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Financial deprivation selectively shifts moral standards and compromises moral decisions ☆

Eesha Sharma [a,*], Nina Mazar [b,*], Adam L. Alter [c], Dan Ariely [d]

[a] Tuck School of Business, Dartmouth College, 100 Tuck Drive, Hanover, NH 03755, USA
[b] Joseph L. Rotman School of Management, University of Toronto, 105 St. George Street, Toronto, ON M5S 3E6, Canada
[c] Leonard N. Stern School of Business, New York University, 40 West 4th St., New York, NY 10012, USA
[d] Fuqua School of Business, Duke University, 2024 W. Main Street, C103, Box 90420, Durham, NC 27705, USA

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ABSTRACT

Previous research suggests people firmly value moral standards. However, research has also shown that various factors can compromise moral behavior. Inspired by the recent financial turmoil, we investigate whether financial deprivation might shift people's moral standards and consequently compromise their moral decisions. Across one pilot survey and five experiments, we find that people believe financial deprivation should not excuse immoral conduct; yet when people actually experience deprivation they seem to apply their moral standards more leniently. Thus, people who feel deprived tend to cheat more for financial gains and judge deprived moral offenders who cheat for financial gains less harshly. These effects are mediated by shifts in people's moral standards: beliefs in whether deprivation is an acceptable reason for immorality. The effect of deprivation on immoral conduct diminishes when it is explicit that immoral conduct cannot help alleviate imbalances in deprived actors' financial states, when financial deprivation seems fair or deserved, and when acting immorally seems unfair.

Introduction

Financial security is a fundamental human goal (e.g., Diener & Oishi, 2000), and the tumultuous past few years have shaken individual economic wellbeing across the globe. In 2011, in the U.S. alone, real median household income was more than 7% below its 1999 peak, and income inequality was at its worst since the Great Depression (U.S. Census Bureau, 2011). In the workplace, chief executive officers experienced a 27% rise in compensation in 2010, while the average worker's pay rose by only 2.1% (Krantz & Hansen, 2011). In the midst of such times, people are prone to experiencing feelings of financial deprivation. Inspired by this spate of financial turmoil, in this paper we examine one potentially damaging consequence of psychological states of financial deprivation: the possibility that people are willing to compromise their moral judgments and behaviors when they feel deprived. In addition, we investigate the extent to which people believe it is acceptable to behave immorally due to financial deprivation, and whether shifts in these moral standards can help explain the effect of financial deprivation on moral decision making.

We begin with a definition of financial wellbeing and deprivation. Then, drawing from the literatures on morality and fairness, we suggest contexts in which deprivation might influence the perceived acceptability of immoral conduct and in turn compromise moral decisions. Based on this conceptualization, we present a pilot study and five experiments that examine how and why deprivation might shift the perceived acceptability of deprivation-induced immoral conduct and in turn affect moral decisions. To summarize our results, in the pilot survey, we found that in general people firmly believed that deprivation should not pardon immoral behavior, and that they would not relax these standards if deprived. In five experiments, however, participants induced to feel more vs. less financially deprived made moral decisions that flouted those firm standards. People cheated more for financial

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* Corresponding authors. Fax: +1 603 646 1308 (E. Sharma), fax: +1 416 978 5433 (N. Mazar).

E-mail addresses: eesha.sharma@tuck.dartmouth.edu (E. Sharma), nina.mazar@rotman.utoronto.ca (N. Mazar), aalter@stern.nyu.edu (A.L. Alter), dandan@duke.edu (D. Ariely).

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gains (Experiments 1, 2, and 3) and judged deprived criminal offenders less harshly (Experiments 4 and 5) when deprived, and these effects were mediated by shifts in people's beliefs about the acceptability of deprivation-induced immorality (Experiment 5). The effect of deprivation on immorality diminished when: (1) it was made explicit that behaving immorally would not help to alleviate deprivation (Experiment 2, cheating for hypothetical vs. real gains), (2) deprivation seemed fair, deserved, and acceptable (Experiment 3), and (3) when it did not seem fair to act immorally (Experiments 4 and 5). Having discussed these results, we conclude by considering the implications of these effects for organizations, justice, and public policy.

Subjective financial wellbeing and deprivation

Subjective financial wellbeing is a term that captures how people think and feel about their financial state, and can be conceptualized along a continuum that ranges from ''worse off'' to ''better off'' (e.g., Diener, Suh, Lucas, & Smith, 1999; Sharma & Alter, 2012). People assess their position on this continuum by evaluating their financial state against a range of objective (e.g., income, wealth, material possessions) as well as subjective standards (e.g., past states, preferred states). Previous research has suggested that the subjective components tend to exert a stronger influence on subjective financial wellbeing than the objective components (e.g., Diener et al., 1999). One of the strongest of those subjective influences is social comparison: how people believe they fare relative to their peers (Festinger, 1954). When people feel that their financial position is relatively inferior, they experience *financial deprivation*.

