GATE-LAB Workshop
Social Norms and Moral Norms
16-17 October 2015
GATE, Ecully (France)

Sponsored by the National Agency of Research (FELIS grant) and CORTEX
Welcome Address

Dear Participant,

We are very pleased to welcome you at the GATE research institute. This workshop aims at developing scientific discussions about Social Norms and Moral Norms. The objective is to better understand when people are more, or less, likely to act honestly and follow the moral course of action and norms instead of serving their strict self-interest at the others’ expense.

We are extremely grateful to our guest speakers for their contribution to the success of this workshop and we thank you for attending the workshop.

Two research programs, CORTEX* and FELIS*, sponsor this workshop. CORTEX (Construction, Cognitive Function, Rehabilitation and Repair of the Cortex) is a Laboratory of Excellence that combines multidisciplinary effort to understand human cognition. FELIS (Fraud and Economic Lies: Information and Strategies) is a research program funded by the National Research Agency and devoted to the analysis of dishonesty.

We hope that you will enjoy the meeting and also find some time to visit the lovely city of Lyon! We wish you an excellent meeting and a memorable stay in Lyon.

Marie Claire Villeval
Head of GATE

*CORTEX (Construction, Cognitive Function, Rehabilitation and Repair of the Cortex)

CORTEX is a project that was awarded the label “Laboratoire d’Excellence” by the French Government through international experts via ANR, the National Research Agency. The LabEx projects are part of a State initiative that promotes Excellence in French Research. The LabEx projects contribute to improve international visibility of the French best research teams. Consequent funding allows reinforcement of the scientific potential from these specific teams thanks to recruitment and equipment. 15 teams constitute the LabEx CORTEX, including the GATE research institute.

CORTEX combines multidisciplinary effort to understand the brain and human cognition, based on systems level studies of networks and interactions of multiple scales, from neurons to individuals. How the cortex is dynamically assembled, its architecture, the computations it supports and finally its capacities for perception, action, emotion and communication are part and parcel of a highly integrated process. Hence creating a coherent research program that integrates the communities pursuing cortex development, physiology and anatomy, cognitive science, medicine, social sciences is a primary ambition of CORTEX.

https://www.labex-cortex.com/en

*FELIS: Fraud and Economic Lies: Information and Strategies

FELIS is a research project funded by the National Research Agency (ANR) that involves researchers from GATE, CREM, the Higher School of Education in Moscow, the University of Amsterdam, and University Laval in Quebec. The FELIS program seeks a better understanding of fraudulent and deceptive behaviors in order to design better deterrence policies based on information. It includes the development of behavioral models and experimental tests in which the motivation of individuals includes concerns for image, emotions, limited cognitive abilities and other-regarding preferences. The aims of FELIS are to characterize the strategies of self-deception used to deceive oneself and others, the deterrence effect of uncertainty and information disclosure on audits, and how social networks convey peer effects leading to norms of honesty or dishonesty. FELIS combine behavioral economics modeling, field and laboratory experiments, neuroeconomics, and the econometrics of social networks.
Guest Speakers

- **Björn Bartling** (University of Zurich)
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- **Michele Belot** (University of Edinburgh)
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- **Gary Charness** (University of California at Santa Barbara)
  charness@econ.ucsb.edu

- **David Cooper** (Florida State University)
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- **Uri Gneezy** (University of California at San Diego)
  ugneezy@ucsd.edu

- **Fabio Galeotti** (GATE, University of Lyon)
  galeotti@gate.cnrs.fr

- **Martin Kocher** (University of Munich)
  martin.kocher@lrz.uni-muenchen.de

- **Vivian Lei** (University of Wisconsin, Milwaukee)
  vlei@uwm.edu

- **David Masclet** (CREM, CNRS)
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- **Theo Offerman** (CREED, University of Amsterdam)
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- **Shaul Shalvi** (CREED, University of Amsterdam)
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- **Anton Suvorov** (NRU, Higher School of Education, Moscow)
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- **Jeroen van de Ven** (University of Amsterdam)
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- **Marie Claire Villeval** (GATE, CNRS)
  villeval@gate.cnrs.fr

