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8 Corrupt collaboration

A behavioral ethics approach

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To bring food to the table, keep a roof above their families' heads, and perhaps even take a vacation from time to time, most people wake up every morning, and regardless of whether the sun is shining or it is pouring rain, they head to work. More often than not, work means interacting and collaborating with other people, striving to achieve goals that individuals cannot achieve alone. Whether it is building a car or handling the bureaucracy of a local municipality, each individual makes a contribution which is one piece in a larger puzzle. By joining forces, bringing their unique knowledge, expertise, and passion to the group, people can achieve more than they can by working alone. Human collaboration has greatly benefitted both the individuals that collaborate and society in general.

Whereas collaboration can clearly be beneficial to society and its members, it can also have negative effects. For example, collaborative efforts in the context of intergroup conflict carry negative externalities to the other group. Our main interest, however, is in situations in which collaboration turns corrupt. Take acts of bribery for example. Bribery involves one party that transfers money or goods, or promises future benefits to another party, in order to remove bureaucratic obstacles from the way. An envelope transfers hands and suddenly a municipality's planning committee votes for, rather than against, pushing forward a questionable real-estate project. A recent European Commission anti-corruption report (EU report, 2014) suggested that corruption costs to the European economy exceed 120 billion euros annually. Home Affairs Commissioner Cecilia Malmstroem, who presented the report, claimed that the extent of European corruption is "breathhtaking," as the annual cost of corruption within the EU equals the bloc's annual budget (BBC News, 2014). In those cases, we observe what we label *corrupt collaboration*, situations where people secure personal profit based on joint unethical acts.

Although collaboration can clearly have such damaging consequences, very little is known about its possible negative aspects (Van Lange & Joireman, 2008). For example, when are such acts of corrupt

collaboration most likely to occur? Or as the general theme of the current book inquires (Van Prooijen & Van Lange, 2015; Chapter 1), what are the micro-level processes underlying such behavior? What kind of situations will push people to collaborate in a corrupt way? Are some people more likely than others to succumb to the temptation involved in making a quick buck rather than trying to earn it honestly? This chapter provides initial answers to these questions by reviewing recent work in the behavioral ethics field. Most importantly, it calls for research at the group level, which is desperately needed. Corruption is a social phenomenon, and as such, it should be studied in groups.

Ethical decision-making in groups: from cooperation to corruption

The ethical/moral decision-making field is blooming. This book is a great testimony to that. In the last five years, more than a thousand papers were published with a title containing the words “ethical decision-making” ($N=853$; Google Scholar, 17 November 2014) or “moral decision-making” ($N=171$). Add the word “group” to the equation and the number decreases by 99% to only six papers. Clearly, we devoted most of our efforts to studying the circumstances that prompt individuals to bend ethical rules (from now on we stick to the term *ethical* rather than alternating it with *moral*). Whereas studying individual decision-making is clearly important and interesting, many (and probably most) ethical decisions are taken in a group context. This makes questions such as “are people working in a group more prone to bending ethical rules than individuals working alone?” or “are the processes underlying group-level ethical decisions different than those underlying individual-level ethical decisions?” important to answer. As we try to argue in what follows, we believe that the answer to both questions is yes.

Making decisions in a group context evokes a set of psychological processes that are irrelevant to settings in which people decide on their own. The desire to live up to others’ expectations, the ability to share the responsibility for the decision’s outcomes, and the fear of disappointing others are just a few examples. Analyzing decisions taken on the group level opens up a whole new set of psychological factors to consider (e.g., De Dreu, Nijstad, & van Knippenberg, 2008; Nijstad & Stroebe, 2006; Fisher, 1980; Milch, Weber, Appelt, Handgraaf, & Krantz, 2009). Scholars interested in ethical behavior should not neglect such important and fertile settings. To start tackling the question of whether and how collaboration turns corrupt, we should carefully consider what we know about both cooperation and corruption.

Cooperation

Human cooperation and its evolution has been the subject of extensive investigation in psychology, biology, economics, and related fields. The most important and relevant field we can draw insights from is the field of social dilemmas, which studies the behavior of people who take interdependent decisions that influence both their own outcome and the outcome of others (e.g., Axelrod & Hamilton, 1981; Axelrod & Dion, 1988; Fehr & Gaechter, 2002; Bowles & Gintis, 2011; Fehr & Fischbacher, 2003; Van Lange, 1999). Nowak (2006) identified five rules that enable the evolution of cooperation: kin selection, direct reciprocity, indirect reciprocity, network reciprocity, and group selection. *Kin selection* is the tendency to cooperate with genetically similar others, and thus increase the likelihood that one's genes will survive and prosper. *Direct reciprocity* is based on repeated interactions between the same two people and is the tendency to pay back cooperation with cooperation, and defection with defection. *Indirect reciprocity* involves interaction between a number of people in which the level of cooperation toward another person depends on the extent to which that person had cooperated with others, that is, has a cooperative reputation. *Network reciprocity* is the tendency of cooperators to cluster together (e.g., in physical space or in social networks), as opposed to randomly spreading in the general population. *Group selection* occurs when competition takes place at multiple levels: not only do players compete with others in their group but also groups compete with each other. Thus, groups with high levels of within-group cooperation may outperform competing groups with lower levels of within-group cooperation.

