

The Moral Wiggle Room: When Avoiding Information is Strategically Optimal

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Abstract

A rational economic agent will use all the relevant information when she makes her decisions. Consequently, we should never observe situations in which a rational individual willingly neglect to consider and to use freely available information able to improve her decisions. For that, it is particularly intriguing to notice that are casual observation as well as laboratory and field experimental evidence showing that information avoidance is relatively common. More interestingly, this evidence suggests that information avoidance can also take its stronger form: when information avoidance is the result of active behaviour. This paper critically analyses this literature discussing its main results and the point that deserves further research. The moral wiggle room effect is one element that can explain why current social consumption is significantly lower with respect to the level suggested by the consumer surveys.

Keywords: Moral Wiggle Room, Social Preference, Altruism.

Introduction

A rational economic agent will use all the relevant information when she makes her decisions. Consequently, we should never observe situations in which a rational individual willingly neglect to consider and to use freely available information able to improve her decisions.

For that, it is particularly intriguing to notice that are casual observation as well as laboratory and field experimental evidence showing that information avoidance is relatively common. More interestingly, this evidence suggests that information avoidance can also take its stronger form: when information avoidance is the result of active behavior (Dana, Weber, & Kuang, 2007)(Golman, Hagmann, & Loewenstein, 2017).

Information avoidance can be distinguished according to the instruments used to neglect information (physical avoidance, inattention, biased interpretation, forgetting, Golman et al., 2017b) and about the main reason that justify avoidance (Sweeny, Melnyk, Miller, & Shepperd, 2010).

For example, (Sweeny et al., 2010) suggests that individuals may avoid new information because it may change how they think, behave and feel. In the first case, new information can call for a change in beliefs, while individuals usually tend to get information that confirms their beliefs rather than contradicts them. In thesecond case, new information might require a change in action, and such a change can be costly, not just in monetary terms. For example, as we will discuss later, it can cause tension between the desire to pursue some moral goals and the desire to maximize their monetary reward. In the last case, information may provoke unpleasant emotions, or, according to the cases, weaken pleasant ones. For example, studies have found that people go so far as to avoid doctor checkups in an attempt to sidestep these troublesome feelings (Persoskie, Ferrer, & Klein, 2014).

In the present paper, we will concentrate on the strategic information avoidance that postulates the existence of a moral wiggle room that enable a non-selfish individual with weak social preference to face the conflict between the desire to behave fairly and the desire to obtain a material payoff. When the trade-off between these two objectives is transparent and known with certainty, such an individual tend to behave fairly, when the relationship between her action and the effect of this action on other people is opaque or uncertain, she tends to behave less fairly. More interestingly in the same circumstances, this individual prefers not to reveal the information to be able to behave selfishly minimizing the moral cost of it.

If we believe that increasing the responsible consumption is one of the necessary tools to address problems of social and environmental sustainability and to change the pattern of international trade, studying more deeply the way in which an individual with a certain degree of social preferences makes her decision is very important. Strategic information can be seen as an instrument used to avoid to align consumer choices with moral values. A better understanding of this phenomenon enable policy makers and NGO to change their polices and their strategy to increase responsible consumption.

Moral Wiggle-Room

According to the idea of moral wiggle room,¹ individuals are not intrinsically altruistic, but they like to appear so, not only to others but also to themselves. In this sense, information avoidance can be strategically used to behave more selfishly.

In a seminal paper, Dana, Weber and Kuang (2007)(henceforth DWK) reported some interesting evidence. Experimental subjects tend to remain willingly uninformed about the effect of their actions on third parties. Moreover, the experiment showed that selfishness increases significantly in the absence of transparency. In a dictator game, the researchers found that individuals prefer to have something like moral wiggle-room to behave more selfishly. They purposely avoided information about the consequences of their actions on other people to be freer to take the more profitable decision.

The experiment of Dana et al. (2007)was quite simple. They use a binary dictator game in which the experimental subjects (X, the dictator) have to decide between two different allocations (A and B) between themselves and another experimental player (Y, the receiver). The two payoffs are shown in table

1
Table 1

	Player X: dictator	Player Y: receiver
A	6	1
B	5	5

In the baseline treatment, the game was played transparently and without uncertainty. The result is in line with the well-known literature on the dictator game and shows that dictators acted sufficiently fairly. Of the 19 X players, 14 (74%) choose B, the (5,5) outcome. Up to now nothing new and particularly interesting.