- **Adam Zylbersztejn** (GATE, University Lyon 2)
  zylbersztejn@gate.cnrs.fr
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<tr>
<th>Time</th>
<th>Session 1</th>
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<tr>
<td>10:00 - 10:40</td>
<td>Michele Belot (University of Edimburgh) Good Samaritans and the Market: Experimental Evidence on Other-Regarding Preferences in Partnership Formation</td>
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<td>11:40 - 12:20</td>
<td>Vivian Lei (University of Wisconsin) Does Trust or Trustworthiness Promote Economic Growth? An Experimental Study</td>
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<td>12:20 - 1:00</td>
<td>Adam Zylbersztejn (GATE, University Lyon 2) Commitment with and without money: an experiment</td>
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<td>2:10 - 2:50</td>
<td>Theo Offerman (University of Amsterdam) Defaults, Normative Anchors and the Occurrence of Risky and Cautious Shifts</td>
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<td>2:50 - 3:30</td>
<td>Gary Charness (University of California at Santa Barbara) Inducing Social Norms in Laboratory Allocation Choices</td>
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<td>4:00 - 4:40</td>
<td>Uri Gneezy (University of California at San Diego) Incentives and unethical behavior</td>
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<td>4:40 - 5:20</td>
<td>Shaul Shalvi (University of Amsterdam)Corrupt collaboration and organizational structure</td>
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<td>9:45 - 10:25</td>
<td>Martin Kocher (University of Munich) Individual versus Group Lying and the Role of Norms</td>
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<td>10:25 - 11:05</td>
<td>Björn Bartling (University of Zurich) Social Norms and the Replacement Logic</td>
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<td>David Cooper (Florida State University) Managing Social Credibility: An Experiment on Coordination and Leadership</td>
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<td>Marie Claire Villeval (GATE, CNRS) Equality concerns and the limits of self-governance in heterogeneous populations</td>
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<td>Anton Suvorov (NRU, Higher School of Education, Moscow) Building identity and giving money: too much of a good thing?</td>
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<td>Enrique Fatas (University of East Anglia) Normative vs. positive shared beliefs: A lab in the field study on ethno-linguistic diversity and conflict</td>
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<td>L’Etage (on invitation) Terreaux Square  69001 Lyon</td>
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On the other hand, people wary to announce cooperation when lying becomes costly. Although these two messages announcing cooperation are more trusted and more truthful thanks to the additional mechanisms. Telling oath. Importantly, all these effects involve an interplay of two opposite forces. On the one hand, the performance is not improved by adding an oath. Mild costs have the same behavioral effect as the truth-telling oath. We first replicate the well-known finding that bare communication does not improve cooperation. Then, “mild law” or “deterrent law”), and (ii) non-monetary commitment for truth-telling achieved via a truth-telling oath. We aim at mitigating the deceptive use of communication, which is then expected to improve cooperation. For this sake, we consider (i) monetary commitment for truth-telling achieved via sanctions for lying (either “mild law” or “deterrent law”), and (ii) non-monetary commitment for truth-telling achieved via a truth-telling oath. We enrich this communication environment by introducing additional mechanisms involving either monetary oath. We first replicate the well-known finding that bare communication does not improve cooperation. Then, we aim at mitigating the deceptive use of communication, which is then expected to improve cooperation. For this sake, we consider (i) monetary commitment for truth-telling achieved via sanctions for lying (either “mild law” or “deterrent law”), and (ii) non-monetary commitment for truth-telling achieved via a truth-telling oath. We first replicate the well-known finding that bare communication does not improve cooperation. Then, we enrich this communication environment by introducing additional mechanisms involving either monetary or non-monetary incentives, or both. We find that both monetary and non-monetary mechanisms enhance the effect of communication on cooperation. Deterrent cost of lying is the most efficient mechanism, and its performance is not improved by adding an oath. Mild costs have the same behavioral effect as the truth-telling oath. Importantly, all these effects involve an interplay of two opposite forces. On the one hand, the messages announcing cooperation are more trusted and more truthful thanks to the additional mechanisms. On the other hand, people wary to announce cooperation when lying becomes costly. Although these two effects cancel out, our experiment suggests that the net effect remains positive.

Does Trust or Trustworthiness Promote Economic Growth? An Experimental Study

Vivian Lei (University of Wisconsin, Milwaukee)  
(with Kenneth S. Chan and Filip Vesely)

In this study, we introduce an experimental approach to investigate the impact of trust and trustworthiness on economic growth. We design a decentralized laboratory economy that has the structure of an optimal growth model in which output are allocated between consumption and investment over a sequence of periods. A threshold externality is introduced to generate two steady-state equilibria in which the Pareto-inferior equilibrium is considered as a poverty trap. Groups of various trust and trustworthiness levels are formed before they participate in our dynamic, decentralized economy. While we do not find evidence suggesting that trust or trustworthiness influences the likelihood that an economy will fall into the poverty trap, we do find trust to be an important determinant of economic growth. Trustworthiness, on the other hand, has no significant impact.