When people cooperate, for any of the reasons mentioned earlier, they can build meaningful relationships (Baumeister & Leary, 1995; Kameda, Takezawa, & Hastie, 2005), develop trust (Kramer, 1999; Rempel, Holmes, & Zanna, 1985), achieve mutually beneficial outcomes (Bazerman, Curhan, Moore, & Valley, 2000; Murnighan, 1992; Rusbult & Van Lange, 2003), and strengthen bonding with group members (De Dreu et al., 2010; De Dreu, Shalvi, Greer, Van Kleef, & Handgraaf, 2012). Furthermore, when one person reciprocates another person's cooperative acts, the two are much more likely to establish long-term cooperation compared to others who did not experience such reciprocity (Axlerod & Hamilton, 1981; Dawes, 1980; Nowak, 2006; Rand, Dreber, Ellingsen, Funderberg, & Nowak, 2009; Thibaut & Kelley, 1959; Van Lange & Rusbult, 2012). Finally, groups that are characterized by high cooperation and information sharing among their members are better at arriving at complex solutions (Stasser & Titus, 1985). Taken

together, a rather rosy picture of cooperation emerges. Cooperation is good and should be encouraged when possible. However, as mentioned earlier, cooperation might also be the bedrock of corruption. The question arises: Are there settings where cooperation should be avoided or at least monitored?

Corruption

Our knowledge about corruption stems mostly from macro-level work conducted by economists, political scientists, and organizational psychologists. For example, in *Economic Gangsters* (2010), Ray Fisman and Edward Miguel report on a fascinating research program investigating the relation between the number of parking tickets diplomats collect in New York City (near the United Nations building) and how corrupt the country they represent is (according to international rankings, e.g., by the World Bank). Unlike ordinary people, diplomats enjoy immunity from being prosecuted by the host country (except in extreme cases). The reason that countries established such an immunity system is to secure diplomats' freedom to carry on their jobs without fearing punishment or limitation enforced by their hosts. One practical result is that diplomats who park their cars where it is not allowed, do not face the consequences of their behavior. Even if they get a parking ticket, they will not have to pay the fine.

In New York City, where parking is a scarce resource, immunity from punishment is tempting. Is there a correlation between a country's corruption level and the degree to which its representatives violate parking rules? That is, will diplomats representing countries with high corruption levels violate traffic rules more than diplomats representing less corrupt countries? Since the New York police department collects information about the issued tickets, even if they were not paid, the answer is available in the archives. Fisman and Miguel uncovered that the correlation is positive: the more corrupt a country is, the more likely are its diplomats to get parking tickets. Furthermore, it turns out that diplomats from countries which are in conflict with the United States are most likely to collect unpaid parking tickets, arguably punishing US citizens for their government's behavior. Clearly, this is an intriguing correlation. But what stands at the roots of such corruption; what are the psychological factors that underlie it?

To answer such questions, we turn to insights gained in behavioral ethics – a field devoted to studying the behavior of people in settings where there is a temptation to bend ethical rules. Early work on ethical behavior emerged from philosophical debates and led to a normative

approach in teaching and research (Bazerman & Gino, 2012; Greene, 2013; Haidt, 2007). This early work attempted to answer the general question of what people *should* do when confronted with an ethical dilemma. Recent work in behavioral economics, management, and social psychology has shifted from such a normative approach, prescribing how people should behave, toward a more descriptive approach, examining how people *actually* behave when making ethical decisions. This interdisciplinary behavioral ethics field is growing rapidly, benefitting from various research methods used across disciplines and studying both basic and applied ethical questions (Ariely, 2012; Ayal & Gino, 2011; Bazerman & Gino, 2012; Bazerman & Tenbrunsel, 2011; Gneezy, 2005; Trevino, Weaver, & Reynolds, 2006; Van Dijk, 2013). Attention is given to the study of unethical behavior of people from all walks of life, who may be tempted to boost personal profit by bending ethical rules (Gneezy, Rockenbach, & Serra-Garcia, 2014; Mazar, Amir, & Ariely, 2008; Shalvi, Eldar, & Bereby-Meyer, 2012), and to find ways to justify their unethical conduct (Schweitzer & Hsee, 2002; Shalvi, Dana, Handgraaf, & De Dreu, 2011; Gächter & Schulz, 2016). The idea is that by identifying how people behave in ethically challenging situations, concrete interventions can be tested to unethical behavior and its undesired effects (Bowles, 2008; Thaler & Sunstein, 2008).

