Behavioral Ethics

Why Do We Need the Behavioral Perspective?

Key Questions

- Is it not sufficient for individuals to simply know what is right and wrong? (Normative Perspective)
- Can we not simply categorize people into "good" and "bad"? (Rationalist Perspective)

Does Ethical Knowledge Translate into Moral Behavior?

Key Question: Does philosophical reflection on morality, as practiced by professional ethicists, improve one's own moral behavior?
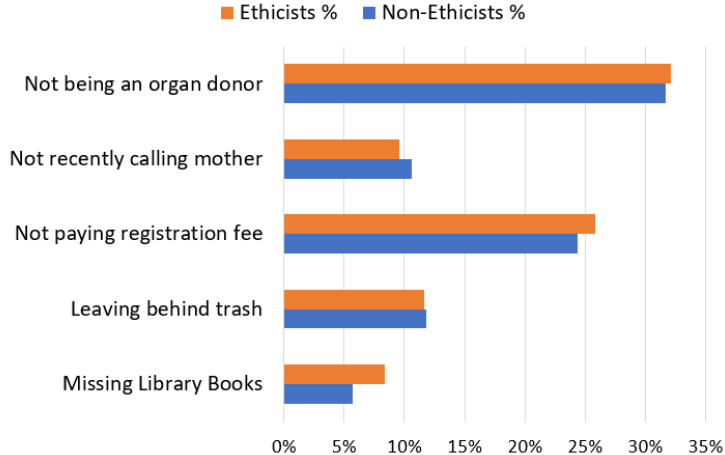
Study Overview:

- Researchers: Eric Schwitzgebel and Joshua Rust (2014)
- Hypothesis: If ethical knowledge positively impacts moral behavior, ethicists should exhibit better behavior compared to non-ethicists.
- Methodology: Observing everyday behaviors of ethics professors.

Examples of Observed Behaviors: Returning library books on time, peer ratings of professional conduct, voting behavior in elections, behavior during lectures and conferences, leaving trash behind in public spaces, donating blood or being an organ donor, frequency of calling one's mother.

Schwitzgebel & Rust (2014). Metaphilosophy, 45(2), 209-227.

Moral Behavior of Ethics Professors vs. other People

Schwitzgebel & Rust (2014). Metaphilosophy, 45(2), 209-227.

Honesty Among Investment Bankers

Study Overview: Researchers Cohn, Fehr, and Marechal (2014) conducted an anonymous experiment involving 128 employees from the banking sector to investigate honesty in financial professionals.
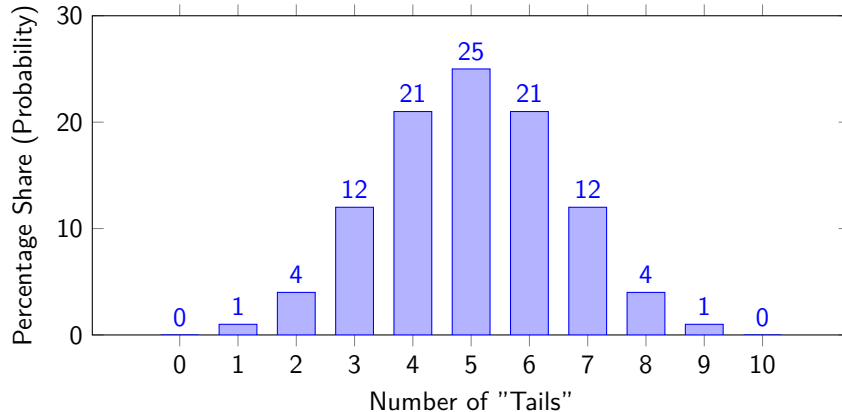
Experimental Design:

- Participants were compensated for their participation and had the opportunity to earn additional money based on their performance in the experiment.
- The procedure was as follows:
  1. Participants were asked to take any coin from their wallet.
  2. They were instructed to flip the coin 10 times.
  3. For each flip resulting in "tails," participants would earn $20 USD. For "heads," they would earn nothing.
  4. The coin flips were unobserved, and participants simply reported the number of "tails" they obtained to determine their payout.

Key Question: Does the anonymity of the experiment influence the honesty of participants when reporting their results?

Cohn, Fehr, & Marechal (2014).

