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Somebody may scold you! A dictator experiment

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ABSTRACT

In this contribution, we investigate the effects of *observation-only* and *observation with feedback* from a third-party in a one-shot dictator game (DG). In addition to a baseline condition (DG), a third-party anonymous subject was introduced who either silently observed or observed and got to give feedback by choosing one of seven messages consisting of varying degree of (dis)satisfaction. We found that observation coupled with feedback increased significantly dictators' propositions, while no significant effect is found for *observation-only*. We conclude that regard by others matters only if it linked to social factors such as communication. This complements the literature arguing that altruistic behavior is instrumental in serving other selfish (or non-purely altruistic) ends such as self-reputation or social approval. This experiment also contributes to the growing literature that aims at decreasing the artificiality of dictator game designs by increasing their practicability and external validity.

1. Introduction

As early as 1759 Adam Smith, in the *Theory of Moral Sentiments*, emphasized the social approbation and disapprobation dimensions of individual behavior: "we are pleased to think that we have rendered ourselves the natural objects of approbation (...) and we are mortified to reflect that we have just merited the blame of those we live with" (Smith, 1976 [1759], p. 116). Moreover, he pointed out that this dimension is intrinsically intertwined with a related self-image notion, i.e., self-approbation or self-esteem: "[w]e endeavor to examine our own conduct as we imagine any other fair and impartial spectator would examine it. If, upon placing ourselves into his [the impartial spectator's] situation, we thoroughly enter into all the passions and motives which influenced it, we approve of it, by sympathy with the approbation of this supposed equitable judge. If otherwise, we enter into his disapprobation, and condemn it." (Ibid, p. 110). Smith also emphasized that

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conscious feelings such as praise or blame, play a key role in the process of approbation or disapprobation of the conduct of others, and in turn, our self-approbation or self-disapprobation.[2]

A related idea emerges in social psychology in the work by Cooley (1902) who coined the phrase 'looking-glass self', meaning that a person's self grows out of society's interpersonal interactions and the perceptions of others. The term refers to people shaping themselves based on other people's perceptions, which leads to a reinforcement of other people's perspectives on themselves. Recently, this notion was formalized by Bénabou and Tirole (2003) among others, using a principal-agent framework, and analyzing the consequences of such a 'looking-glass self' effect in terms of costs.[3] The motive of social approbation has also been proposed by economists who do not consider that emotions such as shame or guilt which play a highly complementary role in maintaining one's commitments, can be reduced to costs to be avoided. For Elster (1999, 281–3), shame is defined in terms of the 'action tendencies' it is like to produce, and involves a commitment to certain principles, standards, or norms. This echoes references in the psychological literature to *anticipatory shame* (see Tracy, Robins, & Tangney, 2007). In a nutshell, anticipatory shame (in contrast to exposed shamed) is felt by the actor, in the absence of exposure, by imagining how he (or she) would feel were his (or her) normative transgression exposed. Our results are consistent with the idea that anticipatory shame plays a crucial role in shaping behavior in a dictator game (DG) experiment.

In order to test for the role of social approval on altruistic behavior, we try to disentangle the intertwining influences of observation-only and observation coupled with ex post communication. We use a (one-shot) DG framework where the influence of social factors is manipulated *via* the introduction of a neutral third-party subject who (1) is incentivized independently of any of the randomly matched partners of the DG and (2) either silently observes or observes and is required to give ex post written feedback to the giver.

The observation-only treatment can be related to several contributions on the effects of observation in experiments in economics and cognitive psychology. The seminal work of Hoffman, McCabe, Sachat, and Smith (1994) on games, testing the anonymity hypothesis by using a double-blind design, suggests that "other-regarding preferences may have an overwhelming social, what-do-other-know component" so that fairness may not be one's own preference but a derivative of the judgment of others (Hoffman et al., 1994, p. 371). Some recent work argues that selfish concerns such as guilt aversion (Charness & Dufwenberg, 2006; Battigalli & Dufwenberg, 2007) and self-image maintenance through self-signaling (Bodner & Prelec, 2003) or self-deception (Dana, Cain, & Dawes, 2006; Dana, Weber, & Kuang, 2007), can help explain seemingly altruistic behavior.

Other theoretical contributions on social or interdependent preferences explore the suggestion that altruistic behavior can be promoted by reducing social distance[4] (Hoffman et al., 1996). This literature offers several means to manipulate social distance: by making potential victims of selfishness more identifiable (cf. Schelling, 1968 on the 'identifiable victim effect') through the use of photographs (Burnham, 2003), by contrasting varying kinds (one-way/both ways, silent/non silent) of identification (Bohnet & Frey, 1999a; Bohnet & Frey, 1999b), by using tacit visual or auditing clues (Haley and Fessler, 2005, Bateson, Nettle, & Roberts, 2006; Nettle, Harper, Kidson, Stone, Penton-Voak, & Bateson, 2013) or simulating an audience effect by varying the probability of nature to play (Andreoni & Bernheim, 2009).

Another strand in the related literature addresses the role of third-party informal punishment, *via* social approval or disapproval, for guiding behavior. Although indirectly linked to the literature on the disciplinary effect of third-party punishment in games (Fehr & Fischbacher, 2004), our experimental setting departs company from it since it involves (1) *informal* and *non pecuniary* punishment, and (2) *communication* (at least anticipated). From this standpoint, it is more in line with the economic and psychology literature which has established that informal sanctions such as communication, permitting the expression of disapproval, can favor pro-social behaviors. For instance, Ellingsen and Johannesson (2008) provide a one-shot dictator experiment in which they compare a feedback treatment – i.e. a treatment where an anonymous verbal written message is sent by the recipient to the proposer after the pass, with a no feedback treatment, and show that anticipated rewards induce altruistic behavior. Xiao and Houser (2009) find similar results although there are more restrictions in their experimental design on the amount to pass (e.g. the divider cannot take more than 90%) and on the content of the feedback written message. In a DG, Andreoni and Rao (2011) show that when the receiver can speak the dictator is more generous compared to the case when only the dictator speaks. Xiao and Houser (2005) find complementary results in ultimatum games. They show that ex-post verbal written feedback messages by receivers significantly decrease the likelihood of rejecting unfair results. This suggests that verbal written communication is an expression of disapproval, which can be a non-costly substitute for monetary punishment. In the same vein, Xiao (2012) shows that in a one-shot anonymous interaction, compared with the case when the behavior is simply observed by the audience, individuals are more likely to act on what they believe the other thinks they should do (a proxy for social approval), and therefore are more reluctant to violate social norms when they have to provide the audience with justification for their decisions. The explanation provided by the author

[2] We agree with one reviewer that the impartial spectator is a concept that is related more to moral norms of the kind discussed by Immanuel Kant (moral imperative) than to social norms such as fairness, which are considered in our experiment.

[3] This approach is in line with Becker (1996).

[4] Social distance need to be distinguished from anonymity. Hoffman, McCabe, and Smith (1996, p. 654) propose that social distance means a "sense of coupling between dictator and his or her counterpart." In contrast, anonyfmity of subjects circumvents that experimenters and/other participants find something out about the subject's decision. Koch and Normann (2008) try to disentangle the effect of regard for others from the effect of regard by others.