Social justifications: when one's unethical acts serve a greater good

An emerging theme in the behavioral ethics field suggests that people rely on self-serving justifications when deciding whether to bend ethical rules or not (see Shalvi, Gino, Barkan, & Ayal, 2015). That is, people like to enjoy both worlds: they want to feel that they are honest and ethical people, but at the same time, they bend ethical rules in order to secure some undeserved profit (Mazar et al., 2008). Since the motivations people have greatly impact how they see and interpret events around them (Bazerman & Tenbrunsel, 2011; Kunda, 1990; Shafir, Simonson, & Tversky, 1993), having a justification to behave in one way or the other can be very helpful when engaging in self-serving dishonesty.

Take, for example, a recent eye-tracking study we have conducted (Pittarello, Leib, Gordon-Hecker, & Shalvi, 2015). In this study, participants were seated in front of a computer while having their eye movements monitored. They were told that in each of multiple trials, a fixation cross will appear on the screen for one second, followed by six dice appearing at different locations for two seconds. The participants' task was simple: they were asked to report which number was closest to the fixation cross. In one condition, which we labeled *pay for report*,

participants received money according to the number they *reported* seeing closest to the fixation cross, regardless of whether it was indeed the correct answer. Since higher numbers were more profitable, participants were able to secure a higher pay than they deserved by reporting to see a higher number close to the fixation cross (for example, a 6 rather than a 3). We were interested to see if participants would be more likely to report the wrong number when the error was self-serving than when the error was self-hurting. Imagine one scenario where the fixation cross is closest to the number “3,” but just next to it appears the more tempting number “5,” and a second scenario where instead of “5,” a “1” is the second-closest number to the fixation cross. Will people be more likely to erroneously report an attractive “5” instead of a “3” in the first scenario than to report a less attractive “1” instead of a “3” in the second? This is exactly what we have found. Self-serving errors were much more common than self-hurting ones, and this pattern was driven by participants’ attention shift toward the tempting information.

A possible critique about this finding is that mistakes might be the result of participants’ attention drifting to the higher numbers not because they were tempting, but rather because of some other visual aspects (e.g., “5” has more pixels than “1”). For this reason we included a control condition in which participants were paid not according to their reports, but according to their accuracy. In the *pay for accuracy* condition, participants earned money if, and only if, they correctly reported the number closest to the fixation cross. If participants’ attention drifted towards high numbers even when they are not tempting, we should observe very similar patterns to those obtained in the *pay for report* condition. If, however, the temptation to gain extra profit is driving the effects we should see fewer mistakes when participants earn money when they are accurate. This is exactly what we have found. When accuracy was beneficial, participants were very accurate; certainly more than participants in the *pay for report* condition. Taken together, participants’ motivation to earn extra money clearly led them to see what they wanted to see (see similarly, Balcetis & Dunning, 2006). A follow-up study revealed that when the information presented on the screen was highly ambiguous (by placing the fixation cross closer to the midpoint between the closest and the second-closest numbers), participants made more self-serving mistakes than when the information was less ambiguous. The possibility to justify their errors based on the objective difficulty of the task, driven either by the quickly flashing numbers or by the location of the fixation point relative to the closest and second-closest numbers, increased the extent to which people made self-serving “mistakes.”

One of the best justifications to unethically boost personal profits is to know that one's lies serve a greater good, not only private interests. Recent work began to assess what happens when one's lies influence not only one's own self-interest, but also the interest of others. A prominent example is the deception game introduced by Uri Gneezy (2005). In this game, one person, player A, knows the value two offers carry for both herself and another person, player B. Player A can send a truthful message to player B indicating that, for example, offer #1 is better from B's perspective, or can send a deceptive message indicating that offer #2 is better (for B). Player B has to choose among the two offers, determining both parties' outcomes. The only information player B has is the recommendation received from player A. Work implementing this game (Gneezy, 2005) revealed that people care not only about the consequences of their actions to themselves (i.e., how much they stand to gain from deceiving the other), but also about the effect of their actions on the other's outcomes (i.e., how much the other stands to lose from being deceived): The more player B loses from being deceived, the less player A is likely to deceive her. This work clearly shows that the outcome of others plays a role when deciding whether to bend ethical rules or not.