In the current work, we draw on Sharma and Alter's (2012) definition of financial deprivation: a psychological state in which people feel financially inferior relative to a salient comparison standard because they perceive a deficit in their financial position. Accordingly, losing money (an objective financial deficit) or merely feeling financially worse off than one's peers (a psychological financial deficit) can trigger financial deprivation.

Recent research has begun to examine how feelings of financial deprivation can influence behavior and suggests that financially deprived people are particularly attuned to opportunities that might restore them to a more comfortable equilibrium (e.g., Briers, Pandelaere, Dewitte, & Warlop, 2006; Mazar & Aggarwal, 2011; Nelson & Morrison, 2005). Some opportunities lead to a direct influence on people's financial state, while others lead to a less direct influence. For example, Karlsson et al. (2004, 2005) have shown that people cut back on their discretionary spending when they feel financially inferior to their peers. On the other hand, people who feel deprived might also consume a greater number of calories (Briers et al., 2006), prefer slightly heavier women (Nelson & Morrison, 2005), and acquire scarce goods that other consumers do not possess (Sharma & Alter, 2012). These findings suggest that, in the absence of opportunities to materially change their financial position, people who feel deprived might turn to whichever opportunities are readily available to redress inequity. We build on this prior work by testing the extent to which financial deprivation might prompt people to exploit these opportunities, particularly when doing so requires tradeoffs on another important dimension: their moral standing.

The current research: deprivation and moral tradeoffs

Research has shown that people generally care about morality and think highly of themselves as moral individuals (e.g., Aquino & Reed, 2002). However, in the current work, we suggest that transient states of financial deprivation might change people's moral decisions despite the fact that they typically strive for an enduring sense of morality (Bandura, Barbaranelli, Caprara, & Pastorelli, 1996; Mazar, Amir, & Ariely, 2008). This might happen if financial deprivation shifts people's perceptions about what is morally acceptable. This mechanism might be especially likely to operate when deprivation is perceived as unfair and when behaving immorally can help mitigate the imbalance in a deprived actor's financial position.

Previous research provides support for the possibility that deprivation might shift the perceived acceptability of deprivation-induced dishonesty and hence immoral conduct. Researchers have found that people are particularly sensitive and averse to inequality when disadvantaged (Dawes, Fowler, Johnson, McElreath, & Smirnov, 2007; Fehr & Gächter, 2002), and that the fairness perceptions associated with a system might in turn influence the rigidity of people's moral standards. For example, Greenberg (1990) showed that workers who perceive their pay-cut as unfair rather than fair are more likely to engage in employee theft, presumably to reinstate fairness. In related work, Zitek et al. (2010) showed that people who feel wronged behave selfishly due to a sense of entitlement, and Loewen et al. (in press) showed that the higher people's sense of social fairness, the higher their perceived acceptability of transgressions (e.g., avoiding paying for public transportation). In addition, people are more likely to violate minor laws—stealing a borrowed pen, sampling grapes from a grocer—when the legal system seems incapable of guaranteeing justice (e.g., Alter, Kernochan, & Darley, 2007; Becker, 1968; Nadler, 2005). Scholars have theorized that this so-called *moral spillover* occurs because people are only willing to support a system that seems globally just; when the system ceases to guarantee fair and just outcomes, its capacity to compel honest, moral behavior weakens as well (Mullen & Nadler, 2008).

Although previous research has examined various ways in which people respond to unfairness, less work has focused specifically on how objective and psychological states of financial deprivation influence moral judgments and decisions (their own as well as others') due to perceptions of inequity. This context is particularly interesting as previous research has shown that people care deeply about both their moral and financial standing, and little work has examined the potential tradeoffs people might make to protect their standing on either dimension. Building on the previous research, we suggest that financial deprivation might entice people to redress the imbalance in their financial position by adopting questionable moral behaviors. Put simply, when people feel deprived in one instance, it might seem fair that they subsequently engage in immoral behaviors that correct the perceived imbalance in their financial position. The same logic might also lead deprived people to treat other people's immoral behavior more leniently when the perpetrator is also deprived. This argument is consistent with equity theory (Adams, 1965), in which people judge the acceptability of actions (their own and others') based on the ratio of inputs and outputs of the given parties, and attempt to restore equity to compensate for an outcome that seems deserved but is denied. The work on equity sensitivity suggests that, not only are disadvantaged people more likely to treat their own immoral actions more leniently, but they are also likely to perceive the immoral conduct of other immoral actors with greater leniency – an observation consistent with findings that people are likely to identify with people with whom they have something, even something trivial, in common, as long as that feature is salient (Mussweiler, 2003). Indeed, previous research has shown that people's punitive judgments depend on perceptions of ethicality, equity sensitivity, their ingroup vs. outgroup, and the amount of information people have about the wrongdoers (e.g., Gino, Shu, & Bazerman, 2010; Goldberg, Lerner, & Tetlock, 1999; Huseman, Hatfield, & Miles, 1987; Reed & Aquino, 2003). Thus, to the extent that deprivation can influence the perceived acceptability of immorality in given contexts, it is likely that it might consequently influence actual decisions about the moral conduct of deprived actors – whether the actor is oneself or others.