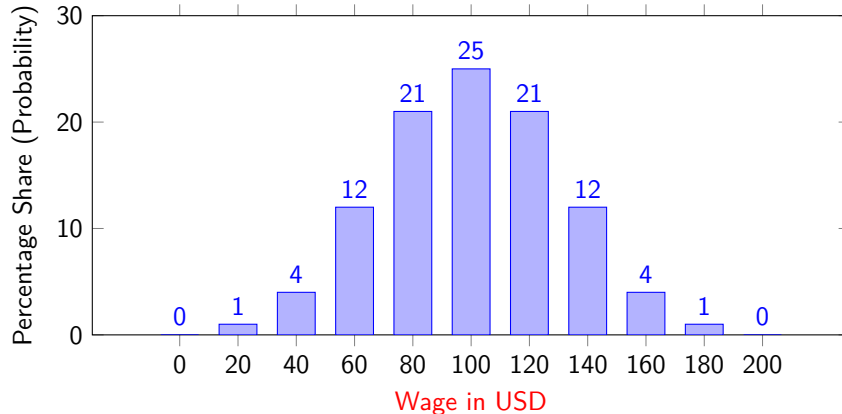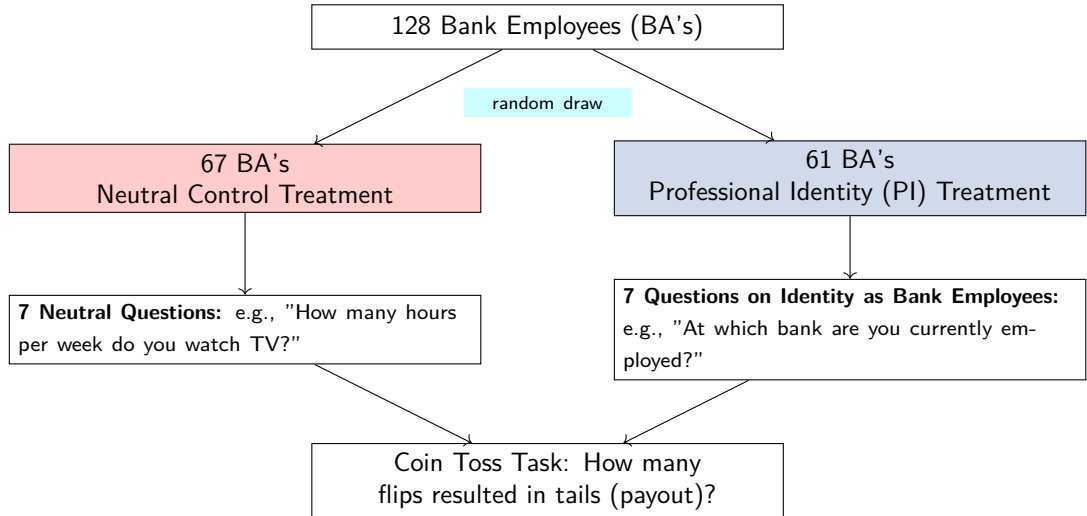# Honesty Among Investment Bankers Continued

- Theoretical Distribution of Responses if All Participants Are Honest:

Cohn, Fehr, & Marechal (2014).

Honesty Among Investment Bankers Continued

- Theoretical Distribution of Responses if All Participants Are Honest:
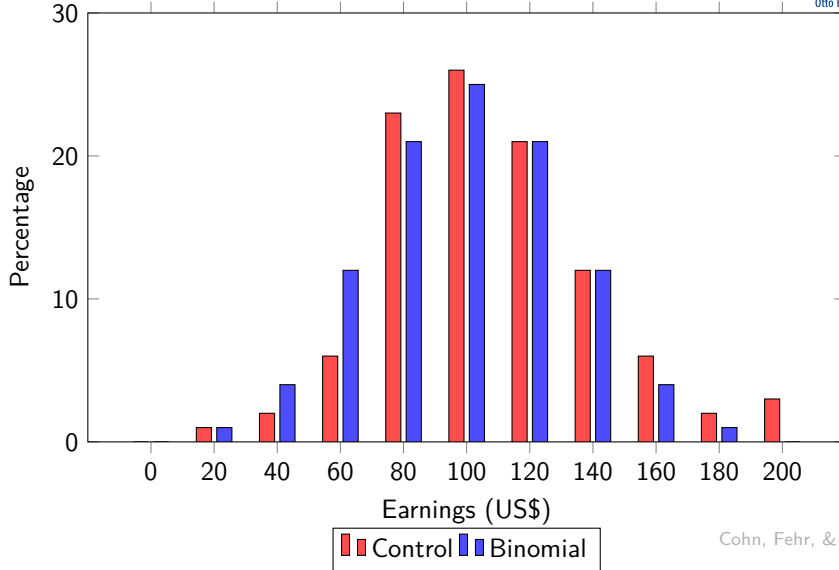

Cohn, Fehr, & Marechal (2014).

