



The consistency of fairness rules: An experimental study



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ABSTRACT

This paper studies individual consistency in the use of fairness rules, together with the role of self-serving bias in decision-making. We likewise attempt to characterize the different decision-making processes associated with the two types of self-interested behavior (pure selfish and self-serving). We use a within-subject design, which allows us to compare individual behavior when the context changes. In line with the literature, we find a multiplicity of fairness rules. However, the set of fairness rules is considerably smaller when we control for consistency. Only selfishness and strict egalitarianism seem to survive the stricter consistency requirements. We observe that this result is mainly explained by a self-serving bias. Additionally, we observe that faster decisions are self-interested and decisions dealing with moral trade-off are slower.

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1. Introduction

Individual self-interest is the source of various kinds of human behavior. In this sense, two main forms of self-interested behavior have been theoretically proposed and empirically tested in Psychology and Economics. The first type is what is typically known as *pure selfishness* and it has been the dominant motive in standard economic theory. The second type of individual self-interest has been labeled as *self-serving behavior*. Although the latter was first proposed by psychologists, it is now widely accepted in Economics as well. The central question of this paper is to consider the behavioral consequences, as well as the underlying cognitive processes, of these two different materializations of individual self-interest.

It is broadly assumed that pure selfish behavior is driven by the maximization of a single motive, pure material interest. Moreover, as an empirical fact, selfish behavior is the dominant motive in studies where the experimenters have reduced the possibility of other motives—such as social image or reciprocity—intervening (Hoffman, McCabe, & Smith, 1996; Cherry, Frykblom, & Shogren, 2002). The general assumption is that selfish people do not make any trade-off between self-regarding and other-regarding concerns when taking a decision. In this sense, the cognitive process behind a selfish decision is reduced to its minimal form, that of achieving a unique and well-defined goal. This is confirmed by several recent studies, which have suggested that purely selfish decisions are faster. For instance, Piovesan and Wengström (2009) show that faster participants in a dictator game are those making egoistic choices. These authors conclude that participants' response time (RT) is corre-

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lated with the degree of social concerns in the decision-making process. Hertwig, Fischbacher, and Bruhin (2013) report similar results. They study RT in mini-ultimatum games and observe that selfish responders take faster decisions.¹

In sharp contrast to pure selfishness, self-serving behavior involves a mix of behavioral motives by definition. When there are multiple behavioral motives, people typically face a trade-off between their own material interest and the well being of others.² However, a multiplicity of motives *per se* does not necessarily lead to self-interested behavior. What can be branded as self-interest is the self-serving use of these motives.

The experimental literature on distributive justice supposes a good example of self-serving behavior in action. This literature has shown that different people have different fairness concerns that can be expressed through a multiplicity of fairness rules, such as pure equality or effort-based equity (see among others, Konow, 2000; Frohlich, Oppenheimer, & Kurki, 2004; Cappelen, Hole, Sorensen, & Tungodden, 2007). These fairness rules are the result of individually weighting motives differently. While the standard equity rule places all the weight on the individual contributions of each of the interested parties, the strict egalitarian approach disregards individual contributions. Interestingly, it has been shown that people change the weight they assign to different motives depending on the situation. The self-serving bias appears when individuals resort to alternative fairness rules and motives self-servingly.

In psychology, Messick and Sentis (1979) find an egocentric bias in fairness judgments. They show that non-strict equality subjects consider it fair to be paid more than the other participant when they both work the same amount of hours. Similarly, they think that being paid equally is fair when they work fewer hours than their partner. In economic experiments, Konow (2000) find that the conflict between self-interest and fairness motives leads subjects to self-deception, and hence to behave in a self serving biased fashion. Babcock, Loewenstein, Issacharoff, and Camerer (1995)³ ask subjects to judge real trial cases and then to reach a settlement providing arguments supporting their decision. Introducing a richer context in the experiment allows subjects to focus on the arguments that favor them. The authors show that settlements are more difficult because the arguments of the different players are biased towards their own interests. In a recent paper, Barr, Burns, Miller, and Shaw (2011) show that the real context in which people interact influences individual distributive decisions. While the relative well-off individuals acknowledge individual effort, the worst-off do not. It seems that people's notion of distributive justice is associated with their own relative economic status.

This second type of self-interested behavior is more sophisticated, since people have to weigh motives and use the context to reajust the weights to their own benefit. It seems obvious then that the level of individual reasoning needed to carry out this type of behavior should be higher than that needed for taking a purely selfish decision. Therefore, purely selfish behavior might come from what a dual-process theory would name as System 1 thinking – a process that is unconscious, rapid, automatic, while self-serving behavior should come from System 2 – a process that is conscious, slow, deliberative.⁴

Studies on the self-serving bias using a non-incentivized method to elicit fairness ideals, have so far been conducted using a between-subjects design, or both. This was the case of survey and hypothetical experiments (Konow, 1996; Messick & Sentis, 1979). Yet, as Konow (2005, p. 359) puts it, “although studies with and without real stakes lead to similar conclusions, some results are affected by the presence of real stakes, such as the average level of unfairness.”⁵ This paper uses a within-subjects design to study two related questions. First, do people switch between behavioral rules, i.e., are inconsistent, when they make distribution decisions in different contexts? And second, are the decision-making processes leading to alternative behaviors different?

To answer our two main questions, we conduct an experiment in which participants make distribution decisions in a changing context. The experiment allows us to study individual (in)consistent behavior, as well as the role of self-serving bias in decision-making. In addition, we will characterize the different decision-making processes associated with the two types of self-interested behavior described above.⁶

Participants' decisions in our experiment are very consistent with the results reported in previous studies. We find a multiplicity of fairness rules. However, when we explore individual consistency across periods, we find that selfish and strict egalitarian participants are strikingly consistent. In contrast, no participant consistently follows more complex fairness rules suggested in the previous literature. Moreover, our data show that ‘inconsistencies’ in the experiment are driven by a self-serving bias.

In addition to empirically showing the two types of self-interested behavior—selfish and self-serving—discussed in this introduction, we also provide preliminary evidence on the cognitive processes behind these two behaviors. Purely selfish decisions are faster than self-serving choices. However, the slowest of all decisions are those dominated by other-regarding concerns.

¹ Response time is commonly used in psychology to measure, for instance, reactions to different types of stimulus (for a review of this literature see Kosinski (2010)). In addition to the papers cited above, in economics Wilcox (1993a, 1993b), Moffatt (2005), Achtziger and Alós-Ferrer (in press) and Brañas-Garza, Meloso, and Miller (2012) report studies using the response time of participants.

² Recently, a number of papers have tried to incorporate these other-regarding concerns in the traditional utility function (Rabin, 1993; Fehr & Schmidt, 1999; Bolton & Ockenfels, 2000; Charness & Rabin, 2002).

³ See also Babcock, Wang, and Loewenstein (1996), Babcock and Loewenstein (1997), Loewenstein, Issacharoff, Camerer, and Babcock (1993) and (Rodríguez-Lara & Moreno-Garrido, 2012).

⁴ See Evans (2008) for a distinction of different cognitive processes.

⁵ Rustichini and Villeval (2012) provide further evidence of this phenomenon. They show that the range of fair or unfair shares differs when participants are in a hypothetical situation and when they are playing the game for real incentives.

⁶ Andreoni and Miller (2002), Fisman, Kariv, and Markovits (2007) and Blanco, Engelmann, and Normann (2011) among others, have also used a within subject analysis to test the consistency of models of other regarding preferences.

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