In a second treatment, the authors introduced uncertainty about the effect of the decision of player X on player Y and allowed dictators to remain ignorant to the precise consequences of their actions on player Y (the receiver). While the payoff for player X was known and certain (the same shown in table 1), the payoff of player X was uncertain. Subjects were informed that there were two possible states with the same probability: The aligned state in which option A provides the maximum outcomes for both players and the unaligned state in which A still provides the maximum payoff for X, while B provides the maximum for Y (see table 2).

Table 2

	Player X: dictator	Player Y: receiver	Player Y: receiver
		Unaligned state	Aligned state
A	6	1	5
B	5	5	1

Although the payoff of player Y was hidden, dictators had the option to costlessly and privately reveal the receiver’s payoff, just by clicking a button. Therefore, in this treatment, the dictator has two decisions to make: whether to reveal the information or not and successively which option to choose between A and B. Of course, this information has no value for a pure selfish agent; since she does not assign any weight to the payoff of the other player, she will choose the option that maximizes her payoff whatever the state of the world would be, in this case, option A. For such an agent whether to reveal or not the real state is completely irrelevant.

On the contrary, the information is relevant for agents who have strong social preferences.

Knowing the payoff of the other agents, i.e. knowing the state of the world, is important to decide between A (in the case of aligned state) and B (in the case of unaligned state).

Interestingly enough, there could exist a third kind of subjects who are neither pure selfish nor pure altruistic. Their decisions are the result of the solution of an internal conflict between the desire to maximize the material payoff and the sense of guilt for not having behaved according to their moral values.

Such agents can find favourable strategically avoiding the information. If they hide behind a veil of ignorance they cannot feel guilty and cannot communicate to the other or themselves a non-positive image.

Table 3 show the intriguing results. As you can see in the two treatments, that share the same payoff structure, the proportion of players who implement the fair outcome is almost half when the option of remaining ignorant is available.

Study	Treatment	Proportion of subjects choosing the fair outcomes
Dana et al.	Baseline	74%
	Hidden information (baseline payoff)	38%
Exley	Baseline	61%
	Hidden information (baseline payoff)	32%

While choosing A under the transparency condition would be automatically equivalent to behaving selfishly and it can have a cost in terms of sense of guilty and self-image loss, in the hidden treatment case, there is not a direct and certain link between the action chosen and the welfare of the recipients. In this case, therefore, it can be used as an excuse for behaving more selfishly.

Ten years after (Dana et al., 2007), (Exley, 2016) within a larger study aiming to analyse the role of risk in excusing selfishness in charitable giving, replicated the study using the same incentive structure. Two are the main differences between the two papers. First, in (Exley, 2016) all the 100 experimental subjects were asked to answer three questions: therefore, we are in a whitening subjects framework. In each question, agents had to choose between two options (A and B, see table 2). In the first question, the choice-to-reveal one, agents have the option to freely know what is the state of the world (aligned or nonaligned one). In the second one, the revealed-unaligned state treatment, subjects know that they are in unaligned state: in this case choosing A is selfish since it results in lower charity payoffs in exchange for higher self-payoffs. In the third one, revealed-aligned state question, subjects know that they are in aligned state in which choosing A is not selfish as it yields the highest payoffs for both the participants and the charity. One question was randomly selected to count for payments. Second, differently from Dana's paper, the role of agent Y was played by a charity, namely the ARC, American Red Cross.

Anyhow, she obtained results (see table 3) very similar to those obtained by DWK. Both generous types and wiggler types choose the fair option B in the revealed-unaligned state question. On the other hand, wiggler types decided to avoid revealing the state of the world in the choice-to-reveal question and choose the potentially selfish option A.

Follow-Up Papers

From their seminal paper, a lot of studies have been published investigating the generality of their results and also trying to better understand the results.

By looking at the literature on the topic some interesting thoughts emerge. The first thing that we can notice from the table is that the exploitation of a moral wiggle room does not take place in every framework. It seems to work almost well in some experimental contexts and mainly in the binary dictator game. Also in this case, however, the existence of strategic and self-serving information avoidance is not observed in every context. This is not surprising: Dictator game is intended to test for altruism and

generosity. A huge literature on this experimental game, suggests that dictator generosity is affected by agents' perceived moral and social responsibility, which is, in turn, highly context-dependent (Engel, 2011; List, 2007).

