



# The importance of peers for compliance with norms of fair sharing



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## ABSTRACT

A burgeoning literature in economics has started examining the role of social norms in explaining economic behavior. Surprisingly, the vast majority of this literature has studied social norms in asocial decision settings, where individuals are observed to act in isolation from each other. In this paper we use a large-scale dictator game experiment ( $N = 850$ ) to show that “peers” can have a profound influence on individuals’ perceptions of norms of fair sharing, which we elicit in an incentive compatible way. However, in contrast to these strong peer effects in social norms of fair sharing, we find limited evidence of the influence of norms and peers on actual sharing behavior. We discuss how these results can be explained by heterogeneity in normative views as well as in willingness to comply with norms.

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## 1. Introduction

We study the driving forces underlying one of the fundamental principles of human social behavior: fair sharing. While earlier explanations have focused on the role of other-regarding preferences and preferences for equality (see, e.g., Camerer, 2003, Chap. 2), we investigate a more recent account of fair sharing that relies on the concept of *norm compliance*: many people have an intrinsic preference to conform to what is collectively perceived as “socially appropriate” and are willing to sacrifice material gain in order to comply with such norms.<sup>1</sup> In fact, social norms are thought to drive behavior in a variety of social contexts (e.g., Elster, 1989; Bicchieri, 2006; López-Pérez, 2008; Krupka and Weber, 2013). A number of recent experimental studies use a norm compliance framework to explain behavior across several settings, including dictator games

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<sup>1</sup> Another class of explanations for fair sharing and giving focuses on the role of self- or social-image concerns whereby individuals care about being perceived as fair (e.g., Andreoni and Bernheim, 2009; Ellingsen and Johannesson, 2011; Grossman and van der Weele, 2017). In our view this approach is complementary to the social norms approach in the sense that theories of image concerns often assume the existence of a norm of acceptable behavior (e.g. equal sharing) that individuals strive to adhere to in order to boost their image.

(Krupka and Weber, 2013; Krupka et al., 2017; Kimbrough and Vostroknutov, 2016), third-party allocator games (Barr et al., 2015), gift-exchange games (Gächter et al., 2013), oligopoly games (Krupka et al., 2017), public good, trust and ultimatum games (Kimbrough and Vostroknutov, 2016).

However, nearly all of these studies of social norms focus on tightly controlled, but surprisingly *asocial* decision environments, where individuals face neutral and abstract decision situations, under full anonymity, and in complete isolation from other decision-makers. While the use of contextually sterile decision environments is one of the hallmarks of experimental control, we also notice that contextual variables – from the framing of the decision task to the presence and behavior of other decision-makers in the decision setting – play a crucial role in nearly every conceptual account of social norms. Minimal variations in the context can profoundly change individuals' perception of the nature of the decision situation and the underlying norms of conduct (Bicchieri, 2006). This highlights the importance of studying the interaction between contextual variables and norm compliance. In this paper we take a step in this direction by systematically studying the influence on norm compliance in fair sharing of one specific contextual variable: the presence of “peers”, i.e. other decision-makers, in the decision setting faced by an individual.

We believe that understanding the influence of peers on individual decision-making is important for a number of reasons. First, information about peer behavior is typically available in many natural social settings, where individuals do not act in social isolation. On the contrary, people often have the opportunity to interact with others and observe their choices before making a decision. Thus, studying the influence of peers on individual decision-making is inherently relevant for understanding the general dynamics of human social interactions.

Second, the study of peer influence is of theoretical interest because peers are an important determinant of norm-driven behavior in most conceptual accounts of norm compliance across the social sciences. For instance, in economics, Sugden (1998) argues that observing instances of norm-compliance or norm-breaking can reinforce or weaken the expectations that the norm ought to be followed. In social psychology, Cialdini et al. (1990) contend that the behavior of peers exerts normative influence on individual behavior by shaping what individuals perceive as typical or normal behavior in a given situation (the “descriptive norm”). In philosophy, Bicchieri (2006) proposes that whether or not a norm will be followed depends partly on “normative expectations” (whether the individual expects that sufficiently many others expect him or her to comply), and partly on “empirical expectations” (whether the individual expects that sufficiently many others will comply). Sociologists Lindenberg and Steg (2013) argue that the behavior of others can shift the weights that individuals place on the normative-goal (following social norms) relative to the more self-centered hedonic and gain goals (need satisfaction and resource accumulation).

Despite the large theoretical literature on the importance of peers for norm-driven behavior, the empirical evidence is scant. In many of the settings where peer effects have been documented empirically (e.g., Keizer et al., 2008; Shang and Croson, 2009; Bicchieri and Xiao, 2009; Krupka and Weber, 2009; Gächter et al., 2012; Falk et al., 2013; Thöni and Gächter, 2015), other behavioral forces may explain the correlations between individuals' and peers' actions observed in the experiments.<sup>2</sup> Even in settings where the observed data patterns are difficult to reconcile with alternative explanations (e.g. McDonald et al., 2013) and results are strongly suggestive that the presence of peers affects norms, the lack of direct data on how peers affect normative considerations makes it difficult to identify whether the observed impact of peers' actions on behavior is mediated by corresponding shifts in the normative evaluation of actions.

In this paper we present a new set of dictator game experiments that measure the influence of peers on both *actual* sharing and *norms* of sharing using the incentive-compatible norm-elicitation task by Krupka and Weber (2013).<sup>3</sup> Our experiments set us apart from the existing literature on peer effects mentioned above, in that we are able to explicitly identify the linkages between peers' actions, normative views, and individual sharing behavior. In this aspect our paper is related to Gächter et al. (2013), who, however, study peer effects in norms and behavior in a gift exchange game. They find that peer effects in norms do not explain the observed peer effects in actual gift exchange. While these results cast some doubt on the importance of norms for peer effects, it would be premature to base judgment on the importance of norm following solely on the study of one specific decision setting and one specific social norm. It is indeed unclear whether the results from the gift exchange game may also extend to other settings and norms, as it may be the case that the influence of peer behavior is more decisive for norms of fair sharing than for reciprocal gift exchange.

Moreover, all the experiments reported in Gächter et al. (2013) are based on gift exchange games where the decision-makers observe the decisions of a peer before making their own choices. In this sense, it is not obvious that their experiments allow assessing the causal impact that the presence of peers may have on norms and behavior, because their study lacks a treatment without peers. In this paper, we study settings where the decision-maker is exposed to the influence of a peer as well as settings where the decision-maker acts in isolation from peers. This allows us to examine the causal influence that peers have on norms and behavior.

Specifically, in our PEER treatment subjects play a sequential three-person dictator game, where two dictators can transfer money to one recipient. The dictators move sequentially and thus the second dictator can observe the transfer made by the first dictator (the “peer”) before making her own transfer decision. In contrast, our NOPEER treatment is based on a two-

<sup>2</sup> For example, in some settings peer effects can arise if individuals are motivated by a desire to equalize material earnings between themselves and their peers. See Thöni and Gächter (2015) for a discussion of the possible behavioral mechanisms underlying peer effects.

<sup>3</sup> As we explain more in detail in Section 3, in the Krupka and Weber (2013) task, participants in an experiment read the description of a scenario and are asked to evaluate the social appropriateness of each action available to the decision-maker in the scenario.

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