Cheaters drawn to the opportunity to cheat

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Common warning: when there are crowds in city centers, pickpockets find easy prey. But in other areas of life, too, some people take advantage of an opportunity to steal or cheat with no qualms . An economic study has investigated this phenomenon. Credit: Ross Edwin Thompson /Flickr / CC BY-ND 2.0

A study by the Max Planck Institute for Tax Law and Public Finance

shows that dishonestly earned money stinks to some but attracts others. Given the choice, some people consciously seek out situations in which to cheat. For them, lying comes at a lower psychological cost.

It is a well-known fact that a favorable opportunity leads people to cheat. But how many people take advantage when such an opportunity appears? And how many prefer an honest alternative? Economists from the Max Planck Institute for Tax Law and Public Finance and the Berlin School of Economics and Law addressed these questions in an experimental study. They found that people not only cheat when the opportunity arises, but that some people consciously seek out such situations. And if the chance then presents itself, they are much more likely to take it than people who would have preferred to avoid such a situation and were caught up in it involuntarily (in the study: 73 percent vs. 22 percent).

Whether people are corruptible in this sense is related to the costs lying causes them for moral reasons or social norms. Among the participants in the study, 50 percent refrained from cheating entirely in the experiment; around 30 percent did not hesitate to lie at all, and around 20 percent of the subjects, who had actually opted for more honest earning opportunities, nevertheless seized the opportunity to cheat when it presented itself.

"We have shown that people choose honest and dishonest earning opportunities according to their lying costs, and after self-selecting they are also more likely to cheat or remain honest. Not only does opportunity make a thief, the thief also seeks the chance," says Sven A. Simon, one of the authors of the study. "According to our results, dishonest people, for example, might also be more inclined to choose jobs that open up cheating opportunities. Corresponding screening procedures for job applicants could be useful."

To answer their research questions, Kai A. Konrad and Sven A. Simon

from the MPI for Tax Law and Public Finance together with Tim Lohse from the HWR Berlin conducted a multi-stage laboratory experiment in which participants could earn a certain amount of money: either by falsely claiming a profit or by making investments that increased their chances of winning. More precisely, they were exposed to two different decision-making situations in which their behavior was observed and compared.

Willingness to pay decreases in the "dishonest" round

In the "honest" round, the subjects took part in a lottery. They received a lottery ticket that was very likely to be a blank and left them empty-handed, but with a low probability brought in 12 euros. This lottery ticket came for free. However, for a surcharge they could exchange the ticket for a ticket with a significantly higher probability of winning. They were then asked how much they would be willing to pay as a maximum for a ticket swap. In this situation, almost all subjects were willing to pay something for the "good" lottery ticket. For many, this willingness to pay reached to an amount by which the expected earnings of the "good" ticket were higher than for the "bad" ticket, or even beyond.

But what if the 12 euros could also be earned by cheating? The subjects encountered such a situation in the "dishonest" round: here, it was not the actual result of the lottery that determined their earnings. Rather, they had to declare the outcome themselves and could simply report that they had won. Without proof or verification, they were paid 12 euros. In this situation, too, the subjects were able to exchange the "bad" ticket with the low probability of winning for the "good" ticket with a significantly higher probability of winning by paying a price. As the economists had assumed, the willingness to pay for the "good" ticket was lower in this "dishonest" round. However, there were pronounced differences: 34 percent of the subjects reduced their willingness to pay

compared to the "honest" situation, in some cases considerably, while 61 percent had an unchanged willingness to pay and 5 percent were even willing to pay more.

Personal disposition outweighs cheating opportunity

It also showed that those who, despite the opportunity to cheat, were willing to pay for the "good" ticket mostly remained honest even if their ticket was a blank. Conversely, those who did not buy the "good" ticket were also mostly dishonest when the opportunity arose. In the situation with forced honesty, the dishonest subjects were willing to pay just as much for the "good" ticket as the honest subjects. In the situation with the opportunity to lie, however, the dishonest subjects' willingness to pay was significantly lower. So they consciously chose to lie. And more precisely: among the people with a low willingness to pay for the "good" lottery ticket, 73 percent lied and cheated for 12 euros, although they would actually have left empty-handed. In contrast, of the subjects with a high willingness to pay, only 22 percent decided to lie if they lost despite the high probability of winning.

More information: Kai A. Konrad et al, Pecunia non olet: on the self-selection into (dis)honest earning opportunities, *Experimental Economics* (2021). DOI: 10.1007/s10683-020-09691-7

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