



Putting social preferences to work: Can revealed preferences predict real effort provision?



Joshua Foster

Economics Department, Whitman College, United States

ARTICLE INFO

Article history:

Received 15 July 2013
Received in revised form 27 March 2014
Accepted 11 August 2014
Available online 28 September 2014

JEL classification:

C71
C91
D64

PsycINFO classification:

2360
2910
3040

Keywords:

Social preferences
Real effort
Revealed preference
Ego depletion

ABSTRACT

This paper presents a model of real effort provision in conjunction with rational social preference theory to predict how individuals exert effort to replace an exogenously determined “state of the world” with a preferred social outcome. Binary dictator games and real effort tasks are used to examine whether individuals exert effort in a manner that is consistent with their revealed preferences. The analysis of controlled laboratory experiments suggest that while individuals’ *effort provisions* are generally consistent with the theory, those who reveal relatively pro-social preferences fail to procure their “preferred” outcomes too frequently when the state of the world is highly inequitable in their favor. Consideration is given to alternative theories, namely ego depletion and cognitive dissonance, as potential explanations of social outcomes. There is evidence to suggest that dictators, on average, experience ego depletion which leads to a reduction in pro-social behavior through time.

© 2014 Elsevier B.V. All rights reserved.

1. Introduction

Statistics on volunteering reported by the [Bureau of Labor Statistics \(2013\)](#) show that approximately 26.5% of Americans volunteer a median of 50 h annually for non-profit organizations. According to the Red Cross, approximately 9.5 million Americans donated blood in 2012. Pro-social activities such as these are evidence that some individuals experience personal benefit from social outcomes that transcend their immediate self-interest. This behavior is economically relevant and should be incorporated into our models. The foremost method of describing this behavior is by way of defining an individual’s preferences for social outcomes. In particular, [Andreoni \(1990\)](#) outlines a social preference theory that allows individuals to have increasing utility in the improved outcomes of others, and [Andreoni and Miller \(2002\)](#) provide empirical evidence in support of this theory.

Using this framework, this paper addresses a largely unconsidered dimension of social behavior: the directed effort that is necessary to generate one’s preferred social outcome. In many situations it is not enough to simply express one’s preference for social outcomes for those outcomes to then occur, although in many experimental studies this is all that is required.

E-mail address: fosterjr@whitman.edu

Eliciting a preference in this manner is likely an over-simplified method of understanding pro-social behavior in many naturally-occurring situations, such as the ones exemplified above. One way we can begin to close this gap is to incorporate a costly task that is associated with the successful implementation of one's social preference, whatever that preference may be. The core question this paper attempts to answer is: Do individuals manifest effort in a way that is consistent with rational social preference theory? A model of effort provision is established in conjunction with social preference theory to predict individual action toward a social outcome, and laboratory experiments provide an empirical evaluation of this theory.

The experimental results reported in this paper suggest that while effort provision is generally consistent with the theory, social outcomes are not. In particular, those who reveal relatively pro-social preferences (maximize welfare over personal gain) fail to procure their "preferred" outcomes too frequently, by very small margins, when the state of the world is highly inequitable in their favor. In situations where pro-social individuals have the opportunity to eschew effort for a large personal gain, they do so despite this outcome having already been revealed worse by the individual. However, similar analysis of relatively selfish individuals (maximizing personal gain over welfare) reveals no systematic inconsistency between their stated social preferences and their procurement of said preferences.

Several studies in both the economic and psychology literatures have illustrated that pro-social behavior can be a mercurial social phenomenon difficult to express in the form of an internally consistent preference. Within a modified dictator game, [Dana, Weber, and Xi Kuang \(2007\)](#) compares dictator choice in treatments where the receiver's payout is known to treatments where the receiver's payout is not known (but may become known at no cost). When the receiver's payout is unknown, dictators became much more self-serving compared to when it is known.¹ These authors argue that subjects often display an illusory preference for fairness in many dictator games, but require only the slightest opportunity to act in their self-interest for their behavior to change.

