

## Econ 211

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## Motivation for Today

- ▶ So far in social preferences unit, utility functions we've looked at have only depended on outcomes and actions
- ▶ In theory, utility could also depend on beliefs, e.g.
  - ▶ What others think of you
  - ▶ What you think of yourself
- ▶ Today we explore this possibility in several ways:
  - ▶ Status
  - ▶ Conformity
  - ▶ Norms

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## Status

## Status

- ▶ Motivating question: Does social status (ie how others see you) affect your behavior, or the behavior of others around you?
- ▶ Problem: in most social situation status is not randomly assigned
- ▶ Solution: lab experiments

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## Lab Evidence: Status in Markets

- ▶ Ball, Eckel, Grossman, and Zame (2001) run double-auction market with sellers and buyers
- ▶ Two treatments:
  - ▶ “Awarded” status: Subjects take trivia test, and top half of performers are given gold stars and put on one side of the market (ie either all sellers or all buyers)
  - ▶ “Random” status: Gold stars (and hence market role) are randomly assigned
- ▶ Two questions:
  1. Does status effect market outcome?
  2. Does the way status is assigned (via quiz performance or randomly) matter?

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## Ball et al: Results

- ▶ Look at price reached in each treatment (“convergent point”):

	Buyers have higher status		Sellers have higher status	
	Awarded:	Random:	Awarded:	Random:
<b>Convergence point:</b> (Standard error)*	34.40 (0.30)	32.88 (1.21)	42.09 (1.21)	51.39 (1.54)
<b>N</b>	170			
<b>Log likelihood</b>	378.47			

- ▶ Summary of results?

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## Ball et al: Random Status Results

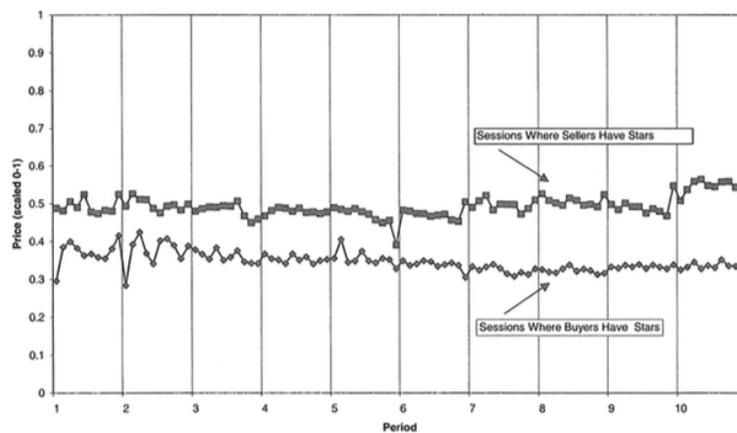


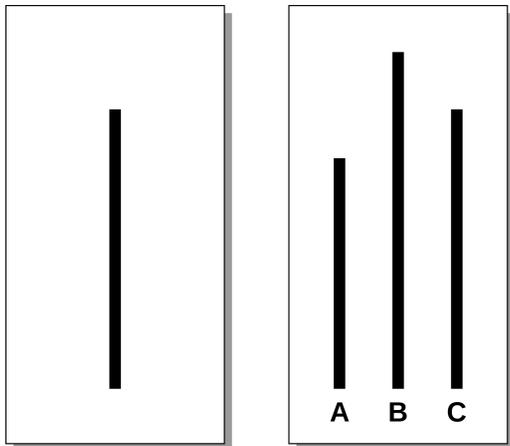
FIGURE II  
Average Prices for Buyer Status and Seller Status Sessions

Conformity and Norms

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## Motivation



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## Conformity and Norms

- ▶ We know that what others around you are doing can cause you to behave differently than you would in isolation
  - ▶ Recall classic Asch experiments, such as line length task
- ▶ We call this *conformity*: people's choices tend to be more similar than we might expect
- ▶ The point around which behavior clusters is sometimes called the *social norm*
- ▶ Perhaps apparent preferences for fairness are driven by conformity towards a particular norm, eg the 50-50 split

