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What's in a name? Anonymity and social distance in dictator and ultimatum games

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Abstract

The standard procedure in experimental economics maintains anonymity among laboratory participants, yet many field interactions are conducted with neither complete anonymity nor complete familiarity. When we are involved in interactive situations in the field, we usually have some clues concerning the characteristics of others; however, in some environments (such as e-commerce) these clues may not be very substantial. How will people respond to varying degrees of anonymity and social distance? We consider the effect of one form of social distance on behavior by comparing the standard procedure of playing dictator and ultimatum games with the same games played by participants who knew the family name of their counterparts. When these names were revealed, dictators allocated a significantly larger portion of the pie. However, this information had no significant effect on the offers in the ultimatum game, as it appears that strategic considerations crowd out impulses toward generosity or charity.

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1. Introduction

The influence of social preferences on economic behavior has recently become a focus of considerable research. Participants in laboratory experiments frequently choose not to maximize their own material payoffs when social influences are present. In two of the classic experimental games, people allocate positive sums of money to anonymous strangers in the dictator game and reject positive monetary offers in the ultimatum game.

In these apparently simple games, there are some relevant and even delicate considerations that affect behavior. For example, Solnick and Schweitzer (1999) and Rosenblat (2001) demonstrate experimentally find that physical attractiveness affects behavior in the ultimatum game bargaining environment and the dictator game generosity context, respectively. Hoffman et al. (1994, 1996) show that dictator game behavior was sensitive to whether the dictator believed that the experimenter could observe his or her choice. The degree of observability and relative anonymity is clearly reflected in the famous eight levels of charity (*tzedakah*) described by Maimonides (1998).

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A relevant issue is how robust such behavior is to variations in *social distance*, by which we mean the emotional proximity induced by the situation. This term that has been used in the social science literature at least since Bogardus (1928). The idea is that people are expected to act more favorably toward those with a higher degree of social kinship.[1] The influence of social distance is a relevant concern for e-commerce, as there are typically no face-to-face interactions and behavior may be sensitive to subtle cues. The degree of generosity of potential philanthropists may also reflect considerations of perceived social distance.

Typical determinants of social distance are nationality, occupation, race, and religion; the weights assigned to each category vary somewhat across cultures.[2] Perceived social distance has been found to have effects even in laboratory settings; for example, a seminal social psychology experiment by Tajfel et al. (1971) finds that subjects strongly favor members of their experimental ingroup, even in a situation devoid of the usual trappings of ingroup membership.

As it is standard in economics experiments to maintain anonymity among the participants, there is generally only a rather limited range for perceived social distance. Roth (1995) points to a possible reason for this, suggesting that anonymity has become the rule due to concerns with the potential loss of control over the social environment, yet this point may be most appropriate when we are testing a theory based on the principle that people are selfish; if we suspect that people are not entirely selfish, we may instead be interested in the patterns of non-selfish concerns.[3]

The emphasis in our paper is on the observation that many field interactions are conducted with neither complete anonymity nor complete familiarity. When we are involved in interactive situations, we usually have some clues concerning the characteristics of others. It seems useful to investigate the influence of decreasing the social distance in a manner that avoids the loss of control discussed above. How will participants respond to a modest reduction in the degree of anonymity and social distance? Is there an interaction between the type of game (strategic or generosity-based) and this variable?

We study behavior in the dictator game and the ultimatum games. In our control treatments, the experimental procedure uses the standard set-up of anonymity only with respect to the other participant(s). As a treatment variable, we also conduct sessions in which the participants also learn the family name of their counterpart.[4] Participants from two different universities are used to ensure that this is the only additional information they receive (that is, they do not know their counterpart personally). The hypothesis tested is whether this additional information, regarded as irrelevant by traditional game theory, affects behavior simply by reducing the social distance between participants.

2. Previous work

Bohnet and Frey (1999) posit a hierarchy of "institutional characteristics" that determines the extent to which fairness considerations are active. With anonymity, one has only a purely intrinsic motivation to behave fairly; when people can identify each other, the fairness norm is partially activated; and when people can also communicate with each other, the fairness norm is strongly active.

Experiments with face-to-face bargaining and unrestricted communication indicate that behavior is different than with the standard anonymous environment. There are far fewer bargaining failures in the Nydegger and Owen (1975) face-to-face experiment than in a similar anonymous bargaining experiment by Roth and Malouf (1982). This comparison also holds for the face-to-face bargaining in Hoffman and Spitzer (1982) compared to the anonymous bargaining in Binmore et al. (1989). Radner and Schotter (1989) find that face-to-face bargaining yields 99 percent of the potential gains from trade, whereas anonymous bargaining achieves only 92 percent. However, face-to-face bargaining is an

[1] Frank (1985) suggests that people are more apt to make comparisons with people who seem less distant.

[2] See Triandis et al. (1965) for a discussion of how these vary across the U.S., Germany, and Japan.

[3] Historically, in one of the first bargaining experiments reported in the economic literature, Siegel and Fouraker (1960) chose a procedure in which the two bargaining parties remain anonymous to each other throughout the experiment. They explained their choice (pp. 22–23) as follows: "This procedure eliminates certain variables... connected with interpersonal perceptions, prejudices, incompatibilities, etc." However, ignoring these variables may lead to a lower degree of external validity for an experiment. Siegel and Fouraker continue: "It is our belief that such variables should either be systematically studied or controlled in experimentation on bargaining. It cannot be assumed, as has often been done, that such variables may simply be neglected. We have chosen to control these variables at this stage of our research program, with the intention of manipulating and studying them systematically in future studies." Unfortunately, Siegel's untimely death cut this research agenda short.

[4] We do not provide first names, as this would introduce potential gender effects. Eckel and Grossman (1992), Fershtman and Gneezy (2001), and Dufwenberg and Muren (2006) provide evidence that knowing the gender of one's counterpart can affect choices.