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## Ethical decision making under social uncertainty: An introduction to Überethicality

Julia M. Puauschunder\*

The New School, Department of Economics, Schwartz Center for Economic Policy Analysis, 6 East 16th Street, 11rd floor  
1129F-99, New York, NY 10003, USA

Columbia University, Graduate School of Arts and Sciences, 116th Street Broadway, New York, NY 10027, USA

### A B S T R A C T

Decision making research has been revolutionized by prospect theory. In laboratory experiments, prospect theory captures human behavior to code outcome perspectives as gains or losses relative to an individual reference point, by which decisions are anchored. Prospect theory's core argument that monetary losses loom larger than gains has been generalized in many domains; yet not been tested regarding social status changes. Social status striving has been subject to social science research for a long time but until today we have no clear picture of how social status prospects relative to an individual's reference point may influence decision making and action. Understanding human cognition in the light of social status perspectives, however, could allow turning social status experiences into ethicality nudges. The perceived endowment available through social status may drive social responsibility. Ethicality as a socially-appreciated, noble contribution to society offers the prospect of social status gains given the societal respect for altruism and pro-social acts. Ethicality granting social status elevation opportunities could thereby fill current legal gaps or make people outperform legal and regulatory obligations. This paper provides an innovative application of social status theories in the sustainability domain. Building on prospect theory, two field observations of environmentally conscientious recycling behavior and sustainable energy consumption investigated if social status losses are more likely to be answered with ethicality than social status gains. Social status losses are found as significant drivers of socially-responsible environmental conscientiousness. Testing prospect theory for social status striving advances socio-economics and helps better understand the underlying mechanisms of social identity theories. Pegging social status to ethicality is an unprecedented approach to using social forces as a means for accomplishing positive societal change. Future studies may focus on elucidating whether ethicality in the wake of social status losses, is more a cognitive, rational strategy or an emotional compensation for feelings of unworthiness after social status drops.

**Keywords:** Environmental ethicality; Ethical decision making; Social status; Sustainable consumption; Sustainability; Waste management

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\* Correspondence to: The New School, Department of Economics, Schwartz Center for Economic Policy Analysis, 6 East 16th Street, 11rd floor 1129F-99, New York, NY 10003, USA. Fax: +1 212 229 5724.

E-mail addresses: [Julia.Puauschunder@newschool.edu](mailto:Julia.Puauschunder@newschool.edu), [Julia.Puauschunder@columbia.edu](mailto:Julia.Puauschunder@columbia.edu).

URL: <http://juliampuauschunder.com/>.

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## 1. Introduction

Social status is as old as human beings. Already ancient sources attribute rights and allocate assets based on status (DiTella et al., 2001). Status ranks individuals on socially-valued individual characteristics and group membership (Ball and Eckel, 1996; Loch et al., 2000; Ridgeway and Walker, 1995). At the same time, surprisingly scarce is the information on how individuals perceive status changes and how their social conscientiousness is related to social endowments. In general, social status upward prospects are seen as favorable – but the downside of social status losses is rather vaguely described and no stringent framework exists on how status prospects impact human decision making and actions.

One of the most influential theories explaining human decision making under uncertainty is prospect theory (Kahneman and Tversky, 1979). Prospect theory holds individuals' perceptions about prospective outcomes as individually-evaluated changes from the status quo. Laboratory experiments find individual aggravation over losing monetary resources to be greater than the pleasure associated with gaining the same amount (Bazerman and Moore, 2008). Originally prospect theory was employed to explain monetary gains and losses, and was subsequently replicated in various other fields including wealth, health and happiness (Levy, 1997; Thaler and Sunstein, 2008). In the application of prospect theory, social comparisons have mildly been touched on, if considering the impact of social identities on our day-to-day judgment, decision making and actions (Loewenstein et al., 1989). However, understanding the influence of social status prospects on individual behavior could explain the underlying socio-psychological motives of decision making in the social compound. More concretely, if certain social status prospects are found to be perceived as more or less favorable, they are prone to elicit certain behavior and may steer respective action. In individuals' constant striving for favorable social status enhancement, social status prospects could put people into a specific mindset that drives pro-social acts.