Building on Gneezy's work, more recent work showed that people's sensitivity to equity drives them to lie in order to secure a level playing field between themselves and their competitors (Atanasov & Dana, 2011; Gino & Pierce, 2010), and that their desire to help drives people to lie in order to benefit charities they support (Lewis et al., 2012). People also lie more when not only they benefit from their dishonest acts, but other people benefit as well (Gino, Ayal, & Ariely, 2013; Wiltermuth, 2011).

Scott Wiltermuth (2011) had participants complete a series of ten word puzzles. In each puzzle participants had to find a correct English word using a group of mixed letters. If participants reported solving the first and second puzzles, they were paid \$2. If they reported solving puzzles one to five, they won \$5. However, if participants managed to solve puzzles one, two, four, five and six, but not three, they got paid only for the first two puzzles. In one condition participants were paid according to the number of consecutive puzzles they reported to solve. In a second condition the report determined the payoff of the reporting participant, as well as that of another person. Crucially, participants' reports were not checked, meaning that they could lie about the actual number of puzzles they managed to solve, knowing they will not be caught in their lie.

Participants were obviously motivated to solve—or to report having solved—as many puzzles as they can. Think of yourself in this situation.

Suppose that you managed to solve all but the third puzzle. If you report honestly you will be paid \$2 for solving the first two puzzles, but if you report that you solved all ten puzzles – just a small lie, since you did manage to solve nine – you leave the experiment much richer, with \$10.

In preparing the materials for this experiment, the researchers found out that some puzzles are just too difficult. None of the participants in the pilot study were able to solve them correctly. The researchers placed the most difficult puzzle in the third position, ensuring that no participant is expected to solve more than two puzzles. Participants reporting solving three puzzles or more are thus reasonably classified as liars. The main result was that participants lied (i.e., reported solving more than two puzzles) more often when the profits generated by their report benefitted another person as well as themselves, as compared to the situation in which lies were only self-serving, convincingly demonstrating that benefiting others provides a justification for self-serving lies.

In a more recent study, we assessed whether the tendency to benefit one's group members is modulated by oxytocin, a hormone known for its social bonding functions (Shalvi & De Dreu, 2014). Oxytocin, also known as the "love hormone," is a social bonding hormone released from the pituitary gland when people touch (or just think of) liked others, e.g., when women are breastfeeding. We asked participants to predict the results of multiple coin tosses, make a mental note of their predictions, and only tell us whether they were correct or not. When they said yes, their group (composed of themselves and two other people) earned some money. When they said no, no money was earned. Participants who inhaled oxytocin at the beginning of the experiment were more likely to report predicting correctly than participants who inhaled placebo. Oxytocin, the "moral molecule" as it is popularly called, can make people lie more when their group stands to profit. In a control setting we found that when lies served only the individual who was making the prediction, the extent of lying did not differ between the oxytocin and placebo conditions. These results show that being in a "group-mind-set," as induced by oxytocin, is not sufficient to increase lying behavior. Rather, a social aspect must be present as well.

In the literature surveyed above, participants benefitted their team, but worked alone in doing so. The main question of interest, thus, remains open: does working *in* a group, rather than *for* a group, lead to different (higher?) levels of ethical rule violations? To date, very few attempts have been made to address this question. Cohen et al. (Cohen, Gunia, Kim-Jun, & Murnighan, 2009) had people engage in the Gneezy's Deception Game (2005; see above) and make individual vs. group decisions. People assigned to player A's role were less likely to deceive player B when taking

the decision alone, compared to when they were part of a three-person group and had to decide together. This tendency, however, emerged only when participants knew that player B had committed to accepting A's recommendation. In other words, groups taking the role of player A lied more than individuals taking the same role, but only when they were sure that whatever they recommend would be implemented. The reason is that compared to individuals, when groups were certain that their recommendation would be followed they became more focused on serving the group's interests compared to individuals placed in the exact same situation.

