



# Are happier people less judgmental of other people's selfish behaviors? Experimental survey evidence from trust and gift exchange games



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## ARTICLE INFO

### Article history:

Received 3 March 2014

Revised 26 June 2015

Accepted 27 July 2015

Available online 17 August 2015

### JEL:

C91

### Keywords:

Happiness

Moral judgments

Trust games

Gift exchange games

## ABSTRACT

What determines people's moral judgments of selfish behaviors? Here we study whether people's normative views in trust and gift exchange games, which underlie many situations of economic and social significance, are themselves functions of positive emotions. We use experimental survey methods to investigate the moral judgments of impartial observers empirically, and explore whether we could influence subsequent judgments by deliberately making some individuals happier. We find that moral judgments of selfish behaviors in the economic context depend strongly on the behavior of the interaction partner of the judged person, but their relationships are significantly moderated by an increase in happiness for the person making the judgment.

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## 1. Introduction

In this paper, we employ experimental survey methods to address two research questions: first, are moral judgments a function of positive emotions? And second, do changes in subjects' positive emotions affect their moral judgments toward selfish actions in trust and gift exchange games? The use of questionnaire and survey methods to analyze individuals' views on distributive justice and redistributive policy has attracted the interest of many economists.<sup>1</sup> The empirical analysis of individuals' normative views is an important issue as it may be relevant to the explanation and the understanding of individuals' actual behaviors (e.g. Sen, 1982). One of the normative views that has received scant attention in the economics literature is the moral judgments of individuals, which can be defined as "evaluations (good vs. bad) of the actions or character of a person that are made with respect to a set of virtues held to be obligatory by a culture or subculture" (Haidt, 2001: p. 817). In a seminal study of moral judgments in economics, Cubitt and co-authors (2011) show, using experimental survey methods, that free riding in public-good games is typically judged to be morally reprehensible by impartial observers, except when it is carried out in response to previous free

riding by the other co-player. Cubitt et al.'s (2011) study is the first to offer economists important insights into the formation of moral judgments of free riding.

In our paper, we extend the empirical investigation of moral judgments to selfish behaviors in a different economic context, namely trust and gift exchange games. Trust, which can be considered as a type of positive reciprocity, characterizes many real life economic and social phenomena, and the frequent occurrences of trusting relationships in economic and social transactions make them important for economics and social sciences. Trust and gift exchange games have also played a major role in the social preferences literature and the conflict of interests they capture make them potentially fruitful for the empirical investigation of moral judgments. For example, research in the laboratory and in the field shows that, when firms offer employees a wage above that of the competitive equilibrium level, workers will typically reciprocate positively by exerting higher effort levels even when they are not contractually obligated to do so (Charness and Kuhn, 2011; Fehr, Kirchsteiger, and Riedl, 1993; Kube, Maréchal, and Puppe, 2012). Such positive reciprocal behaviors, which may arise not necessarily because actors expect future material benefits from their action but as a response to other people's friendly gestures, are well documented in the economics literature (for a comprehensive review, see Fehr and Gächter, 2000). However, it does not automatically follow that a worker's decision *not* to reciprocate positively to the firm's "gift" would have been deemed morally wrong by an impartial observer. On the contrary, a nonreciprocal action might have even been deemed morally acceptable in the eyes of

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<sup>1</sup> For comprehensive overviews, see Konow (2003) and Gaertner (2009).

self-interest – or in moral psychology, egotistical – agents (Sanders, 1988). A similar argument can be made to describe the typical behaviors in experimental trust games (Berg, Dickhaut, and McCabe, 1995; Camerer, 2003; McCabe, Rigdon, and Smith, 2003).

We elicit moral judgments of impartial observers toward selfish behaviors in trust and gift exchange games, and ask: Would it be considered morally wrong for subjects *not* to trust or reciprocate trust in an anonymous exchange setting? If so, what factors influence how severe a transgression is being viewed by an impartial observer? Because empirical evidence in this area is currently scarce, little is understood about the constructs of moral judgments of selfish behaviors in economics.<sup>2</sup> Our main focus of interest is whether moral judgments of selfish behaviors in economics, like many other types of judgments on typical ethical dilemmas studied in moral psychology, are subject to emotional influences.<sup>3</sup> The philosophical and psychological literatures broadly distinguish between two models of how individuals might arrive at their moral judgments: the reason-based model and the emotion-based model. The reason-based model (e.g. Kohlberg, 1969; Turiel, 1983) emphasizes that moral judgments are the ultimate goal of reasoning and regards judgments as the result of conscious deliberation. On this account, moral judgments reflect moral reasoning. While rationalist models of moral judgments have long dominated the field of moral psychology, research by psychologist Jonathan Haidt has provided convincing evidence that moral judgments may not have been the outcome of reasoning and reflection. Rather, perceived moral violations tend to invoke specific negative emotions such as contempt, anger, or disgust, and it is these emotional processes that influence the way we ultimately form our intuitive moral judgments (Haidt, 2001; Haidt and Hersh, 2001; Haidt, Koller, and Dias, 1993; Prinz, 2006). In other words, the emotion-based models see emotions and intuitions as the drivers of moral judgments.

