

Understanding Dishonesty: Integrating Rationality, Morality, and Social Factors

Saanvi Goyal

Strawberry Fields High School, Chandigarh, India

Abstract: *This paper explores the complex factors influencing dishonest behaviour, including rational decision - making, morality, and social pressures. It examines the interplay between economic theories of rationality and psychological and sociological perspectives on morality. Research reveals contradictions between these models and proposes an integrated approach that considers both monetary and non - monetary costs and benefits. By adapting the rational model to incorporate non - monetary factors, the study provides a more comprehensive understanding of what drives dishonest behaviour. Experimental studies are suggested to empirically validate the proposed model and further investigate the nuances of dishonest decision - making.*

Keywords: dishonesty, rationality, morality, social pressures, cost - benefit analysis

1. Introduction

Why are people dishonest? Why do students cheat in tests? Why would a person run a red light or not run a red light? There are many reasons that people could put forth about why people make dishonest decisions. There are some surface level reasons such personal gain or avoiding adverse repercussions, but from an economic and social - psychological perspective, do we really have a conclusive answer for why people are dishonest? Researchers have looked into this question and have come up with several models to explain what drives people to be dishonest. However, as this paper will show there is no consensus. The theories contradict each other and predict divergent outcomes. Therefore, we cannot say that we have a clear understanding from a socio - psychological or behavioural perspective as to why people are dishonest.

The paper progresses as follows: In the first section I will review the relevant literature, including the economics based rational model proposed by Becker and Stigler (1974) and further review the psychology and sociology based morality models. Following this, I will draw out the limits to these models by explaining the contradiction that arises based on these models. Finally, I will put forth my own analysis and will suggest a modified version of the rationality model to create a more conclusive understanding to what drives morality and dishonesty.

2. Literature Review

Existing research has found many reasons why individuals take part in dishonest behaviour. These can be categorised as either being driven by rationality, morality, or social pressure. In the next few paragraphs, I will expand on each of these reasons, describing the mechanisms put forth to explain dishonest behaviour.

Economic rationalism

First is the mechanism of rationality. This model, based on rational choice theory and explained by Becker and Stigler, suggests that individuals engage in conscious and deliberate dishonest acts by weighing the anticipated costs and benefits associated with such behaviour (1974). It derives from the

fundamental economic principle of costs and benefits. It states that individuals possess a strong desire to engage in dishonest behaviour, determined by the benefits they derive from it and indicated by the amount they are willing to pay to pursue it. They will continue to pursue that desire until the costs become high relative to their resources and personal preferences. Becker and Stigler use this framework to argue that enforcement of rules can only be achieved when the costs of breaking that rule are more than the benefits derived from breaking that rule (1974). In other words, probability of getting caught and penalties from getting caught must both be high.

Becker and Stigler's model operates under the premise that all humans are rational beings with their only goal being to maximise profit. This model relies on the monetary costs and benefits of being dishonest. In a situation where a person has the choice to be honest or dishonest, according to this model, they will consider: 1) the monetary benefits of being dishonest, and 2) the monetary costs of being dishonest. The probability of being caught committing the act is also considered with the costs of being dishonest. The costs that are referred to in this model are monetary costs, for example, a large fine, or time in prison measured through income foregone. Similarly, the model is focused on monetary benefits that you can acquire through dishonest acts, like theft.

Table 1 summarises the main expectations of the rationalist argument. In this table, p stands for the probability of getting caught if one is dishonest, $\$$ penalty stands for the monetary fine/ penalty for getting caught, and $\$$ benefit stands for the monetary payout from dishonesty. If the monetary benefit derived from dishonesty is higher than the monetary cost adjusted for the probability of getting caught, then an individual will choose to be dishonest. If the benefits do not outweigh the costs, the individual will choose honesty.

Table 1: Expectations derived from Becker and Stigler model (1974)

Situation	Expected behaviour
$p * \$ \text{penalty} > \$ \text{benefit}$	Honesty
$p * \$ \text{penalty} < \$ \text{benefit}$	Dishonesty

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Empirical research has tested the rationality theory and has found some support. Di Tella and Schargrodsky conducted an experiment on the public hospital system in Argentina (2003). They used the procurement price of basic inputs to measure levels of corruption in the system. If input prices were recorded as higher than the market rate, that was indicative of a level of corruption in the procurement system. Following a crackdown on corruption through increased monitoring, they found that levels of corruption had reduced. This result supported the rationality theory of dishonesty, as an increase in monitoring - resulting in greater probability of getting caught and consequently greater cost of corruption - caused a decrease in corruption. More recently, Nieto-Morales and Rios found that using human resource management policies to change cost - benefit incentives helped local governments avoid the misappropriation of public money (2022). Procedures like performance and departmental evaluations along with equal remunerations all played a key role in this study. These findings also support the rationality theory as in these experiments, costs and benefits determined levels of corruption.

