

Current Framework

(excerpt from my Master's thesis (2017): "Situational Determinants of Social Preferences", written at the University of Zurich by Prof. Dr. Ernst Fehr.)

Generally, economists (e.g., Bernheim, 2009) adopt a behavioristic approach that estimates causal effects of observed environmental conditions (X) on choices (Y). The economic framework illustrated below (Figure 1) represents this approach for a social context and delineates in box D those aspects that are currently taken into account as determinants of social behavior.

For instance, suppose an experiment whose objective is to determine the manner in which an individual's donation is causally influenced by the variation of monetary amounts with which he is exogenously endowed and regards as fixed. The current economic framework suggests that the individual's donation amount is primarily determined by the information provided about the charity, his beliefs about how the charity will use the donation, the feasible amounts he can donate, and his other-regarding preferences (see Figure 1).

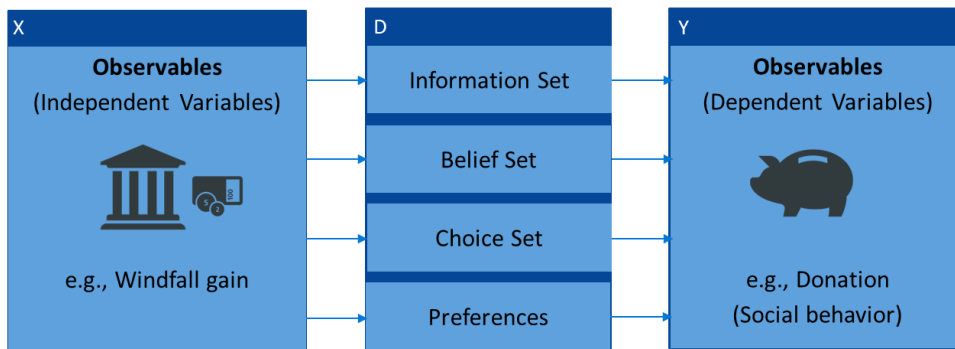


Figure 1: Behavioristic approach. Source: The author's own illustration.

Hence, an observed social action may not only represent one's social preferences, but may also be influenced by the other factors mentioned above. Thus, in order to determine variations in donation behavior attributable to social preferences, all other enlisted determinants must be held constant as illustrated in Figure 2.

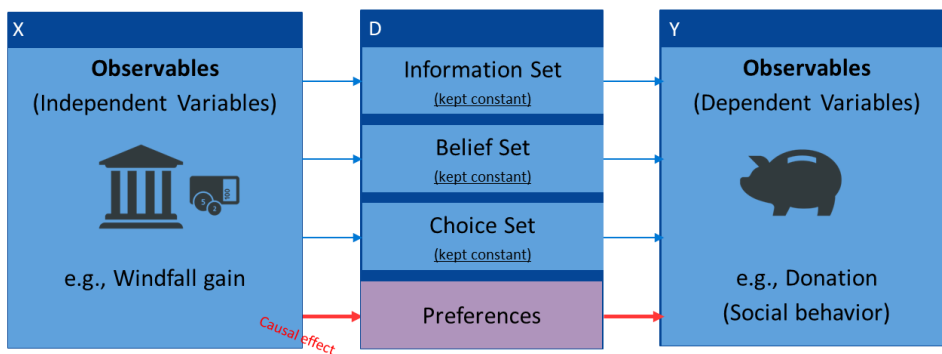


Figure 2: Revealing social preferences. Source: The author's own illustration.

The importance of keeping many factors as constant as possible can be illustrated by the following example. Suppose you are constructing an experiment where participants are asked to assist an incidental third party. Half of the participants are asked for a monetary donation ("treatment A"), while the other half are asked to assist a third party by spending time begging for food ("treatment B"). Suppose that the outcome of this experiment reveals that participants in "treatment A" spend a higher amount of money than the amount of time that participants in "treatment B" are willing to volunteer.

From this outcome, one may eventually deduce that participants in “treatment A” reveal higher social preferences than those in “treatment B.” However, in such a simply constructed setting, it would become apparent that other reasons exist aside from the argument that the treatment affected individuals’ social preferences. For example, an alternate yet obvious explanation for the result may be that the treatment interventions changed the costs of the respective social actions. Specifically, participants may value one unit of assistance in terms of money differently than one unit of assistance in terms of time. Therefore, it is important to keep constant as many other aspects as possible when examining how particular interventions affect social preferences. This paper considers only research that attempted to do so.

