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Nobody likes a rat: On the willingness to report lies and the consequences thereof

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ABSTRACT

We investigate the intrinsic motivation of individuals to report, and thereby sanction, fellow group members who lie for personal gain. We further explore the changes in lying and reporting behavior that result from giving individuals a say in who joins their group. We find that enough individuals are willing to report lies such that in fixed groups lying is unprofitable. However, we also find that when groups can select their members, individuals who report lies are generally shunned, even by groups where lying is absent. This facilitates the formation of dishonest groups where lying is prevalent and reporting is nonexistent.

1. Introduction

Reporting the deceptive behavior of others is an act that arouses conflicting opinions. Children are scolded for being "tattle-tales" and "snitch" is a common derogatory term. Yet this act can also be deemed praiseworthy, as in the case of whistleblowers or crime informants. In this paper, we study people's intrinsic motives to report on others' lies and evaluate the potential consequences.

A growing body of research focuses on deception and the inclination of some people to tell the truth despite it being in their material interest to lie (Ellingsen and Johannesson, 2004; Gneezy, 2005). For instance, Gibson et al. (2013) and Gneezy et al. (2013) demonstrate that individuals are averse to lying (to varying degrees) but can be tempted to lie when doing so is profitable enough.[1] We extend the literature on lying aversion by studying the willingness to uphold truth telling by punishing and disassociating oneself from people who lie.

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[1] Other experimental studies on lying include Charness and Dufwenberg (2006, 2010), Cai and Wang (2006), Fischbacher and Heusi (2008), Vanberg (2008), Hurkens and Kartik (2009), Lundquist et al. (2009), Sutter (2009), Rode (2010), López-Pérez and Spiegelman (2012), Erat and Gneezy (2012), and Jiang (2013).

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We run a laboratory experiment in which subjects play a repeated "whistleblowing" game. In each repetition of the game, subjects draw a random number that corresponds to their "true" earnings. Subsequently, they have the opportunity to overstate their earnings, which increases their payoff. Importantly, subjects are divided into groups within which they can observe each other's true and stated earnings. If lying occurs, subjects have the opportunity to report their group and thereby sanction lying subjects. Reporting others does not bestow monetary benefits. This game mimics situations where lying is individually profitable but heavily sanctioned by a central authority that relies on individuals within the organization to report it—e.g., because monitoring is prohibitively expensive.

Some evidence suggests that people do sanction those who tell *them* lies (Brandts and Charness, 2003; Croson et al., 2003; Sánchez-Pagés and Vorsatz, 2007, 2009; Eisenkopf et al., 2011; Angelova and Regner, 2013). However, in these studies, lies are to the detriment of the people being lied to and therefore, lying also conveys an intention to hurt the person that is subsequently making the decision to punish. In this study, we test the willingness to punish liars even when lies do not affect the pecuniary interest of, and are not directed at, potential punishers. If punishment occurs in this setting, it indicates that individuals consider lying per se as behavior that deserves to be sanctioned.

We also evaluate the consequences of reporting lies. One can reasonably expect that people welcome those who sanction liars. However, empirical evidence indicates that this is not necessarily the case. Dyck et al. (2010) demonstrate that the career prospects of employees who report corporate malfeasance are so dismal that it is surprising that people whistleblow at all. Similarly, strong community norms against reporting others—epitomized by the phrase "snitches get stitches"—have been documented by journalists and academics (Brown, 2007; Kahn, 2007). These reports point to fear of ostracism and punishment by their peers as a major reason why people do not report others' wrongdoings (Whitman and Davis, 2007). We incorporate such peer effects into the experiment by giving subjects a say in who joins their group. Specifically, occasionally, subjects are randomly removed from their group, and for them to rejoin a group, they must be unanimously accepted by the group's current members. Group members are informed of displaced subjects' past behavior, allowing us to determine whether subjects avoid or welcome people who report lies. Crucially, to determine the importance of these effects in the overall amount of lying and reporting, we run another treatment without voting where displaced subjects rejoin groups at random.

Field research that explores the causes and motivations to report lies faces a complex task due to extrinsic incentives and selection effects (Bowen et al., 2010; Schmidt, 2005). By comparison, our experimental setting is ideal to control these selection effects and to isolate the intrinsic motivations to report lies.

2. Experimental design and procedures

2.1. The whistleblowing game

For simplicity, we describe the whistleblowing game with the parameters used in the experiment. Consider a "society" composed of $i = 1,\ldots,12$ individuals and $g = 1,\ldots,3$ organizations. Each organization g is staffed by $n_g \in \{2,3\}$ individuals. The game is played repeatedly for nine periods and each period is divided into two stages. In the first stage, each individual observes her "true" earnings t_i, which are independently drawn from a uniform distribution with support $[0,T_g]$ where T_g are the maximum earnings in i's organization g. The value of T_g increases with the size of the organization: $T_g = 300$ points for organizations of $n_g = 3$ and $T_g = 225$ points for organizations of $n_g = 2$. After observing t_i, each individual simultaneously decides on the earnings she wishes to state s_i. Individuals are free to state any feasible earnings $s_i \in [0,T_g]$. Barring any sanctions, an individual's payoff equals her stated earnings and not her true earnings. In the second stage, individuals observe both the true and stated earnings of everyone in their organization and simultaneously decide whether they wish to report their organization. If at least one individual reports, the organization is inspected and all individuals who overstated their earnings (chose $s_i > t_i$) are sanctioned by three times the overstated amount.[2] Hence, the payoff of individual i of organization g in a period equals $\pi_i = s_i - 3(s_i - t_i)$ if g is inspected and $s_i > t_i$, and $\pi_i = s_i$ otherwise. At the end of the second stage, individuals are informed of the payoff and actions of all individuals in their organization.

Next, we describe how organizational membership is determined. At the beginning of the game, all individuals in the society are randomly assigned to one of the three organizations. However, after periods 3 and 6 one individual in each organization of $n_g = 3$ is randomly separated from her organization.[3] Before play resumes, everyone in the society observes the following information of each separated individual: (i) their mean stated earnings over the last three periods, (ii) whether they reported their organization in the last three periods, and (iii) whether they were sanctioned for overstating their earnings in the last three periods. We implement two treatments. In *Random*, all separated individuals are randomly reassigned to organizations. By contrast, in *Selection*, separated individuals must be accepted into organizations by a unanimous vote. Specifically, individuals indicate whether they accept or veto each separated individual. Thereafter, separated individuals are randomly assigned among the organizations that unanimously accepted them. If no such organization exists, the individual remains separated for three periods during which she does not receive or state earnings and obtains a payoff of $\pi_i = 0$ points. Meanwhile, organizations of $n_g = 2$ play with reduced maximum earnings of $T_g = 225$ points.

[2] By design, reporting was not possible in fully truthful organizations.

[3] To avoid organizations form disappearing, organizations of $n_g = 2$ do not lose members.