

# The Effect of Shame in Dictator Games with Information Asymmetry

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## Abstract

This study introduces a theoretical model of inequality aversion which can also be used in an environment with information asymmetries. The model is based on the non-paternalistic approach where, the own utility function incorporates the utility of other people as perceived by a decision maker. Moreover it allows extensions for other motives which may result in pro-social behavior. I extend the model by adding shame aversion as an additional driver for apparently altruistic behavior. Threat of shame is induced by different levels of exposure of either own actions or identity to the third party observers. I also experimentally test predictions of the model using a very simple environment of a dictator's game. The experimental design aims to remove additional confounding behavioral effects present in the previous literature. The results suggest that even a very small exposure results in significantly higher amounts sent to recipients. The analysis also shows that the agents, who believe that they can conceal their own actions in front of the less informed counterpart, exploit this information asymmetry for their monetary benefit.

Keywords: shame, dictator game, anonymity, experiment

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