In our experiment, we test whether moral judgments are functions of positive emotions and whether subjects in a positive mood are less judgmental toward selfish actions in trust and gift exchange games than subjects in a neutral mood. To address our research questions, we use survey methods and ask subjects to respond to a set of questionnaires in which they are confronted with hypothetical scenarios involving either a two-player trust or gift exchange game. In various endings of these scenarios, one player always behaves in a selfish way, while the other offers different amounts to their counterpart. For each separate scenario, subjects are asked to express their moral rating toward the selfish actor as impartial bystanders. We also induce positive emotions midway through the experiment – i.e. after each subject has already given their first moral ratings – to test whether these can influence the subsequent ratings among the treated subjects' moral judgments (compared to the controls).

Our study can be seen as a contribution not to just economics but also to the emerging literature in moral psychology, which is a literature that has focused almost exclusively on finding the determinants of moral judgments across different non-economics contexts (see Haidt, 2001, 2007; Nado, Kelly, Stich 2009; Nichols, 2004, for recent analyses). Although our design was not intended to discriminate conclusively between the reason-based and the emotion-based

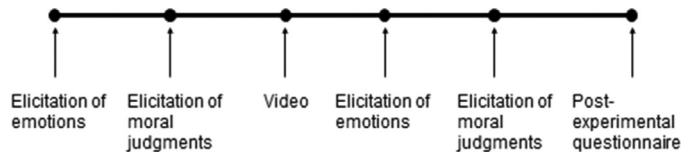


Fig. 1. Timeline of tasks within a condition.

models, our findings shed useful light on these two major accounts of how people form moral judgments.<sup>4</sup>

The paper is organized as follows. Section 2 describes the experimental design and procedures of the experiment. We analyze and report our findings in Section 3. Section 4 concludes.

## 2. Experimental design and procedures

### 2.1. Experimental design

The experiment consists of two treatments: the “Happy-treatment” (H-treatment) and the “Neutral-treatment” (N-treatment). The H-treatment and the N-treatment differ only with respect to the manipulation of individuals' emotional states. Subjects in each treatment are required to complete two sets of identical questionnaires: once before receiving the relevant treatment, and once directly after.

We were also interested in eliciting individual's moral judgments as impartial observers of other people's behaviors in two economic conditions, namely, in the trust game (TG) and in the gift exchange game (GEG). This gave us a  $2 \times 2$  between-subjects experimental design, i.e., (N-treatment, TG condition), (H-treatment, TG condition), (N-treatment, GEG condition), and (H-treatment, GEG condition). The order of the tasks that subjects perform within a condition is summarized in Fig. 1.

To elicit subjects' emotional responses and their moral judgments, we implemented a within-subjects design. This is primarily because one of our main research questions lies in whether changes in subjects' positive emotions influence changes in their moral judgments. The within-person design also allows us to directly assess whether the elicitation of emotions and moral judgments differs across conditions before our emotions' manipulation. This would not have been possible to test had we implemented a between-subject design. On the other hand, we acknowledge that our within-subject design is more vulnerable to experimenter demand effects, as the same subject is asked to report their emotions and moral judgments before and after the emotions' manipulation.

At the beginning of each session, subjects are asked to rate on a seven-point scale their current emotional states, with the scale ranging from “1 – no intensity at all” to “7 – high intensity.” We elicit six emotions: happiness, envy, anger, boredom, contentment, and irritation. As mentioned, our focus is on the interaction between positive emotions (namely, happiness and contentment) and moral judgments.

Similar to Cubitt et al.'s (2011) work, the moral judgment questionnaire ask subjects to rate, as an impartial observer, the actions of others in either a trust game or a gift exchange game. It principally describes a decision problem for two fictitious players, named

<sup>2</sup> Since our objective is to elicit subjects' own actual judgments, we did not elicit moral judgments in an incentivized way. Rewarding subjects for making judgments would have introduced obvious biases as there are no objectively “right” or “wrong” answers to moral judgment tasks (see also Cubitt et al., 2011). Krupka and Weber (2013) propose an experimental technique where people are rewarded for correctly guessing which norms other people hold. Their interest is in eliciting what people think the social norm is, whereas we are interested in the individual's own moral judgments.

<sup>3</sup> Psychologists usually make a distinction between moods (which are typically long-lasting states) and emotions (which are typically short-lived states). However, in this paper, we are not concerned with making such a distinction and we therefore use these terms interchangeably.

<sup>4</sup> It should be noted that we are not the first to study the causal link between emotions and decision making in economically relevant contexts. For example, Kirchsteiger, Rigotti and Rustichini (2006) demonstrate that, within a gift exchange game experiment, players with a bad mood tend to be more reciprocal in their behaviors, whereas players with a good mood tend to behave more generously and transfer more endowment to the other player. Studies have also found that happier individuals are typically healthier (Davidson, Mostofsky, and Whang, 2010), risk averse (Gouldie et al., 2014), more patient (Ifcher and Zarghamee, 2011), more productive (Oswald, Proto, and Sgroi, 2015), and earn more income (DeNeve and Oswald, 2012).

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