There are several studies, including [Dana et al. \(2007\)](#), that suggest individuals endure dissonance when faced with making a pro-social decision at a personal expense. In a laboratory experiment, [Lazear, Malmendier, and Weber \(2009\)](#) finds that individuals will often choose to remove themselves from the situations that typically lead to them sharing. [DellaVigna, List, and Malmendier \(2009\)](#) reports similar results in a field experiment for fundraising. Specifically, when individuals are told the time the fundraisers will visit there is a ten to 25% decrease in the number of doors opened. The behaviors in each of these studies provide support for cognitive dissonance influencing social outcomes by motivating individuals to avoid certain information or situations, if possible, as a way of abating the dissonance ([Festinger, 1957](#)).

It may be more natural, then, to say individuals do not have "preferences" regarding social outcomes, rather they have a "constraint" that limits their ability to act in their own self-interest.² [Rabin \(1995\)](#) discusses theoretically how, in the presence of a moral constraint, individuals may seek to relax that constraint by avoiding information or situations in a manner that is consistent with the experiments described here.

Contrary to the notion that social preferences are illusory, the theory of ego depletion would suggest that while individuals *may have* well-defined pro-social preferences they also have a limited "mental resource" that can promote the pro-social outcome. [Baumeister, Bratslavsky, Muraven, and Tice \(1998\)](#) experimentally reveals that actively weighing the costs and benefits of one's actions, whether they be pro-attitudinal or counter-attitudinal, weakens one's self-control for decisions in similar situations in the future. However, if one's actions do not have meaningful consequences (i.e. no real cost/benefit analysis is required) then the ego will not deplete. Their paper draws originally upon the structural theory of the psyche ([Freud, 1961](#)), wherein the ego manages the desires of instinctual (id) and rule-based (superego) constructs. As the ego weakens, it will naturally acquiesce to more instinctual desires.

In the context of this paper, it would be predicted that more selfish behavior will be observed as one's ego is depleted, which can be accomplished simply by (for example) asking individuals to make several meaningful choices (i.e. that require cost/benefit analysis). Ego depletion has been documented to reduce the likelihood of pro-social outcomes in laboratory experiments. In [Achtziger, Alós-Ferrer, and Wagner \(2011\)](#), proposers in an ultimatum game make smaller offers under ego depletion, and responders are more like to reject those offers under ego depletion.

The model and results reported in this paper are important because they illuminate the effects of a previously unconsidered component of social behavior: directed effort toward a preferred outcome. Empirical evidence from controlled laboratory experiments suggests the effect of effort leads to an unrectifiable inconsistency between social outcomes and social preferences in relatively pro-social individuals. These results contradict those reported in [Gneezy, Imas, Brown, Nelson, and Norton \(2012\)](#) where costly pro-social behavior leads to consistent behavior in the future. Moreover, the repeated nature of the experiment reveals that individuals determining social outcomes (dictators) experience ego depletion, as they are less likely to choose pro-social outcomes through time, while those who do not determine social outcomes (receivers) are not.

2. A model of effort provision

A model of effort provision is established in conjunction with social preference theory to predict individual action toward a social outcome. The model, simply stated, considers an individual who prefers a particular social outcome over an

¹ [Dana et al. \(2007\)](#) has been shown to be robust by [Larson and Capra \(2009\)](#) and [Grossman \(2010\)](#).

² See [Wilson \(2010\)](#) for a broader criticism of social preference theory. This essay argues that defining preferences over social outcomes is forcing an economic model onto situations for which there is not enough information. In addition, experimental results in [Bardsley \(2008\)](#) lead us to believe the inference of social preferences are an artifact of the experiment design.

Download English Version:

<https://daneshyari.com/en/article/884936>

Download Persian Version:

<https://daneshyari.com/article/884936>

[Daneshyari.com](https://daneshyari.com)