Morality

A second reason put forward to explain dishonesty is an individual's morality. The following example illustrates the idea of morality. Consider this imaginary scenario of you driving your car. You come across a red light timed for 60 seconds; no other cars, watchers, or cameras are present, and the road is clearly empty. Do you run the red light and get to your destination a minute earlier or do you wait for it to turn green because you know that it is the right thing to do? Despite there being no cost of running the red light in this scenario and the positive benefit of reaching a minute earlier, many people will not run the red light. The mechanism explaining this seemingly irrational decision is an individual's sense of morality.

Per the morality mechanism, it is not purely costs and benefits that determine dishonesty - an individual's comfort with their sense of personal integrity also plays a key role. The theory of morality - put forth by Mazar, Amir, and Ariely (2008) and then later expanded on by Ariely (2013) - suggests the following: an individual may engage in a level of dishonest behaviour that allows them to profit while still preserving a sense of personal integrity, but may not indulge in dishonesty beyond that level - regardless of the benefit. This morality - based theory takes into account the understanding that people generally place a high value on honesty, considering it a part of their internal reward system. Research has shown that belief in one's own morality is a key part of individual identity (Greenwald 1980; Griffin and Ross 1991; Sanitioso, Kunda, and Fong 1990). As a result, psychologically, individuals cannot be too immoral without compromising their own self - concept. Therefore, when deciding whether to be honest or dishonest, individuals consider their internal rewards associated with honesty and their desire to uphold their moral identity.

The morality - based mechanism can be further broken down into various drivers of morality: level of moral internalisation, external predictors of morality like religious beliefs, and levels of self - control. One school of thought

suggests that levels of morality are driven by the degree of internalisation of moral norms. Campbell defines internalisation as the degree of incorporation of a norm into one's personality (Campbell 1964, 393). The more incorporated the norm of honesty is for an individual, the less likely one is to deviate from it and be dishonest. Another school of thought says that people tend to act more honestly based on religious beliefs. A study by Shariff and Norenzayan (2007), showed that people tend to donate more money to strangers when religious concepts are invoked, compared to when no such concepts were activated. The experiment showed that people felt obliged to give more money when they were primed with the thought of a supernatural observer being present. The third school says that being honest requires effort. As a result when individuals are less capable of practising restraint or are mentally too tired, people are less capable of maintaining a high degree of morality (Mead et al. 2009).

Empirical research by Mazar et al (2008) supports the theory that an individual's level of morality determined their level of dishonesty. The researchers conducted an experiment where participants were divided into two groups: (1) the treatment group where there was moral priming by making the participants write down the Ten Commandments, or (2) the control group where there was no moral priming, where they were only instructed to write down ten books they read in high school. Both groups were then allocated a separate task of answering math problems and self - reporting how many answers they got correct. For each answer that they reported that they got correct, they would be paid a small amount. Since the respondents were self - reporting, they had an incentive to lie and report more correct answers than they had gotten right. The researchers found that the participants in the treatment group (who were asked to write The Ten Commandments) cheated less while reporting their answers compared to the participants in the control group. Here the costs and benefits did not change for either group, only the level of morality priming. Cheating was therefore not determined purely through a monetary cost - benefit calculations. Instead, respondents cared more about maintaining their sense of morality.

Social consequences

Beyond rationality and morality, a third mechanism explaining honest or dishonest behaviour is the impact on social capital. Prosocial behaviour and honesty can be motivated by opportunities for reputation formation. Empirically, subtle cues of observability have been shown to have an influence on behaviour (Haley and Fessler 2005). In other words, when people feel like they are being watched, their behaviour might change, and they tend to act more pro - socially. The prediction is that in situations where people feel like they are being watched, they will act more honest and tell the truth so they can be perceived as being honest. Thus, another argument explaining dishonesty is that people tend to be more honest and abide by the social norm in situations where their reputation may be at stake.

3. Limitations of Literature

We have come across two areas of research (economics on one hand, and sociopsychology on the other) explaining

what causes a person to be dishonest. Together, they produce very different but also correct results per their respective assumptions.

The economic model argues that a person's decision to act honestly or dishonestly will always be dependent on the probable costs and benefits of a situation (Becker and Stigler 1974). It argues that if the benefits gained from being dishonest outweigh the costs of being dishonest, an individual will always be dishonest and if the costs outweigh the benefits a person will not act dishonestly.