Moreover, in the introduction, it was mentioned that social preferences seem to be affected by factors (e.g., situational determinants) that are difficult to incorporate into the economic framework outlined thus far. The following Figure 3 represents this scenario by illustrating that there are determinants that are difficult to ascribe to a set of already identified factors (box D) or to summarize as separate, distinguishable categories of determinants.

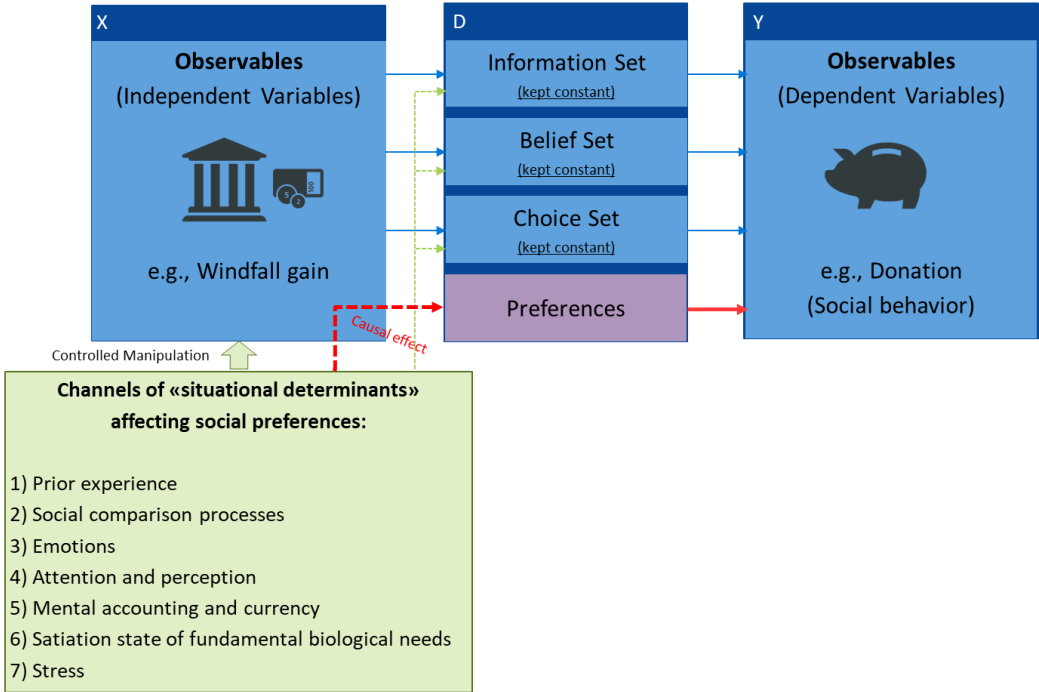


Figure 3: Economic framework. Source: The author’s own illustration.

For example, Korenok, Millner, and Razzolini (2014) illustrated within the parameters of a dictator game that individuals do not often perceive “giving” as equivalent to “not taking.” Particularly, in the “treatment condition,” decision makers had to decide how to divide a given amount of money between themselves and their paired receiver. However, while keeping constant the set of choices, the authors changed the decision frame accordingly. Specifically, in the “not taking” frame, decision makers were informed that the given amount of money was initially assigned to their paired receiver. They were then asked to make their allocation decisions. Conversely, in the “giving” frame, decision makers themselves were initially endowed with the money, then asked to make their respective allocation decisions. Eventually, Korenok et al. (2014) unraveled that generous behavior is much less pronounced within a “giving” frame than within a “not taking” frame. Hence, although these two frames contain the exact same set of choices, individuals seem, from a psychological point of view, to treat these two frames differently.

However, the situational determinants that particularly caused individuals to become more generous in the “not taking” frame relative to the “giving” frame remains hard to grasp. For instance, it could be that decision makers’ beliefs about “who deserves how much” (entitlement) changes with the alteration of the decision frame (Box D: Change in belief set). Alternatively, it could be that individuals are sensitive to the presentation of the choice set because how information is processed and how meaning is deduced from these processes depend on the presentation (e.g., considering one’s own endowment draws attention to one’s payoff. Conversely, when one is contemplating another’s endowment; this shifts the focus to others’ benefits. Box D: Change in information set). It could also be that other determinants are shifted when the frame changes, such that the observance of increased social actions in the “not taking” frame indeed represent increased social preferences (Box D: Change in preferences). Hence, the contemplation of these various explanations outlines the reason why potential determinants, in producing results, are hard to grasp and even harder to incorporate unequivocally into the existing economic framework. However, as it will become more apparent below, these determinants are best described when characterized by the psychological channels through which they affect revealed social preferences.

