

# Social Influence in the Sequential Dictator Game<sup>1</sup>

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This paper introduces the sequential dictator game to study how social influence may affect subjects' choices when making dictator allocations. Subjects made dictator allocations of \$40 before and after learning the allocation made by one other subject in the Relevant Information treatment, or the birthday of one other subject in the Irrelevant Information treatment. Subjects on average become more self-regarding in the Irrelevant Information treatment, but observing relevant information constrains some subjects from moving toward more self-regarding choices. We also find that subjects who exhibit more self-regarding behavior on their first decisions are less likely to change choices between their first and second decisions, and the use of the Strategy Method in this setting does not significantly alter choices. The relationships between our findings and the economic and psychological literature regarding how social influence operates are also explored. © 1998 Academic Press

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## 1. INTRODUCTION

This paper introduces the sequential dictator game to study how social influence may affect subjects' choices when making dictator allocations. In the dictator game, each subject is paired randomly and anonymously with another subject, and one is selected to "dictate" the allocation of a fixed amount of money. In the sequential dictator game, subjects make two dictator decisions, and they receive information regarding another subject's dictator allocation before making their second decision. When making these two decisions, subjects are not making two dictator offers to the same person.

If a subject's only goal is to maximize her earnings, then she should allocate the entire surplus to herself. However, there is now overwhelming evidence that many subjects give away a substantial share of the surplus.<sup>2</sup> Different explanations have

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<sup>2</sup> For two surveys of the early literature on the dictator game and the related ultimatum game, see Camerer & Thaler, 1995 and Roth, 1995; for more recent contributions see Hoffman, McCabe, & Smith, 1996; Bolton, Katok, & Zwick, 1997; and Cason & Mui, 1997.

been advanced for this other-regarding behavior—for example, the fairness hypothesis (Forsythe, Horowitz, Savin, & Sefton, 1994) and the observer effect hypothesis (Hoffman, McCabe, Shachat, & Smith, 1994)—and these explanations typically employ the idea that subjects care about both their monetary earnings as well as about behaving in a socially appropriate way.<sup>3</sup> At a general level, these explanations are based on the idea that subjects are maximizing a utility function that includes both a monetary payoff and a social payoff, and this social payoff depends on the extent to which subjects' choices conform to or deviate from what they believe to be socially appropriate behavior.

While a subject's belief regarding what constitutes socially appropriate behavior will depend on her personal characteristics—her experience, cultural background, personality—it is plausible that this belief may also depend on her estimate of others' beliefs regarding what constitutes socially appropriate behavior. Therefore, when a subject is exposed to socially relevant information that may lead her to revise her belief, her choice may change. This paper reports an experiment that provides some preliminary tests of this social influence hypothesis. More specifically, we investigate whether learning the dictator allocation made by another subject in the same experimental session affects subjects' choices.

Other researchers have also conducted experiments in which subjects receive information about others' choices. For example, several recent public goods laboratory studies have examined whether group contribution levels change when subjects receive information about the previous contributions of all individual subjects in their group (Sell & Wilson, 1991; Weimann, 1994; and Croson, 1995).<sup>4</sup> These experiments capture natural settings in which social influence may be significant. However, in these experiments a subject's monetary payoff depends on both her own choice as well as others' choices. The presence of strategic interdependence creates two difficulties for our purpose of testing for the impact of social influence.

First, even if one observes that a subject's behavior changes upon observing other subjects' choices, it may be difficult to discern to what extent these changes are due to social influence and to what extent they are caused by the fact that such information affects her strategic calculus when attempting to increase her monetary payoff. Second, when strategic interdependence is present, subjects' beliefs regarding what constitutes socially appropriate behavior may be influenced by the strategic environment itself. Roth (1995) reviews recent efforts in studying how social norms regarding what constitutes fair behavior in bargaining games can be created and enforced. He observes that "(a)lthough subjects may have clear ideas about what is

<sup>3</sup> According to the fairness hypothesis, subjects are trying to behave fairly by taking what they consider to be their fair share. This hypothesis implies that subjects' choices are sensitive to their beliefs regarding what is a fair allocation. According to the alternative observer effect hypothesis, subjects may be concerned about whether their allocations are judged as unfair by the experimenter, so the experimenter as observer could increase other-regarding behavior. This hypothesis implies that subjects' choices are sensitive to their expectation regarding what is perceived to be socially acceptable to the experimenter.

<sup>4</sup> In a related public goods experiment, Andreoni (1995) finds that providing subjects with information regarding how their earnings rank in comparison to the other subjects in their session decreases cooperation. In a "trust game" experiment, Berg, Dickhaut, & McCabe (1995) finds that providing subjects with the full distribution of outcomes from previous sessions does not substantially affect their choices.

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