



# Experimental evidence of self-image concerns as motivation for giving<sup>☆</sup>



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## ABSTRACT

In this paper we present evidence of self-image concerns in charitable giving using a laboratory experiment. Subjects make a series of three decisions of allocating an endowment of £10 between themselves and a passive recipient that is either a charity or the experimenters. When making these decision subjects are informed that one of them will be chosen randomly at the end to determine payoffs. After all decisions have been made and it has been revealed which decision will determine payoffs we offer subjects an opportunity to opt out from their initial decision and receive £10 instead. We find that almost a quarter of subjects choose to opt out, while around one third opt out from a positive donation. The fact that a subject decides to revise a decision to give and chooses instead to keep the whole amount – an option that was available when she made the first decision and was not exercised – indicates that giving in the first instance was not motivated solely by altruism toward the recipient. We argue that opting out can be explained through a combination of a reduced benefit of self-signaling due to satiation, and an increase in the costs of giving at the opt out stage, as they are realized with certainty.

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## 1. Introduction

This paper provides evidence of self-image concerns as motivation behind charitable giving. Psychologists have long recognized that maintenance of a perception of one's self as a kind and helpful person is an important determinant of prosocial behavior. The main idea is that people draw inferences about their prosocial disposition from their actions (Baumeister, 1998; Bem, 1972); for instance, when a charity solicits a donation, then making a contribution signals to the donor positive personality traits. More recently, self-image has also been identified as an important motivator of prosocial behavior in the economics literature (Benabou and Tirole, 2006; Bodner and Prelec, 2003; Grossman, 2010; Murnighan et al., 2001). We contribute to this strand of the literature by providing empirical support for the importance of self-image considerations in the context of a modified dictator game.

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Subjects in our experiment made a series of three decisions of allocating an endowment of £10 between themselves and a passive recipient that was either a charity or the experimenters. When making these decision subjects were informed that one of them would be chosen randomly at the end to determine payoffs. When all decisions were made and it was revealed which decision would determine payoffs, we offered subjects an opportunity to exit the game and receive the £10 instead. This option was not pre-announced so subjects were unaware of the possibility of revision when making the allocation decisions. We find that almost a quarter of subjects chose to opt out, while around one third opted out from a positive donation.

The fact that a subject decides to revise a decision to give and chooses instead to keep the whole amount – an option that was available when she made the first decision and was not exercised – indicates that giving in the first instance was not motivated solely by concerns about final payoffs but also by audience effects. The role that audience effects play in shaping prosocial behavior and how they interact with monetary incentives has recently received considerable attention both theoretically (Andreoni and Bernheim, 2009; Benabou and Tirole, 2006; Ellingsen and Johannesson, 2008, 2011), and empirically in the lab and the field (Andreoni and Bernheim, 2009; Ariely et al., 2009; DellaVigna et al., 2012; Grossman, 2010; Lacetera and Macis, 2010). Since in our experiment decisions are anonymous, and in two of the decisions the recipient is a charity who will remain unaware of the donor's identity or of the fact that there was an experiment being conducted, leaves us with the only candidate audience being the person herself.<sup>2</sup>

How does a concern for self-image explain exiting behavior in our setting? There are two possible mechanisms through which this could take place. First, note that subjects in our experiment were offered three chances to prove to themselves that they are altruistic before being given the option to opt out. A subject that, for instance, shared an amount with the recipient during the course of the experiment has upheld the self-image of being a caring type. Now, when given the opportunity to opt out, some subjects may feel that they have already signaled their generosity in their earlier donation decisions, even if these decisions were not executed, and may therefore decide to opt out and receive the full £10. This logic applies even if self-image suffers when a good deed is renounced, as long as there is no full erasure of the benefits arising from previous decisions. The point is that getting £10 by opting out of a previous donation is different from keeping £10 for oneself in the original allocation decision, because in the former case the subject has shown herself her good intentions, while in the latter this is not the case.<sup>3</sup> An additional mechanism explaining opting out is that when deciding how to share the £10, the subject faced the monetary cost of this decision only with a probability of one third. On the other hand, the benefit of self-signaling may be experienced regardless of implementation as good intentions in themselves contribute to a positive self-image. At the opting out stage, the monetary costs of adhering to the previous decision are certain, as opting out applies to the specific decision that has been selected for implementation. This increase in costs can tilt the cost–benefit analysis for some subjects in the direction of opting out. All in all, opting out can be explained through a combination of a reduced benefit of self-signaling due to satiation and an increase in the costs of giving at the opt out stage due to the removal of the uncertainty surrounding implementation.

Our experimental design draws on a recent literature that studies exiting behavior in dictator games. This literature was launched with the paper by Dana et al. (2006) who gave dictators the opportunity for a costly exit and found that about a third of the subjects were willing to sacrifice a dollar in order that the recipient never finds out that a dictator game was played. By contrast, in a slight variation of this experiment in which the recipients would never find out that a dictator game was played the authors found that almost none of the dictators exercised the option to exit. Broberg et al. (2007) followed up on the study by Dana et al. (2006) by estimating the distribution of exit reservation prices in a dictator game and found the mean exiting reservation price to be about 80% of the dictator's endowment. These results indicate that standard models of social preferences where dictators care about the payoff of recipients or dislike unfair outcomes (e.g. Fehr and Schmidt, 1999) cannot fully explain giving in the dictator game. Instead, dictators may have some concern about not meeting the expectation of the recipient and, therefore, if they can avoid having to let someone down they would do it even at a cost. Notice, however, that this interpretation of exiting behavior is open to debate in light of the evidence in Ellingsen et al. (2010) who find no correlation between dictators' giving and the beliefs of the recipients about how much they would receive, when those beliefs had been communicated to the dictator before the decision was made. Differently from the above studies in which the exiting option is presented to subjects after they have made the sharing decision, Lazear et al. (2012) perform experiments in which subjects are offered the option of either playing the dictator game or receiving a fixed payment and recipient subjects remaining ignorant of the sharing possibility. They found that more than half of subjects take the exit option.<sup>4</sup> In our experimental design aversion to disappointing recipients cannot explain opting out behavior, as either the recipient is never aware (charity) or is always aware (experimenters) of the game being played. This feature of our design differentiates it from previous studies where the choice to exit has implications for the recipient's awareness. Moreover,

<sup>2</sup> In principle, it is possible that subjects may be concerned about how the experimenters will judge their decision, however, this concern should be muted here as the experimenters cannot link decisions to specific subjects and subjects were informed about this before consenting to participate. Moreover, if subjects are concerned with the experimenters' judgement of their decision, we would expect less opting out when the experimenters are the recipients. However, as we will show in Section 3, this is not the case.

<sup>3</sup> This psychological mechanism is related to the concept of "moral licensing" as in Sachdeva et al. (2009), where people may feel licensed to refrain from good behavior after having behaved morally (see also Dunning, 2007; Khan and Dhar, 2006).

<sup>4</sup> Jacobsen et al. (2011) also find substantial exiting in a setting where subjects are offered an opportunity to avoid having to share their endowment with a charity and are informed about this option ex-ante.

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