Honesty Among Investment Bankers Continued

128 Bank Employees (BA's)

random draw

67 BA's
Neutral Control Treatment

61 BA's
Professional Identity (PI) Treatment

7 Neutral Questions: e.g., "How many hours per week do you watch TV?"

7 Questions on Identity as Bank Employees: e.g., "At which bank are you currently employed?"

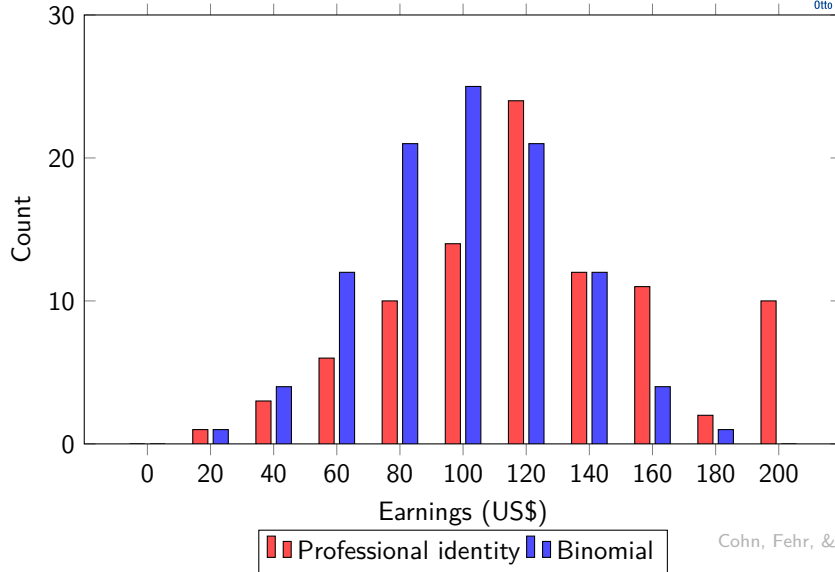Coin Toss Task: How many flips resulted in tails (payout)?

Cohn, Fehr, & Marechal (2014).

Binomial vs. Control Treatment

Cohn, Fehr, & Marechal (2014).

Binomial vs. Professional Identity Treatment

Cohn, Fehr, & Marechal (2014).

Takeaways

- Ethical behavior is not always as black-and-white as it may seem.
- Even "good people" can engage in unethical actions under certain circumstances.
- Situational and organizational factors, such as corporate culture, play a significant role in influencing moral or immoral behavior.
- **Implication:** Organizations have the ability to foster environments that encourage employees to act more ethically.

Factors Influencing Ethical Behavior

Personal Factors

- Age
- Education
- Religion
- Professional experience
- Personality
- Value orientation
- Moral development
- ...

Situational/Organizational Factors

- Social norms / group norms
- Time and performance pressure
- Codes of conduct
- Competition
- Goal conflicts
- Compensation structures
- Organizational culture
- "Tone from the top"/role models
- Transparent structures
- ...

Bounded Ethicality

The concept of originates from "bounded rationality," which highlights the limitations in rational decision-making.

Definition

- Bounded ethicality refers to limitations in ethical behavior.
- Individuals prone to systematic ethical errors.
- Ethical behavior is typically observed only under highly controlled conditions.

Unconscious Nature

Both cognitive and ethical errors are frequently unconscious. People may perceive moral individuals without genuinely embodying these qualities.

Moral Self-Licensing

Study Overview: Participants were told that their handwriting would be analyzed. They were given words to write stories about themselves, divided into three groups:

Groups:

- **Group 1:** 9 words describing negative character traits.
- **Group 2:** 9 neutral words.
- **Group 3:** 9 words describing positive character traits.

Key Question: Does affirming one's moral self-image justify less moral actions?