The morality model, as well as the model based on social pressure, suggest that the main driver determining honest or dishonest behaviour is internal morality and the opportunity for reputation formation. Both depend on how the self is perceived, either internally or externally. Research showed that in a situation where rationality expected a person to act dishonestly, the person's internal level of morality played a greater role in determining their dishonest behaviour than the costs and benefits of the situation (Mazar, Amir, and Ariely 2008). Thus, we have two different approaches, both with empirical support, suggesting two broadly different drivers of honest/ dishonest behaviour.

A hypothetical example clearly illustrates the contradiction inherent in these two theories. Hypothetically, let us take a situation with a given level of non - zero costs and non - zero benefits of being dishonest. Let us assume that under these conditions, a person is choosing to be honest. Now let us imagine that in this situation, all else remaining constant, the costs of being dishonest reduce to zero. In this situation, the rationality - based model and the socio - psychological models would expect contradictory results. The rationality model argues that since a person can only gain from this situation (as costs of dishonesty are now zero, but benefits are positive), they will now choose to be dishonest. On the other hand, the morality - based model and the social pressure model would expect that the person would still choose to be honest in this situation, because despite costs and benefits changing, their sense of personal integrity or external social pressures have not been changed. How do we make sense of this conundrum?

If we consider only these existing models, we are not able to conclusively answer what drives honest and dishonest behaviour – or make consistent predictions about human behaviour across various situations. In the next section I will propose a solution that encompasses both the thought processes behind these models.

4. Discussion

In this section, I argue that both the rationality model as well as the socio - psychological models depend on some kinds of costs and benefits. The difference is that the rationality model is focused only on financial costs and benefits, whereas the morality and social pressure models also includes non - monetary costs and benefits. I will further explain what these non - monetary costs and benefits are, justify their inclusion in a rational model calculation, and in this process, explain how we can adapt the rationality model to include non - monetary costs. We will then have an

integrated model that considers both monetary and non - monetary costs and benefits, which will help us solve the contradictions we talked about in the previous section.

In the rationality - based model, the costs and benefits are considered from a purely monetary standpoint. Specifically, they discuss rents from corruption or theft as the benefits from dishonesty. Conversely, they consider fines or penalties on being caught as well as the lost income from time in prisons as the key costs of dishonesty. These concepts are measured through their monetary value. Their model relies on the fact that humans are willing to commit dishonest acts for the profits they earn through dishonesty.

The morality - based theory argues that an individual's moral integrity is what determines dishonest behaviour rather than financial costs and benefits. By definition, morality is considered beyond the pale of monetary considerations (Tetlock 2003; Bennis, Medin, and Bartels 2010). Instead, I argue that there are costs to immorality and benefits to morality that may be non - monetary in nature. Without taking these into account in a cost - benefit model, the model remains incomplete and therefore unable to explain human behaviour consistently.

The non - monetary costs and benefits from immorality derive from a sociological and psychological understanding of human behaviour. Research has demonstrated that the performance of actions considered immoral can impact a person's overall mental and physical well - being (Klass 1978). After committing a dishonest act, an example being lying, a big psychological cost is often guilt. Research has shown that people felt worse about their dishonest behaviour when they had a greater sense of choice about their actions (Calder, Ross, and Insko 1973). This guilt would further increase if the incentive to do the dishonest act was low.

Moral identity is often a basis for social identification which people use to construct their self - definitions. A person may associate their moral identity with certain beliefs and behaviours (Aquino and Reed 2002). Therefore, another cost of dishonesty is potentially breaking one's own perception of being a moral person. People will be honest just to protect this perception (Ellemers et al.2019). Conversely, being honest increases one's perception of one's own morality, which can be considered a non - monetary benefit.

Another non - monetary cost to consider is the social consequences of dishonest behaviour. In the eyes of society, compromising one's morals and sacred values may lead to an individual's reputation being tarnished. Being seen as reputable by society is also a benefit that drives people to act morally.

However, a counter to my proposition that non - monetary costs be considered in the rationality equation is the argument one cannot translate "sacred" values like morality into monetary terms. For instance, Bennis et al argue that only the economic value of an item can be considered when determining costs and benefit as its sentimental value would add nothing to its market value (2010). I disagree with this positioning. As Tetlock points out, trade - offs around moral