One crucial point is the nature of the choice regarding information. For example, while (Grossman, 2014) qualitatively confirms the findings of DWK, he finds that results strongly rest on the ignorance option being a passive choice: when no information is the default option, 45% of agents playing as dictator remain ignorant; while if the dictator is asked to take an active choice, this drops to 25%, and if being informed is the default, only 3% of dictators stay uninformed. On the other hand, (Larson & Capra, 2009) in an experiment in which to reveal or not reveal information about the other's payoffs required the same amount of effort and time, and both options required action or commission, confirm the DWK results by finding that agents engage in strategic ignorance and, when the consequences of their choices are not completely apparent, fair choices diminish. This shows that moral wiggle room is in itself a context-sensitive choice. It is, much like social behaviour itself, dependent on environmental and psychological factors that may strengthen or weaken its effect.

Even using the framework of dictator game and by changing some other characteristics, it is possible to obtain different results. (Thunström, Cherry, McEvoy, & Shogren, 2016) explore, for example, whether dictators actively seek or avoid information concerning the deservingness of their receiver.

They find that 4 out of 5 dictators choose to search for information and adjust their generosity accordingly, being more altruistic towards the deserving ones. Also when we change, on the other hand, the nature of the receiving player in the dictator game we obtain mixed and contradictory results. While (Exley, 2016) confirms the DWK results in the case in which the receiver is a charity, namely the American Red Cross, (Lind, Nyborg, & Pauls, 2019), finds that the option to remain uninformed did not significantly increase selfish behaviour.

Things became even more mixed when we leave dictator game, and we change completely the experimental context. (van der Weele, Kulisa, Kosfeld, & Friebe, 2014) look for the existence of strategic information avoidance in two classic games of reciprocal behaviour, namely the trust game and the moonlighting game. They apply the plausible deniability (PD) treatment from DWK to second-mover behaviour in these games. They obtain no difference concerning second-(and also first-) mover behaviour in the PD treatment compared to a control treatment. In the trust game, there is neither a significant difference in trustworthiness nor trust levels, signifying that first movers properly foresee that second movers will not use the moral wiggle room provided in the PD treatment. Likewise, in the moonlighting game, punishments do not differ between the PD and the control treatment, nor does first-stage taking behaviour vary.

Recently in a more complex environment, (Balafoutas, Sandakov, & Zhuravleva, 2021) look for the existence of moral wiggle room in a corruption setting. They test for information avoidance in a framed public procurement experiment, in which a public official receives bribes from two competing firms and can face a tradeoff between maximizing bribes and inhabitants' welfare. In a case where officials have the option to stay ignorant about the consequences of their actions for citizens, they discover virtually no evidence of negative results. (Momsen & Ohndorf, 2020) find consistent evidence for information avoidance in the treatments where information is associated with a small cost, while they do not find evidence for willful information avoidance in treatments where information is costless. (Momsen & Ohndorf, 2022) find particularly robust evidence for the exploitation of moral wiggle room via information avoidance in the treatments with simple stochastic information, as well as in the case where news can be considered unreliable. Interestingly, they do not find the exploitation of moral wiggle room in the case where subjects can selectively reveal good news and information is presented as costless.

In conclusion, the moral wiggle room is far from being a general result. It dramatically depends on the context, on the technology of the game, on the nature of the action necessary to obtain information, on the type of interdependence among experimental subjects.

An interesting insight on this point can be obtained by the classification obtained by Exley (Exley, 2016). Thanks to her within-subject design, she was able to classify experimental agents into three

different categories. First, 44% of the agents are selfish types as they take the selfish option A in the revealed-unaligned state question and also choose the (possibly) selfish option A in the choice-to-reveal question. Second, 35% of the subjects are altruistic types since they select the fair option B in the revealed-unaligned state, and they chose to reveal their state in the choice-to-reveal framework. Third, 20% of the subjects are wiggler types as they choose the fair option B in the revealed-unaligned state, but instead, choose the potentially selfish option A in the choice-to-reveal question after choosing not to reveal their state. Both generous types and wiggler types choose the fair option B in the revealed-unaligned state question. On the other hand, wiggler types decided to avoid revealing the state of the world in the choice-to-reveal question and choose the potentially selfish option A.

Therefore, we can conclude that the type of social preference on which the moral wiggle room hinges is a mild social preferences type. She does not display very strong social preferences that do not depends on other behaviour or from contingent situations. On the contrary, these kinds of subjects react very powerfully to a change of environment, for them even a small change in the setting can change the balance between making a fair choice and making the selfish one.

Moral Wiggle Rooms Explanation

Two main explanations for moral wiggle-room have been proposed: cognitive dissonance and the theory of self-image or self-signalling.