Ethics or moral philosophy is a branch of philosophy that involves systematizing, defending, and recommending concepts of right and wrong conduct. Ethicality or ethicalness, meaning behaving ethically, is socially-honored. In the social compound, ethicality offers social status elevation prospects derived from respect for socially-valued altruism. Ethicality as a noble act thus grants social status elevating opportunities. Looking at the converse, social status perspectives could be used to nudge people into pro-social behavior (Thaler and Sunstein, 2008). The theory of nudging introduced by Thaler and Sunstein (2008) draws from psychology and behavioral economics to defend libertarian paternalism and create a favorable choice architecture that helps people to intuitively fall for a more health choice. Classical examples of how decisions can be influenced include anchoring, availability, representativeness, status quo and herd behavior. Anchoring is a cognitive bias that describes the human tendency to rely too heavily on unrelated information that is presented around other information, which thereby gets biased. Availability is a cognitive bias by which individuals primarily focus on available and present information. Representativeness occurs if decision makers overrate the likelihood of occurrences just they are more representative, e.g. in the news. For instance, people tend to overrate the likelihood of dying from an airplane crash over fatal car accidents as airplane crash

reports are more likely to be featured on the news than car accidents. The status quo bias is the emotional preference for the current state of affairs. Herd behavior describes how individuals in a group act collectively without centralized direction. Nudging theory takes advantage of these cognitive peculiarities to create environments that aid people making a choice that is beneficial on the long run and for the sake of a common good. Applications of successful nudging range from food choice and health, over finance and retirement, to work discipline but also environmentalism (Thaler and Sunstein, 2008).

Since prospect theory holds that status losses loom larger than status gains, and nudging theory shows how individual decision making can be influenced subliminally by group memberships, social status losses may steer ethicality in the wish to regain social status. Based on a reference point relative to previously-held status positions, if ethicality is related to social status re-gain perspectives, social-status awareness could become a means to nurture a favorable climate within society. Social status endowments may thus be the core of socially responsible behavior; social status prospects the driver of the warm glow. In the light of ethicality being an implicit social status enhancement tool, social status losses are potentially answered by pro-social behavior. Social status manipulation could thereby serve as a non-monetary nudge to foster ethicality in society (Thaler and Sunstein, 2008). This paper applies prospect theory and nudging theory to social status behavior, and proposes ethicality as a means of social status enhancement with attention to regaining prior social status losses. In this approach social status losses, or the prospect thereof, are used to nudge people into pro-social action.

The paper starts with the theoretical background on status (Section 2.1) and Prospect Theory (Section 2.2) in order to derive inference on decision making under social uncertainty (Section 2.3). Social status striving is presented for the first time as ethicality nudge (Section 2.4). The research design (Section 3) comprises of two field experiments. Experiment 1 is conducted on environmental ethicality in the sustainable consumption recycling domain (Section 3.1). Experiment 2 was carried out in libraries measuring energy light consumption conscientiousness in the wake of different social status scenarios (Section 3.2). The paper closes with a general discussion (Section 4).

## 2. Theoretical background

### 2.1. Status

All cultures feature some form of social status displayed in commonly-shared symbols. Social status attributions posit people in relation to each other in society (Huberman et al., 2004). As ascribed status can be improved throughout life, relative status positions are assigned in zero-sum games – thus one individual's status gain lowers that of another one's status. Individuals implicitly weigh their social status based in the number of contestants in ranks above and below them (DiTella et al., 2001). In societal hierarchies, status is related to a diverse set of opportunities as different rules and availability of resources apply to different social status positions (Young, 2011).

As an intrinsic and fundamental human characteristic, people are concerned about their social status in relevant

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