values, though considered taboo in many societies, are indeed unavoidable (2003). When there are trade-offs, there is necessarily value attached as that determines optimum trades. For instance, Bennis gives the example of a vase that the owner declines to sell at market price as it has sentimental value to them (2010, 189). To the owner this vase is worth more than its original price because of the sentimental value. Hypothetically, if we say that this vase is worth thousands of dollars and the owner needs money to pay for life-saving medical care, they may, albeit reluctantly, make the decision of selling the vase. In other words, though the vase has immense sentimental value, it may be of less value than life itself. And even life, as we know from economics, has an assigned monetary value, which is indeed the basis of life insurance calculations and cost-effectiveness studies for safety measures (Bayles 1978; Braithwaite et al.2008; Ryen and Svensson 2015; Vallejo - Torres et al.2016). In 1988, the US Department of Transport put the value of a human life at \$2.5 million (Frakt 2020). If the vase owner chooses to sell the vase to save their life, we can say with some confidence that the sentimental value of the vase would equal to \$2.5 million minus the market value of the vase. Thus, drawing on economics provides us with the toolkit to translate non-monetary values into monetary terms.

Table 2: Expectations derived from the adapted Becker and Stigler model (1974)

Situation	Expected behaviour
$[p * \{\$ \text{penalty} + \text{NM costs if caught (e. g. social sanction)}\}] + \text{NM costs of being dishonest (e. g. psychological guilt)} > \$ \text{benefit} + \text{NM benefit}$	Honesty
$[p * \{\$ \text{penalty} + \text{NM costs if caught (e. g. social sanction)}\}] + \text{NM costs of being dishonest (e. g. psychological guilt)} < \$ \text{benefit} + \text{NM benefit}$	Dishonesty

Returning to the rationality model, Table 2 provides us with an adapted version that incorporates non-monetary costs and benefits. This model now operates on the premise that humans assign value to things that are not directly related to financial gain, and that they will commit dishonest acts only after they consider all the costs and benefits of a given situation. The costs and benefits that we now talk about are not purely monetary but also encompass the value of a person's morality and how it can be a deterring factor when choosing to be dishonest. In a situation where a person has the choice to be honest or dishonest, according to this model, they will consider: 1) the monetary benefits of being dishonest, and 2) monetary costs of being dishonest, 3) the non-monetary costs of being dishonest and 4) the non-monetary benefits of being dishonest. The probability of being caught committing the act is also considered with both the monetary and non-monetary costs of being dishonest - certain non-monetary costs like social stigma will only apply if the individual is caught, whereas non-monetary costs like psychological guilt may apply regardless of whether the individual is caught. We can then compare the total non-monetary and monetary costs with the total non-monetary and monetary benefits.

We return now to the hypothetical example we introduced in section III. In our initial example, we assumed a given individual with a certain level of morality who chose to be

honesty under a situation with a given level of non-zero costs and benefits. Assuming the costs of dishonesty reduce to zero, the rationality model will predict that the person will now choose to be dishonest (and visa-versa if benefits reduce to zero with costs unchanged). Here the morality-based model and the social pressure model would expect that the person would still choose to be honest in this situation, because despite costs and benefits changing, their sense of personal integrity or external social pressures have not been changed. This left us with a contradiction.

Our adapted model now says that in the situation where the costs of the dishonest act reduce to zero, an individual may still not choose to be dishonest because the non-monetary costs are not changing. As a result, despite the monetary costs reducing to zero, the total costs may still be non-zero in this situation, whether they choose to be dishonest will depend on how high their non-monetary costs of dishonesty are compared to how high their benefits from being dishonest are. Thus, we can integrate both the rational cost-benefit argument with the psychological morality and sociological reputation arguments into one model that will provide predictions consistent across these arguments.

5. Conclusion

In conclusion, we first reviewed the literature of various models explaining dishonesty, ranging from economics to psychology and sociology. We then demonstrated the contradiction that arises from the interplay of these models, which led to inconclusive results in determining what drives dishonesty behaviour. We further emphasised the contradictory nature of the results of the models through the help of a hypothetical example where the various models would predict divergent outcomes. To solve this contradiction, we introduced our new model which adapted the rational model to also include non-monetary costs and benefits, justifying this adaptation based on research deriving monetary values from other non-monetary subjects like human life. Employing this adapted framework, we were able to move past the contradictions of the previous model and bring consistency to our predictions.

Our theoretical contribution now opens further avenues for research. Experimental studies could be performed to provide empirical evidence towards the theory put forward. The experiment could shed light on what costs and benefits people consider while committing a dishonest act - and whether certain types of costs and benefits are given greater weight in the decision to be dishonest.

With the rise of AI technology being used as a tool for plagiarism and theft undermining the integrity of educational and market systems, the extreme amount of corruption in political systems and workplaces around the world, and crime rates everywhere only increasing, it is critical to understand morality to uphold the standards of what is right and wrong. It is further useful to understand how far drawing on morality can mitigate the incentives to be dishonest and corrupt in real world decisions. Finally, research on triggers that lead to increased morality may also be useful.

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