

Research Statement

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Deception is part of many important economic interactions, for example, insurance claims, job interviews, labor negotiations, regulatory hearing, and tax compliance. In those settings, people may increase their expected material gain by providing information that they believe to be false, a behavior predicted by standard economic theory. Yet, life experience as well as recent academic literatures shows that sometimes people do tell the truth at a cost to self. This stands in contrast to standard economic theory predictions. To better understand these behaviors, my current research focuses on deception and commitment within the context of free-style communication, and contribute to our understanding of deception and promises (e.g. Gneezy (2005), Charness and Dufwenberg (2006), Gibson et al. (2013)).

My research combines experimental methodology, game theory and insights from psychology and sociology. With those tools, I am able to further my understanding of pro-social behaviors (particularly deception and promises). My research involves testing implications of relevant behavioral theories, devising mechanism to foster pro-social behaviors, and identifying the limits of such mechanism.

My job market paper, **“Broken Contracts and Hidden Partnerships: Theory and Experiment”** explores people’s tendency to break informal contracts and deceive their partners in a dynamic environment. With this new game, I derive testable predictions from, and investigate the empirical relevance of, existing behavioral theories. Previous research shows that unenforceable informal contracts promote trust and reciprocity. While this can benefit existing exchange, in dynamic environments such contracts are constraints that might hinder one’s ability to explore Pareto improving opportunities. This arises not only in business (e.g., industry non-compete agreements), but also in social contexts, including personal relationship commitment decisions. I report data from an experiment using a novel three-person trust game (I call it the Mistress Game) where in different treatments different players are able to communicate to each other. I find that without new information about profitable opportunities, people are overwhelmingly likely to follow upon informal contracts and avoid exploring potentially Pareto improving opportunities. Under dynamic environment where new and profitable information arises, however, people are significantly more likely to deviate from their informal contract; I also observe a “contingency effect”, where the likelihood with which people follow an informal contract declines in the number of contingencies that must occur in order for the contract to be realized. Finally, the data only provide limited support for existing behavioral theories I test.

In a companion paper - **“Promises and Lies: Can Observers Detect Deception”**, I use the rich free-style messages received from the above experiment to investigate whether receivers of messages from the Mistress Game can predict the trustworthiness of the senders. My analysis informs why receivers can (or can not) predict trustworthiness accurately. Receivers report both their perception of the trustworthiness of the messages (whether they consider them promises), as well as the confidence they have in their own judgments. Building on the crowding-out and group-identity literature, I hypothesize that the mention of money, the use of encompassing words and message length all influence

both senders' behaviors as well as observers' perceptions. I find (i) messages that use encompassing terms, or a greater number of words, are significantly more likely to be viewed as promises by observers; (ii) promises that mention money are significantly more likely to be trusted by observers. However, (iii) players whose promises mention money are significantly less likely to keep their word. Overall, receivers respond to cues of trustworthiness but in the wrong way. My findings in this chapter have broad implications for areas including advertising, political campaigns and consumer protection.

Following upon the surprising results that players whose promises mention money are significantly less likely to keep their word, my third chapter **"Let's Talk Money: The Effect of Money on Trustworthiness"** researches whether selfish people who break promises are more likely to mention money, or does the act of thinking about money make people more prone to break promises? Using a standard two-person trust game, I design three treatments that differ only by pre-game communication. In the baseline, players are free to write any type of messages on a blank sheet of paper to be passed on to their matched partner. In treatment one, players include mention of monetary payoffs in their messages. In treatment two, players cannot include any mention of monetary payoffs in their messages. The results show that the process of thinking about money may induce people to behave in a more self-interested manner.

In addition to my dissertation work studying the pro-social behaviors of adults (trust, deception and commitment), I have also studied several other pro-social behaviors with children and non-human primates.

One of my working papers **"Beware of Popular Kids Bearing Gifts"** looks at the impact of popularity and age on children's pro-social tendencies. Our results reveal that popularity promotes pro-social behavior only when decisions are made in public. Further, older children on average display greater generosity. We also observe a positive interaction effect of popularity and age, but only when decisions are public.

Another paper of mine **"Non-human Primate Studies Inform the Foundations of Fair and Just Human Institutions"** published in *Social Justice Research (Vol. 25, Issue 3, 2012)* argues that we can use non-human primates' pro-social research data as additional evidence to support the essential role of pro-social preferences in the emergence of fair and just human institution.

I am currently developing follow-up studies using the Mistress Game as a platform to shed light on the effects of social distance on deception and commitment over the life-cycle. One of my works in progress takes the Mistress Game to a continuous time environment. Instead of one-shot decisions, players communicate prior to the game and make decisions in continuous time. The result of this study may have important implications for policies that affect commitment over the life-cycle.

I am actively seeking external support for my research activities and preparing applications for grants to the National Science Foundation, the John Templeton Foundation and the Russell Sage Foundation. In view of the novelty of my research, and the high level of current interest in this area, I am optimistic that my research program will compete successfully for external funding.