Obtaining further support for this idea, recent work had participants privately roll a die and report the outcome to determine their profits. Higher reports led to higher payments. Whereas the actual value that was rolled was unknown to the researcher, it is possible to compare the distribution of outcomes reported by multiple participants to the expected distribution assuming participants are honest (they are often not; see Shalvi et al., 2011; Fischbacher & Föllmi-Heusi, 2013). Furthermore, the mean reported outcomes of participants in different experimental conditions can be compared, to see if certain settings lead people to report higher outcomes (i.e., lie more) than others. Conrads et al. (Conrads, Irlenbusch, Rilke, & Walkowitz, 2013) randomly divided participants into two groups. Participants in the first group were instructed to roll the die, report the outcome, and were paid according to their reported outcome. As clarified above, this allowed them to lie in order to boost their personal profit. Indeed, participants in this condition were more likely to report rolling the profitable high numbers than the less profitable low numbers. Simply put, they lied to a certain extent. Participants in the second group were paired with another person completing the same experiment. Each of them had to roll the die and report the outcome, just like in the individual setting. The twist was the way payment was determined. Here, participants earned half of the group's generated profits. The results were that in this setting, the proportion of reported high numbers was far greater than the proportion reported in the individual setting. When one's lies benefit not only the self but also others, people feel it is justifiable to lie. After all, the unethical behavior is driven by a concern for the greater good, not purely by greed.

Both dyads and larger groups clearly take different ethical decisions compared to individuals. But what group dynamics shape such behavior? How can we tap on the communication processes underlying corrupt behavior? We devised a novel task to figure this out (Weisel & Shalvi, 2015). Our task involves two players, A and B. Player A privately rolls a die, and reports the outcome to player B via a computer. Player B observes A's report, rolls a die and reports his outcome as well.

If both report rolling the same number, they win the value rolled in euros (the first experiment was conducted in Germany). If they report rolling different numbers, both get nothing. The interaction is repeated for twenty trials. We can assess corrupt collaboration by comparing the proportion of reported doubles to the proportion expected if participants are honest (1 in 6; 16.67%). Moreover, we can compare the proportion of the most profitable double (6–6) to the proportion of double 6s expected if participants are honest (1 in 36; 2.78%). Participants in the study reported doubles in 82% of the cases, nearly five times as much as the expected 16.67%, and double 6s in 46% of the cases (Weisel & Shalvi, 2015). Collaboration clearly breads corruption.

The task is especially useful to assess the dynamics of corrupt collaboration, and the settings in which it thrives. For example, compared to a condition in which we had each participant complete the task alone by rolling the die twice (thus assuming the role of both player A and player B), those who were paired with another participant reported more doubles, and were much more likely to brazenly report a double in each and every of the twenty trials they engaged in. When one person is needed to “set the stage” and another to “get the job done,” people feel it is especially legitimate to bend the rules in the interest of the joint project, and earn more money in the process.

In an attempt to intervene and understand which settings curb corruption and which settings encourage it, we modified the incentives of each player. First, we focused on the person that directly impacts the number of reported doubles, player B. After all, regardless of A’s report, it is B’s behavior that determines whether a double is reported or not. In two conditions, we removed B’s interest in the value of the double, by having B earn a fixed (high or low) amount in case a double is reported, regardless of the value, and in a third condition we removed B’s interest in reporting a double at all, by having B earn a fixed amount regardless of the reports. When B secured lower amounts from lying, B lied less, and when B had no interest in reporting doubles, lying was further reduced; call it the economics of lying. It is noteworthy that even when B gained nothing from reporting doubles, doubles were reported 42% of the time, much more than the expected 16.67% assuming honesty. B’s lying, in this case, can be seen as altruistic. Just working in collaboration with A, even with nothing to gain, sufficed to increase B’s lying almost three-fold.

We then modified A’s incentives in the same way as we did B’s. Since A can only determine the values that B needs to match, but cannot determine whether a double will be reported or not, it is reasonable to expect that the effect of these modifications on the number of doubles will be modest in comparison to modifications to B’s incentives. The effects of

modifying A's incentives, however, nearly perfectly mirrored those of modifying B's incentives. The collaborative setting led B players to respond in like to changes to their own, and to their A counterpart's, incentives. We concluded that being in the same boat, and sharing the exact same profits, play key roles in pushing people to collaborate in a corrupt manner.

Conclusion

This chapter is a call for group-level research, which we find an essential route to further our understanding of human corruption. We focused on the potential paradoxical negative effects of cooperation – it is beneficial for the cooperating partners, but can come at the expense of others, or clash with moral rules. While corruption is of major interest and importance for policy makers and managers around the world (EU report, 2014), the psychological roots of corrupt human behavior remain understudied. A growing psychological and behavioral ethics literature thoroughly investigates people's tendency to engage in self-serving lies, but no work to date has studied when, to what extent, and why people engage in joint acts of dishonesty. Being a necessary condition for the emergence of corruption, the study of joint acts of dishonesty – corrupt collaboration, as termed here – is of high scientific (and societal) importance. It is our hope that this chapter will inspire further work to better understand corrupt behavior. Such work will be useful to inform and aid policy makers and managers in recognizing the settings in which cooperation may turn corrupt, and in taking the necessary measures to monitor and control it.

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