Commitment with and without money: an experiment

Adam Zybersztein (GATE, University Lyon 2)  
(with Nicolas Jacquemet, Stephane Luchini and Jason Shogren)

This experiment explores how monetary and non-monetary institutions may foster social norms. We nest our study in the classic environment of trust game with fixed-form communication. Unlike the previous studies that consider communication as an instrument to achieve cooperation, herein we aim at mitigating the deceptive use of communication, which is then expected to improve cooperation. For this sake, we consider (i) monetary commitment for truth-telling achieved via sanctions for lying (either “mild law” or “deterrent law”), and (ii) non-monetary commitment for truth-telling achieved via a truth-telling oath. We first replicate the well-known finding that bare communication does not improve cooperation. Then, we enrich this communication environment by introducing additional mechanisms involving either monetary or non-monetary incentives, or both. We find that both monetary and non-monetary mechanisms enhance the effect of communication on cooperation. Deterrent cost of lying is the most efficient mechanism, and its performance is not improved by adding an oath. Mild costs have the same behavioral effect as the truth-telling oath. Importantly, all these effects involve an interplay of two opposite forces. On the one hand, the messages announcing cooperation are more trusted and more truthful thanks to the additional mechanisms. On the other hand, people wary to announce cooperation when lying becomes costly. Although these two effects cancel out, our experiment suggests that the net effect remains positive.

Friday 16 October 2015

Session 1

Good Samaritans and the Market: Experimental Evidence on Other-Regarding Preferences in Partnership Formation

Michele Belot (University of Edinburgh)  
(with Marcel Fafchamps)

We construct an experiment to study the role of other-regarding preferences in the process of partnership formation. The literature on decentralized matching describes the process of match formation as a market-like process while the literature on other-regarding preferences suggests that such preferences are particularly strong in small partnerships. So we ask: do people apply market-like heuristics when searching for a partner (i.e. behave selfishly); or do they behave more pro-socially, as they do once these partnerships or small entities are formed? And if they do behave differently, what motivates differences in behavior? We focus on one possible mechanism explaining differences in behavior: the saliency of the implications of choices on others. We compare partnership choices in three treatments, varying the saliency of the implications of choices on others. We find that a market-like situation reduces the good samaritan spirit in this environment as well: when choosing a partner agents are less likely to sacrifice their own material well-being to increase the well-being of others.

Do affirmative action policies help reducing gender discrimination and enhance efficiency? A new experimental evidence

David Masclet (CREM, CNRS)  
(with Guillaume Beaurain)

Our paper investigates experimentally the impact of quota policies on gender discrimination in hiring decisions. Precisely we test whether introducing affirmative action programs helps in increasing the employment of women. We also investigate whether firms’ performance is improved or not by such policies. Our experiment consists of three treatments. In the baseline treatment (called no quota treatment), groups of six participants are formed including two employers and six potential job candidates. Employers have to hire two workers based on some information regarding the candidates’ characteristics including gender, years of study and fields of study. The second treatment, called low penalty treatment (henceforth LPT) is identical to the baseline except that a quota system is introduced such that at least half of employees must be women. In case of non-respect of the law, the firm has to pay a penalty of 10 ECU (Experimental Currency Units). Finally the third treatment, called high penalty treatment (henceforth HPT) is similar to the low penalty treatment except that the penalty is significantly higher and amounts to 110 ECU. Our findings indicate that there exists a significant gender gap in the no quota treatment where no intervention is possible: on average female workers are ranked worse than males in absence of quota. The introduction of quota systems reduces discrimination against women significantly. We also find the evidence of reverse discrimination. Finally our findings also indicate that the firms’ performance is not affected by affirmative action programs.
Session 3

Defaults, Normative Anchors and the Occurrence of Risky and Cautious Shifts
Theo Offerman (University of Amsterdam) (with Stephan Jagau)

A choice shift occurs when individuals advocate a risky (safe) decision when acting as part of a group even though they would prefer a safe (risky) alternative decision when acting as individuals. In this paper, we investigate when and why choice shifts occur. We consider two potential drivers of choice shifts. One possibility is that defaults are responsible for choice shifts. Eliaz et al. (2006) clarify the similarity between choice shifts in groups and Allais-paradox type of behavior, and they show how rank-dependent utility may cause choice shifts. The other possibility is that choice shifts are driven by normative anchors. In that case, individuals may shift in the direction of the risk position held by the majority of their group. Our experimental evidence largely supports the explanation based on normative anchors, and it emphasizes the importance of a decision having shared consequences.