The cognitive dissonance explanation has its origin from social psychology (Festinger, 1957). The basic idea is simple. Consider a non-pure selfish individual, a duty-oriented individual who is also interested in obtaining some material rewarding; when she takes a choice she faces a trade-off between the desire to obtain the maximum material benefit and the wish to align her actions with her moral values. If she opts for the self-serving option, she is forced to bear the psychological cost of acting in discrepancy with respect to her moral conviction. Of course, the salience of the trade-off and the cost of pursuing her material interest depends on the information on the social consequences of her action. In the context of other-regarding behaviour, the important information regards the effect of her action on a third part. She can resolve this dissonance by correcting her expectation of correct behaviour or avoiding the information which makes transparent the inconsistency between the selfish action and the morally appropriate behaviour.

Some interesting papers are providing a formalized theoretical background of this interesting intuition (Konow, 2000; Matthey & Regner, 2011; Nyborg, 2011).

An alternative way to rationalize strategic information avoidance is to see it as an instrument to defend personal self-image (Bénabou & Tirole, 2011; Grossman & van der Weele, 2017). As long as one decides under the veil of ignorance, one can still entertain the illusion of being pro-social and altruistic. Once the information is out, one can no longer lie to oneself and pretend to be good while behaving selfishly.

Interestingly enough, the two approaches, although different according to the internal working mechanism, provide more or less the same representation of the problem. According to both approaches, we can rationalize three kinds of behaviour: First, subjects with no social preferences will choose the selfish option regardless of the effect of their choice on others, therefore they do not have any incentive neither to acquire nor to avoid information. Second, altruistic individuals would always reveal the effect of their decision on others to coherently act according to their preference.

Third, individuals with mild and weak social preferences can significantly reduce the cost of pursuing their material interest in contrast with their moral values if they can strategically avoid information that makes this trade-off transparent to them. As it appears evident, this is the same classification shown by Exley (Exley, 2016).

People who use strategic information avoidance are not purely selfish; if they were, they would not care about the consequences of their actions on others and would behave in the same selfish way whether or not they uncovered the information. Only people with some social preferences would be motivated to strategically avoid information to prevent moral constraints from affecting their actions. Nor

can they be pure altruists, as these would have no gain from avoiding information on the effects of their actions since they would behave pro-socially in any case.

Some papers try to verify empirically the importance of these two possible drivers for strategic information avoidance. Exley and Kessler use a design which is able, by introducing a control condition that makes minimal changes, to eliminate the role of image concerns while keeping other key features of the decision environment unchanged (Exley & Kessler, 2021). They study data from 4,626 experimental subjects and find that image concerns play a role in driving information avoidance, but this role is considerably smaller than the quoted literature would suggest. They show that, at most, 19%/34% of information avoidance in the classic paradigm is due to image concerns. The 66%/81% residual cannot be explained by image concerns and it is still in search of an explanation.

Matthey and Regner used the same theoretical framework as Konow's model of cognitive dissonance to explain the data of their experiment (Matthey & Regner, 2011). They find a partial confirmation of the cognitive dissonance hypothesis. There are a group of economic agents who experience a cognitive dissonance between the desire to behave fairly and the monetary gain that can be obtained behaving selfishly. For them, the second element prevails when they can ignore the information.

Conclusion

Some years ago in a seminal paper, Dana, Weber and Kuang (2007) reported some interesting evidence. Experimental subjects tend to remain willingly uninformed about the effect of their actions on third parties. This result immediately appeared tricky, because intentionally ignoring relevant information is inconsistent with the hypothesis of economic rationality. Moreover, the experiment showed that selfishness increases significantly in the absence of transparency. In a dictator game, the researchers found that individuals prefer to have something like moral wiggle-room to behave more selfishly. They purposely avoided information about the consequences of their actions on other people to be free to take the more profitable decision.

The data from surveys on the willingness of consumers to purchase ethically responsible goods offers a very encouraging view of consumer willingness to pay an ethical premium, although, in everyday life, few are actually willing to purchase ethical goods when faced with the monetary cost and the ethical premium. In order to increase responsible consumption, we have to understand how a consumer with a certain degree of social preference takes her decision. Namely, what are the mechanism that makes it so difficult for a non-selfish individual to align her consumer choice with her ethical values. The moral wiggle room effect is one element that can explain why current social consumption is significantly lower with respect to the level suggested by the consumer surveys.

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