



Deception: The role of guilt



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ABSTRACT

Evidence suggests that whether or not people dislike lying is situation-dependent. We argue that the theory of simple guilt can accommodate this well.

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1. Introduction

Gneezy (2005) reports intriguing experimental evidence indicating that people do not like to lie. His subjects deceive primarily if they thereby gain a lot, or impose little loss. Through a carefully spun web of treatments (presented below) he highlights ways in which some seemingly plausible models of motivation (e.g. distributional preferences, or a fixed cost of lying) fall short of capturing the central tendencies of the data.

In other situations people habitually lie without remorse. We suggest that examples can be drawn from used car sales, promises made by politicians, tax returns sent to the IRS, testimony in traffic courts (under oath!), and game shows like *Survivor*. These examples are confounded though; people may dislike lying per se and yet lie because of countervailing benefits. But no such confound can touch the following example taken from the world of poker. It concerns chit-chat amongst players between deals (not regular bluffs). In his book *Bad Beats and Lucky Draws*, Phil Hellmuth, Jr. (2005, p. 34) describes a Texas Hold'em game in which he held 10♥-6♥. He ended up not having to show his cards. Another player (Johnny Chan) said: "I thought you had a pair of sevens and a flush draw." Hellmuth responded: "Nope, actually I had the 10♦-J♦." This is a lie of commission! One might take Hellmuth to be a type with an unusually limited aversion to lying. But that is

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Table 1
Payoffs used in CTSR game

Treatment	Option	Payoff to	
		Player 1	Player 2
1	A	5\$	6\$
	B	6\$	5\$
2	A	5\$	15\$
	B	6\$	5\$
3	A	5\$	15\$
	B	15\$	5\$

not the case. He writes: “Although I never lie outside of poker, to me, lying about what you just had in a poker hand is part of bluffing. Why give someone a ‘free read’ on your play?”¹

We argue that Battigalli and Dufwenberg’s (2007) (cf. Battigalli and Dufwenberg, 2009,² Geanakoplos et al., 1989) theory of simple guilt can explain the central tendencies of Gneezy’s data, while accommodating other situations where people do not suffer when they lie. Section 2 recalls Gneezy’s results, Section 3 introduces guilt, Section 4 describes the fit with data, and Section 5 concludes.

2. Gneezy’s experiment

Gneezy studies a two-player “cheap talk sender-receiver” (CTSR) game. There are two options, A and B. Only player 1 is informed of the involved monetary consequences, and then sends one of two messages to player 2:

Message A: “Option A will earn you more money than option B.”

Message B: “Option B will earn you more money than option A.”

Player 2 must choose between options A and B after getting 1’s message. The monetary consequences, known to 1 but not to 2, vary across three treatments as described in Table 1:

Message A tells the truth; message B is a lie. Message B was chosen in, respectively, 36%, 17%, and 52% of the cases in treatments 1, 2, and 3.

In order to determine if these results reflect aversion to lying (as opposed to preferences over distributions of payoffs) Gneezy employs three dictator treatments, where player 1 chooses between options A and B and player 2 has no choice. For the CTSR games, Gneezy reports evidence (p. 386) that player 2 followed 1’s message in about 80% of the cases, and player 1 expected the message to be followed in about 80% of the cases. To allow comparability, in the dictator games the probability of executing 1’s choice was 80% with the dollar consequences as seen in Table 1. If lying were painless, one would expect the frequency of option B choices in the dictator game to match the frequency of message B choices in the CTSR games.

That did not happen. Option B was chosen in, respectively, 66%, 42%, and 91% of the cases; each number is significantly higher than the corresponding one in the CTSR treatments. Gneezy concludes: “it is not only care for others that motivate behavior, but also aversion to lying” (p. 388). However, the (significant) difference between CTSR treatments 1 and 2 (36% vs. 17%) suggests that assuming a fixed cost of lying will not by itself do the job.

3. Simple guilt

B&D (2007) introduce a theory of guilt aversion, which applies to extensive games with monetary payoffs. The basic idea is that player i suffers from guilt to the extent that he believes that player $j \neq i$ gets a lower (monetary) payoff than i believes j believes she will get.³ For a two-player game, a psychological utility function of player 1, u_1 , can be defined thus:

$$u_1(z, \alpha_2) = \pi_1(z) - \theta_1 \max\{0, \mathbb{E}_{\alpha_2}[\pi_2] - \pi_2(z)\}, \quad (1)$$

where z is the outcome of the game (terminal node reached), $\pi_i(z)$ is the dollar payoff of player i at z , α_2 is player 2’s pre-play belief on how the game will be played, $\mathbb{E}_{\alpha_2}[\pi_2]$ is 2’s subjective expected payoff calculated using α_2 , and θ_1 is an exogenously given positive constant.

¹ Hellmuth (2005) is not a unique case. Leading poker texts actively encourage lies, or at least very deceptive use of language and demeanor. For some colorful testimony, we refer to several examples in Brunson (1978/2002); see e.g. pp. 80–81, 88–89, 105–106, 427–428 (the first three of these examples are crafted by “Crazy Mike” Caro).

² From here on, Battigalli and Dufwenberg will be abbreviated with B&D.

³ This conforms well with findings in social psychology, e.g. by Baumeister et al. (1994, 1995).

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