

The spillover effects of monitoring institution on unethical behavior across contexts

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Abstract: We report on a field experiment conducted in public transportation and on the streets of a large city to study whether there are cross-context spillover effects of monitoring institutions on unethical behavior. In the experiment, we first observe dishonesty in a natural setting (fare evasion in public transport), and then we expose subjects to an opportunity for unethical behavior in a different setting (accepting undeserved money on the street). This enables us to test (i) whether sanctioning fraud has a deterrence effect on fare-dodgers when they are exposed to a new opportunity to misbehave, and (ii) whether being inspected has any effect on the behavior of honest passengers in the new context. Our results show the importance of considering the spillover effects of institutions across contexts through the effect of institutions on individuals' moral preferences.