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## The 50-50 Norm: Theory

- ▶ Andreoni and Bernheim (2009) introduce conformity to the 50-50 norm explicitly into their utility model
- ▶ Dictator controls the pie of size 1
  - ▶ Gives  $x$  to receiver and keeps  $1 - x$  for self
- ▶ Dictator utility function:

$$U_D(x, m, t) = tG(x) + F(1 - x, m)$$

- ▶  $t$ : weight dictator puts on fairness
- ▶  $G$ : intrinsic preference for fairness; maximized at  $\frac{1}{2}$
- ▶  $m$ : status (depends on others' beliefs about dictator)
- ▶  $F$ : utility from own consumption and status; increasing in both arguments

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## The 50-50 Norm: Predictions in Dictator Game

- ▶ Model gives several predictions that bear out in standard dictator game:
  - ▶ Clustering at  $\frac{1}{2}$
  - ▶ No one gives more than  $\frac{1}{2}$
  - ▶ "Trough" just below  $\frac{1}{2}$

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## The 50-50 Norm: Predictions in Modified Game

- ▶ Consider modified dictator game
  - ▶ Computer chooses allocation  $x_0$  for dictator with some probability  $p$
  - ▶ Implemented regardless of what allocation dictator actually chooses
  - ▶ Receiver does not know whether implemented choice came from dictator or computer
- ▶ Two predictions for this new game:
  - ▶ Bunching at  $x_0$  and  $\frac{1}{2}$
  - ▶ Increasing  $p$  will increase size of cluster at  $x_0$  and decrease size of cluster at  $\frac{1}{2}$
- ▶ Intuition?

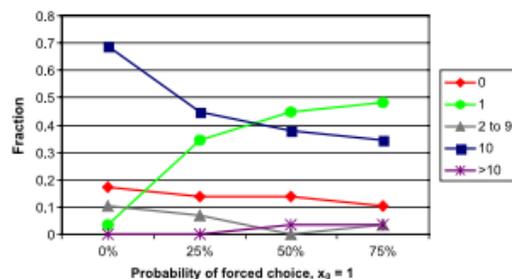
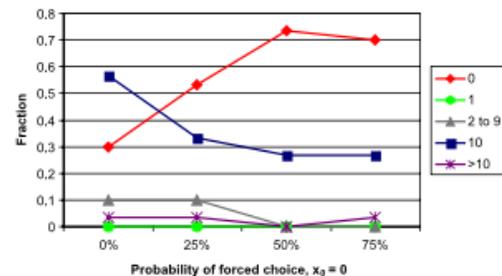
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## Andreoni and Bernheim (2009): Experiment

- ▶ 118 subjects, randomly divided into pairs
- ▶ Probability  $p$  of computer's allocation: 0, 0.25, 0.5, or 0.75
- ▶ Subjects make decision for all 4 probabilities, but only one implemented (strategy method)
- ▶ Subjects split a pie of size \$20
- ▶ Computer allocation  $x_0$  varies across two treatments:
  - ▶  $x_0 = \$0$
  - ▶  $x_0 = \$1$

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## Andreoni and Bernheim (2009): Results



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## Social Norms and Conformity in the Field

- ▶ We just saw that making your choice more observable makes you appear less selfish
- ▶ In the lab, observability is easy to manipulate
- ▶ How can we change observability in the field?
- ▶ Do people avoid situations where they are forced to reveal their preferred amount of giving?

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## Avoiding the Ask

- ▶ Andreoni, Rao, and Trachtman (2011) run a field experiment with Salvation army bell-ringers standing outside the entrances to a supermarket
- ▶ Important: two entrances to the supermarket
  - ▶ Treatment 1: Bell-ringer standing in front of just one main door
  - ▶ Treatment 2: Bell-ringers in front of both main doors
- ▶ Track number of people going in and out each door, as well as donations received
- ▶ Second treatment variable: whether or not bell-ringer asked for donations directly or just rang bell
- ▶ This is what is called a 2-by-2 design:

one ringer, no ask	two ringers, no ask
one ringer, ask	two ringers, ask

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## Avoiding the Ask: Results

- ▶ Asking increases donations by 75%
- ▶ Door avoidance: 25-30% of people entering shifted to a door without a bell-ringer in front if it
  - ▶ Effect is only present when ringers were explicitly asking
  - ▶ In 2-ringer treatment, this means shoppers has to walk to a third entrance on the other side of the building
- ▶ Based on these results, does asking for donations *necessarily* improve social welfare?

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