Experiment: After writing their stories, participants were asked to make a small donation of up to $10.
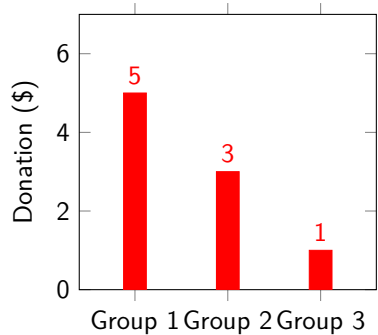
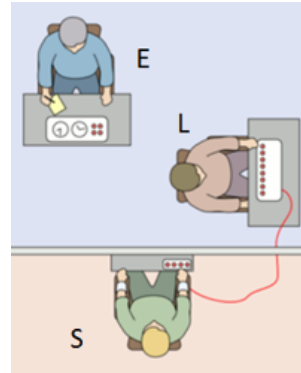Affirming one's moral self-image appears to justify less moral actions.

Sachdeva et al. (2009).

Obedience to Authority: Milgram's Experiment

"The social psychology of this century reveals a major lesson: often it is not so much the kind of person a man is as the kind of situation in which he finds himself that determines how he will act."

Experimental Design:

- Participants acted as "teachers" (L) in an experiment on learning behavior.
- A "learner" (S) was portrayed by an actor, unbeknownst to the participants.
- Teachers were instructed to administer electric shocks of increasing voltage to the learner whenever they failed to memorize words correctly.
- Participants could interact with the experimenter (E), who provided authoritative instructions.

Milgram (1963, 1974).

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Milgram (1963, 1974)

Obedience to Authority: Results

Approximately 65% of participants (26 out of 40) obeyed the instructions of the authority figure and administered shocks up to the maximum voltage of 450 volts.

Further Experiments:

- **Communication Channels:** When the experimenter (E) was not physically present and instructed the teacher (T) via telephone, the obedience rate dropped to 20.5%.
- **Proximity:** When the learner (L) and teacher (T) were in the same room, the obedience rate significantly decreased.
- **Agreement:** The learner's request (prior to signing the consent form) that shocks should stop if the learner demanded it (citing a heart condition) had little impact on the teacher's behavior.
- **Trustworthy Institution:** When the experiment was moved from the Yale University campus to a regular office building, obedience slightly decreased to 47.5%.
- **Conflict Between Authorities:** When two experimenters (E) gave contradictory instructions, almost all teachers (T) stopped administering electric shocks.
- **Group Effect:** When two actor teachers withdrew from the experiment, the real participant almost always followed their lead and stopped.
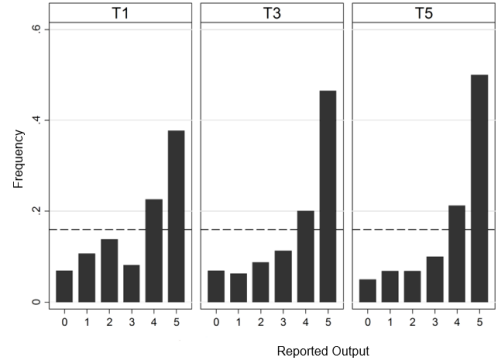
Lying Behavior in Tournaments

Treatments:

- **T1:** Winner receives 3€, loser receives 2 €.
- **T3:** Winner receives 4 €, loser receives 1€.
- **T5:** Winner receives 5 €, loser receives 0 €.
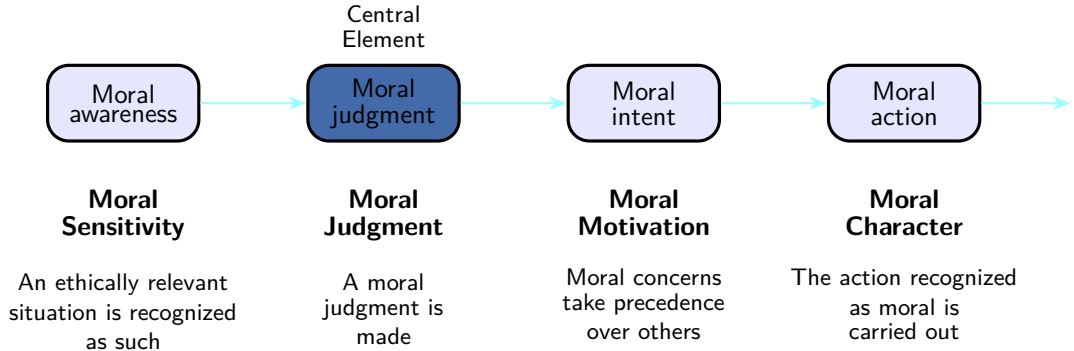- Participants roll dice to determine output without observation.