Eventually, as the above discussion insinuates, the aim of this paper is to elaborate on the situational determinants that influence “revealed social preferences” and therefore exert a direct effect on one’s behavior. This attempt restricts the literature review to studies that reveal social preferences by measuring behavior related to providing altruistic assistance (e.g., excluding any reputational concerns or direct manipulations of the belief set), altruistically donating, or punishing, to name only a few. Hence, this reduces the kind of research designs examined. Therefore, studies under review in this thesis investigated social preferences by relying primarily on respondents’ behaviors in ultimatum games, decision makers’ actions in dictator games, or punishment decisions within public goods games. These games are described in more detail in Section 1.3, which also discusses a particular game structure that is especially inappropriate for measuring social preferences, but nevertheless, is widely used in current research for this purpose.

Restricting the examination to the aforementioned settings is important because it seems that inconsistent results are driven, in part, by neglecting particular uncontrolled factors that change with the manipulation of the independent variable (e.g., the treatment variable). Furthermore, all studies presented in this review exclude reputational concerns as a driving factor of social preferences by maintaining anonymity or implementing other mechanisms to ensure that decisions could not be based on how they would impact future interactions. Moreover, only studies are considered that causally manipulate and investigate possible channels through which situational determinants affect social preferences. Therefore, each study was first examined to ensure successful manipulation.

To conclude, I would like to make two important notes on the usage of the economic framework in this paper. First, some researchers may purport that the goals of this study are too ambitious in the sense that the situational determinants I am intending to grasp are too complex and too convoluted such that a specific and consistent incorporation into the existing framework is doomed to failure at the outset. However, one needs to be careful in making such superficial conclusions too quickly. The evolution of the understanding of weather phenomena and the development of an accurate prediction tool over time serve as paragons in this matter. Specifically, not so long ago, scientists agreed that the evolution of weather phenomena would be forever too complex and would depend on too many parameters to ever achieve the goal of making an accurate weather forecast for a particular geographical region. However, over time, scientists began to contemplate the relative importance of each influence factor and based on these developed theories, together with the emergence of new empirical tools to measure these phenomena, today we experience striking accuracy in their predictions.

Second, the views on the behavioristic measurements for particular variables are not as sharply drawn within this work as some traditional economists have done in the past. In particular, some economists neglect evidence from other scientific fields, such as neuroscience, mainly because they believe these fields depart from a behavioristic approach when investigating the biophysiological responses of individuals in making decisions (for an overview of this discussion, see Bernheim, 2009). In this departure, they do not address relevant questions regarding the economic framework discussed above and do not derive improved predictions for behavioristic models. However, I share this view in admitting that they follow a different practice; I am nevertheless convinced that they present important and insightful contributions for enriching and improving the economic framework as it stands today. In particular, many recent contributions from fields such as neuroeconomics or biological psychology use behavioral measurement tools such as EMGs, EEGs, and skin conductance tests. From my point of view, these methods are indeed novel measurement techniques that allow one to assess behavior not only by asking people what they want to do but by “asking their bodies” as well. Hence, some parts of this study incorporate additional evidence, particularly from these fields, thereby enriching and refining the derived conclusions.

Channels of situational determinants affecting social preferences

By analyzing the current body of research, the following psychological channels through which situational determinants shape social preferences can be identified:

1) **Prior experience**

- Experience with social interactions characterized by competition or cooperation, which affect social preferences in subsequent, unrelated contexts.
- Experience with judgments induced by others, which alter later revealed social preferences.
- Experience with the social interactions of others, which shape social preferences.

2) **Social comparison processes**

- The degree to which individuals’ social preferences are influenced by their comparison processes with various groups of subjects and along divergent dimensions.

3) **Emotions**

- Manipulated emotions prior to the elicitation of social preferences (emotional satiation states).
- Controlled alterations of feelings that emerge during the decision process and influence social preferences.

4) **Attention and perception**

- The degree to which shifts of focus towards oneself or others affect social preferences.
- Empathetic concern as a modulator of perception determining social preferences.
- Perceived social distance to others that affects an individual’s social preferences.
- Altered attention to particular social identities, which varies social preferences.

5) **Mental accounting and currency**

- Changes of the medium (e.g., monetary, non-monetary, nature of selecting, and implementing social choice) used to measure social preferences, while keeping other contextual factors constant.

6) Satiation state of fundamental biological needs

- The role of fundamental biological satiation states (e.g., hunger, types of food and drink, levels of fitness, and levels of endocrinological depletion) in the extent of social preferences.

7) Stress

- Cognitive load during the process of decision derivations, which alter concern for social preferences.
- Induction of social stress and its implications for social preferences.