Inducing Social Norms in Laboratory Allocation Choices
Gary Charness (University of California at Santa Barbara) (with Arthur Schram)

Social norms involve observation by others and external sanctions for violations, while moral norms involve introspection and internal sanctions. To study such norms and their effects, we design a laboratory experiment. We examine dictator choices, where we create a shared understanding by providing advice from peers with no financial payoff at stake. We vary whether advice is given, as well as whether choices are made public. This design allows us to explicitly separate the effects of moral and social norms. We find that choices are in fact affected by a combination of observability and the shared understanding.

Session 4

Incentives and unethical behavior
Uri Gneezy (University of California at San Diego)
Forthcoming

Corrupt collaboration and organizational structure
Shaul Shalvi (CREED, University of Amsterdam) (with Anastasia Danilov, Ori Weisel and Bernd Irlenbusch)

Collaborative settings breed corruption (Weisel and Shalvi, 2015). Does the way in which collaborating partners are organized influence the likelihood that they will turn corrupt? Here we examine corrupt behaviour in three different organizational hierarchies: Flat, Moderate, and Steep. In all settings each of three group members (A, B, and C) privately rolls a die and reports the results. We used six-sided dice with three possible outcomes – 1, 2, or 3 (each number appeared on 2 sides of an otherwise normal six-sided die). Each of the three players is paid the value of the reports in € if, and only if, they are identical (i.e., a triple: for example, if all three report 3, each earns €3). Since rolls are truly private, players can inflate their profit by misreporting the actual outcomes. In the Flat hierarchy all three player roll simultaneously. In the moderate hierarchy player A rolls first, reports the result to players B and C, who then both roll simultaneously. In the steep hierarchy the three players roll sequentially. Player A rolls first and reports the result to B and C; Then B rolls and reports the result to C; And finally C rolls as well. While we find excessive similar lying in all three hierarchies, in Flat the triples were of higher value than the Moderate and Steep hierarchies. The finding suggests being placed at a leader position increases people’s lying costs.
Saturday 17 October 2015

Session 5

Individual versus Group Lying and the Role of Norms

Martin Kocher (University of Munich)
(with Simeon Schudy and Lisa Spanlig)

Lying and cheating is not always an individual act. Group interaction could potentially both attenuate or reinforce unethical behavior. We analyze how individual lying is aggregated to a group decision, using a dice throw experiment. Our results indicate that the inclination to lie is strongly increased after an anonymous group chat, compared to the individual setting. Obviously, group membership serves as an excuse to lie. We also look at the degree of payoff commonality and individual characteristics as determinants of lying behavior.

Social Norms and the Replacement Logic

Björn Bartling (University of Zurich)
(with with Yagiz Özdemir)

It is often argued that the replacement logic (“if I don’t do it, someone else will”) contributes to the erosion of moral behavior, particularly when people interact in markets. In this paper, we show in a large-scale experimental study that the replacement logic does not affect behavior in general. Instead, the effect of possible replacement of an action by other players critically depends on the social norm associated with the underlying action. In particular, we find that subjects are insensitive to the replacement logic if a clear social norm exists that some action is inappropriate. In these cases, subjects behave as if they focus only on their action, but not on the ultimate outcome. However, if no clear mutual understanding exists about what constitutes right or moral conduct, then subjects follow the replacement logic. In these cases, subjects’ behavior appears to be driven by the outcome of an interaction – but not by their own action, which can be replaced. Our results contribute to a better understanding of the nature of social norms, the potential power of the replacement logic, and its limits.

Session 6

Once a cheater always a cheater? An experimental study on the persistence of lying

Jeroen van de Ven (University of Amsterdam)
(with Michele Belot)

We study if lying behavior is persistent. In an experimental market, sellers are given private information about the quality of the product that they are selling. In chat or face-to-face interactions, sellers can try to convince buyers that their product is of high quality. We manipulate the incentives for sellers to lie. In the high-stakes condition, sellers receive large benefits if they can convince the buyer that their product is of high quality. We manipulate the incentives for sellers to lie. In the high-stakes condition, sellers receive large benefits if they can convince the buyer that their product is of high quality, while in the low-stakes condition sellers only receive small benefits for convincing the buyer that the quality is high. Every seller is exposed to both conditions, but we reverse the order among different sellers. Preliminary results suggest that lying behavior is path-dependent.

