciprocity (see Blount, 1995; Charness, 2004). This literature demonstrates that participants in experiments are not consequentialists concerning fairness, risk outcomes, altruism, and reciprocity, but they do care about the way the outcomes come about.

In this paper, I study a related question regarding luck versus performance in the domain of lies. In particular, I compare lying about private outcomes in two different environments—a real-effort task (performance) and a random-draw task (luck).

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In both cases, lying regarding the private outcome increases the decision maker's payoffs. A large literature discussed below shows people have an intrinsic cost of lying, and in many cases, prefer to tell the truth even when lying would earn them more money. Would this cost of lying depend on how the private outcome was determined? By comparing lying behavior in a real-effort and a random-draw task, I measure how the way an outcome comes about affects lying.

In the real-effort task, based on Mazar et al. (2008), participants are asked to solve a set of 20 matrices in private and later report the number solved to the experimenter. The participants receive payment based on a piece rate per solved matrix. I infer lying by comparing the reported success in a private task treatment in which the experimenter does not observe the actual outcome with a baseline treatment in which performance is observed under the same incentives.

By contrast, in the random-draw task, based on Fischbacher and Föllmi-Heusi (2013), the outcome is determined by luck. Participants receive an envelope with 100 folded pieces of paper that have numbers from 1 and 20 on them, and are asked to take out one piece of paper in private and report the number to the experimenter. The participants receive a payment based on the number reported, where higher numbers result in higher payoffs. In this task, lying is inferred by comparing the expected distribution of reports with the actual distribution of reported numbers.

Economics research over the last several years has extensively studied lying. The literature shows that the propensity to lie depends on the elements of the decision task (e.g., Gneezy, 2005; Mazar et al., 2008; Fischbacher and Föllmi-Heusi, 2013; Abeler et al., 2014; Cohn et al., 2014; Kajackaite and Gneezy, 2017, Abeler et al., 2016, Gneezy et al., 2018). Additionally, in some of these experiments, participants have the opportunity to lie partially by reporting a higher but not the maximal outcome or lie to the full extent. In some tasks, such as the real-effort task by Mazar et al. (2008), participants mostly lie only partially. In other tasks, such as the random-draw task by Fischbacher and Föllmi-Heusi (2013) (see Abeler et al., 2016, for a review), people lie both partially and to the full extent.

In this paper, I hypothesize that the way outcomes are determined causes different lying behaviors in the random-draw and real-effort tasks. Research in psychology shows that people are reluctant to attribute a negative outcome to bad luck when they can blame a more tangible aspect of the event (see Creyer and Gürhan, 1997). In line with this finding, lying about a low outcome in the random-draw task can be attributed to bad luck, but blaming luck when working on a task and delivering a low output in the real-effort environment is harder.

Furthermore, in the spirit of the Norm Theory by Kahneman and Miller (1986), random draws contain a high level of mutability—imagining an outcome being different is easy; for example, one could have taken out several numbers from the envelope. The real-effort task, by contrast, has a low level of mutability—imagining a different outcome is hard after actually working on the task for a period of time. Evidence from experiments involving lying show that higher mutability of the outcome is associated with reporting of better outcomes (Batson et al., 1997; Shalvi et al., 2011; Shalvi et al., 2012; Shalvi et al., 2015).

Based on differences in attribution of bad luck and mutability in real-effort and random-draw tasks, lying about a random outcome might have a lower intrinsic lying cost than lying about performance. As a consequence, the hypothesis of this paper is that some participants will choose not to lie or to lie only partially in a real-effort task, whereas they might decide to lie and lie to the full extent in the random-draw game. In line with this hypothesis, I find participants lie significantly more in a random-draw task than they do in real-effort task. I conclude that lying about luck is less intrinsically costly than lying about performance. More generally, I show that the way outcomes are determined affects the decision to lie and the magnitude of that lie.

2. Experimental design and procedure

In the experiment, I use a between-subjects design with four treatments, varying the nature of the task (real-effort vs. random-draw), the possibility to cheat, and the information provided. Whereas the first two treatments serve as controls, the last two show how lying differs depending on whether the outcome results from luck or performance.

In the first treatment, “Real-Effort Control I,” based on Mazar et al. (2008), participants receive an envelope containing a sheet with 20 matrices, each consisting of 12 three-digit numbers, and are asked to find two numbers adding up to 10 in each of the matrices. The full set of instructions can be found in the Appendix. After finishing the task, participants are asked to report the number of solved matrices on a sheet of paper, and the experimenter checks how many are solved correctly. Participants receive 50 cents per correctly solved matrix. Note that if the participant makes mistakes when solving matrices, the number of correctly solved matrices, rather than the reported number, determines the payoff.

In the second treatment, “Real-Effort Control II,” the instructions are the same as in the Real-Effort Control I, but in this case, participants have the possibility to cheat. Instead of letting the experimenter check the matrix sheet, participants are told to put the sheet back in the envelope and go to the other side of the room and shred the envelope in private. They then receive 50 cents per correctly solved matrix, according to the report they give the experimenter. By comparing the distribution of reported outcomes in this treatment to that in the Real-Effort Control I treatment, one can infer whether the reports are, in expectation, true.

The third treatment, “Real-Effort,” is the same as the Real Effort Control II treatment but contains additional information to make the treatment comparable to the random-draw treatment described below. Participants are informed that of 100 participants in a previous similar experiment (Real-Effort Control I) X solved Y matrices, Z solved W, and so on. Thus, in this treatment, participants know the expected outcome in the real-effort task.