Results

- Greater prize differences lead to increased lying behavior.

Conrads et al. (2013). Journal of Economic Psychology, 34, 1-9.

Psychological Models of (Im)Moral Behavior

Four Component Model of Morality by Rest (1986)

Central Element

| Moral awareness | → | Moral judgment | → | Moral intent | → | Moral action | → |

Moral Sensitivity

An ethically relevant situation is recognized as such

Moral Judgment

A moral judgment is made

Moral Motivation

Moral concerns take precedence over others

Moral Character

The action recognized as moral is carried out

- The Rest model is "rationalist" and character-centered
  - What kind of personality must the individual have to act correctly?
  - Moral misconduct = character problem (good vs. bad person)
  - Cannot explain modern (affect-, situation-centered) behavioral research/bounded ethicality

Approach, Ability, Aftermath: A New Psychological Process Model

"The prevailing models of (un)ethical behavior [a.k.a. the Rest model] do not take into account what we have learned over the past two decades from moral psychology and cognitive neuroscience about how and why people make the moral decisions they make."

Celia Moore

Question: How can we complement the prevailing models to better capture how intuition, affect, situation, and identity influence our moral actions?

Francesca Gino

Moore & Gino (2015)

Controversy Surrounding Francesca Gino

- Francesca Gino, one of the co-authors of the model, has recently faced allegations of massive fraud in her empirical research.
- She is accused of fabricating and manipulating data in several of her (highly prominent) experiments.
- Francesca Gino denies the allegations and has filed a defamation lawsuit worth $25 million against those accusing her of fraud.
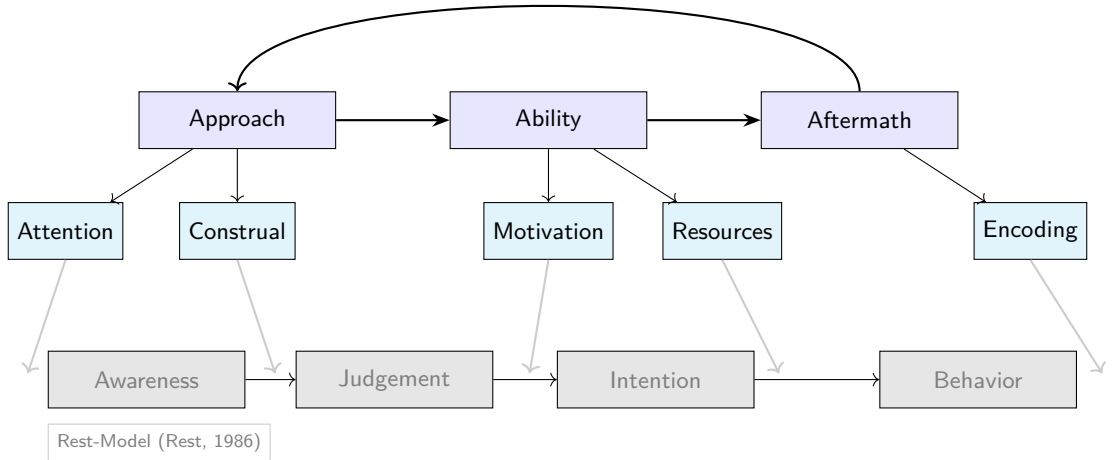
Implications:

- This case highlights (once again) that even researchers studying morality and unethical behavior are not immune to acting unethically themselves.
- Despite these allegations, we will still discuss the model as it provides important and novel perspectives on ethical behavior.
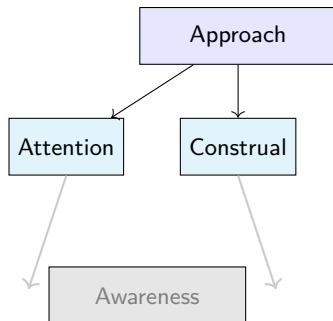
More about the allegations can be read here:
https://www.vox.com/future-perfect/2023/6/29/23777337/
harvard-dishonesty-research-fraud-francesca-gino-dan-ariely
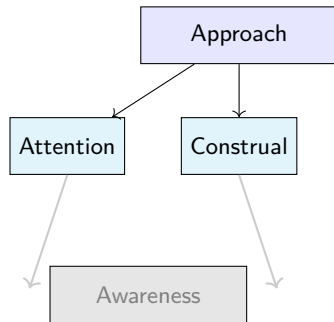
Rest-Model (Rest, 1986)