Cheating in the lab predicts cheating in the field! An experiment in public transportations

Fabio Galeotti (GATE, University of Lyon)
(with Zhixin Dai and Marie Claire Villeval)

We conduct an artefactual field experiment using passengers of the public transport service in France to study whether dishonesty in real life is related to dishonesty in the laboratory. Dishonesty in the field is measured with self-reports and by asking participants to exchange a validated ticket with a new one at the end of the experiment. We also recruit a sub-sample of subjects immediately after they paid a fine. Dishonesty in the lab is measured using both an abstract task (i.e. reporting the outcome of a privately rolled die) and a contextualized task (an original public transportation game). We find that (a) dishonest behavior in the abstract task is related to dishonesty in real life. (b) fare-dodgers who had just paid their fine behave more honestly in the abstract task than the other fare-dodgers. c) the difference in behavior between fare dodgers and non fare-dodgers increases when context is introduced. Overall, our experiment shows that simple tests of dishonesty in the lab may capture some individual attributes that predict dishonesty in real life.
Session 7

Managing Social Credibility: An Experiment on Coordination and Leadership

David Cooper (Florida State University)
(with John R. Hamman and Roberto A. Weber)

We study a situation in which a leader tries to induce followers to invest in a joint venture. This venture has three key properties: (1) returns are uncertain, (2) investments are complements, so investment is generally only profitable when the followers coordinate on investing, and (3) investment is generally more beneficial for the leader than the followers. The leader has private information about the investment’s return and can facilitate successful coordination through cheap-talk recommendation. We study the extent to which leaders in such situations possess “social credibility” defined as the ability to coordinate followers’ behaviors with their statements. In an experiment, we find that leaders manage social credibility by forgoing potentially profitable requests for investment in order to make it more likely that subsequent recommendations to invest are followed. We identify factors that affect the persistence of social credibility.

Equality concerns and the limits of self-governance in heterogeneous populations

Marie Claire Villeval (GATE, CNRS)
(with Lata Gangadharan and Nikos Nikiforakis)

Mechanisms to overcome social dilemmas provide incentives to maximise efficiency. However, often – such as when agents are heterogeneous – there is a trade-off between efficiency and equality. Agents’ concerns for equality in such instances can limit the ability of mechanisms to promote efficiency. We provide evidence for this from a public good experiment using a simple mechanism which allows individuals to communicate periodically with other group members and reward them for their actions. We show that, in homogeneous populations – where there is no tension between efficiency and equality – the mechanism permits group to obtain maximum efficiency. This is not the case in heterogeneous populations where individuals derive different benefits from cooperation. Although almost all heterogeneous groups agree to follow specific contribution rules with positive contributions, most of them either prioritize equality over efficiency or strike a compromise between the two. These findings suggest that equality concerns can impose limits on the ability of heterogeneous populations to reach efficient outcomes through self-governance.

Session 8

Building identity and giving money: too much of a good thing?

Anton Suvorov (NRU Higher School of Education, Moscow)
(with Vadim Nelidov and Alexis Belianin)

Using monetary incentives and creating group identity, when used separately, may improve group performance. But, when these instruments are combined, do they reinforce or substitute each other? We address this question in a lab experiment. Our results show that, while separately monetary stimuli and group identity indeed substantially increase cooperation in a public good game, their combination does not produce additional gains: these instruments act as substitutes in our set-up. We argue that this result can be due to motivation crowding-out effects. In addition, we explore the channels through which group identity increases cooperation. In particular, contrary to previous studies, we show that building identity boosts group members’ expectations regarding future cooperation, which, in turn, improves their own willingness to cooperate.

Normative vs. positive shared beliefs: A lab in the field study on ethno-linguistic diversity and conflict

Enrique Fatas (University of East Anglia)
(with Maria Paz Espinosa and Paloma Úbeda)

Ethno-linguistic diversity may intensify out-group discrimination and reinforce in-group favoritism. In this paper we analyze the joint effect of diversity and conflict on norm formation in bilingual societies through a two-wave lab experiment in the field. In the first wave, participants (the players) play a between-groups cooperation game. In the second, we elicit both the normative and the positive shared beliefs of a second group of participants (the observers) using a variant of the Krupa-Weber mechanism. Our results strongly suggest that shared beliefs elicited in the second experiment are consistent with the results found in the first: out-group discrimination is not necessarily linked to group diversity. While conflict wipes out conditional cooperation between groups, its absence reinforces between-groups cooperation. The second wave of experiments explains this counterintuitive result: diversity in conflict areas generate a persistent normative discrimination, diversity without conflict generates a misrepresentation of the actual behavior of the other group, leading to overoptimistic positive beliefs.