Rest's "Awareness" is often described as binary: people are either aware of the moral issue or they are not. The "Approach" concept is broader: how we approach a moral situation depends on:

- What our attention is directed towards (**Attention**)
- How we interpret the situation (**Construal**)

Example Attention:

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- What our attention is directed towards (**Attention**)
- How we interpret the situation (**Construal**)

- **Attention:** Focusing on one-sided goals (e.g., profit maximization) can distract people from the moral aspects of a situation.
- **Construal:** People interpret the situation in a way that makes an otherwise immoral decision appear moral (motivated reasoning).

Motivated Reasoning

Background: Fabrice Tourre, Manager at Goldman Sachs (2001-2011), sold "junk securities" under false pretenses at the request of hedge fund manager John Paulson. These securities were marketed to unsuspecting clients, including "widows and orphans."

Outcome:

- Investors lost $1 billion during the financial crisis.
- Paulson, Goldman Sachs, and Tourre profited from the transactions.

Excerpt from Tourre's Email (Jan 23, 2007):

"I don't feel too guilty because the actual purpose of my job is to make capital markets more efficient [...]. So there is an honorable, noble, and ethical reason for my job ;) Amazing how well I can convince myself!!!"

Fabrice Tourre
"Fabulous Fab"

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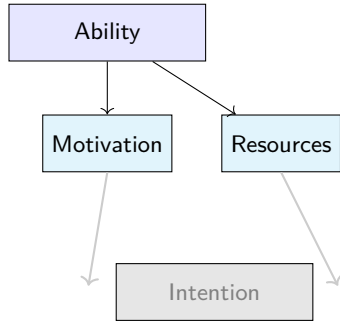
Even with the best intentions, we often find it difficult to act correctly. The "Ability" approach suggests that we often fail to behave morally because:

- The innate drive to act selfishly subconsciously overwhelms us (**Motivation**).
- Our ability to resist temptations is depleted (**Resources**).

Examples:

- **Motivation:** People often perceive themselves as fairer/honest than they actually are under real conditions. ("Holier than thou"; e.g., Epley & Dunning, 2000).
- **Resources:** People make worse/selfish decisions when they are exhausted or tired. ("Too tired to tell the truth"; Mead et al. 2009).

Aftermath: How Do People Process an (Im)moral Action?

Aftermath

Encoding

Behavior
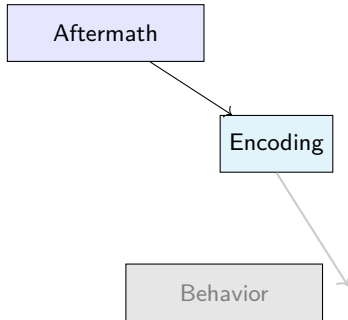
Immoral actions are encoded differently than moral actions. After an action has taken place ("Aftermath"), we tend to interpret events in a way that aligns with how we want to perceive them (**Encoding**).

- We view our actions in a more favorable light than others would.
- We use potential justifications to act selfishly again in the future.

Example: Motivated Memory

- People have a harder time remembering immoral actions compared to moral actions (motivated memory; e.g., Saucet & Villeval, 2019).
- People use positive memories of their actions as justification for future "slip-ups" (moral self-licensing; e.g., Sachdeva et al., 2009).

AAA Model: Final Thoughts

The AAA Model (Approach, Ability, Aftermath) modernizes the classical Rest Model. It complements the Rest Model by incorporating non-rational psychological processes that occur along the path from recognizing the moral situation (Awareness) to taking action (Action).

- The model highlights key psychological variables that influence behavior, including:
  - Intuition
  - Affect
  - Situation
  - Identity
- It serves as a reference point for analyzing examples of ethical or unethical behavior in organizations.
- The model can be used to identify where and how things went right or wrong in moral decision-making processes.

These concepts will be explored further in future lectures.