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On the determinants and consequences of punishment goals : power, distrust, and rule compliance

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Citation

Mooijman, M. (2016, June 14). *On the determinants and consequences of punishment goals : power, distrust, and rule compliance*. *Dissertatiereeks, Kurt Lewin Institute*. Retrieved from <https://hdl.handle.net/1887/40167>

Version: Not Applicable (or Unknown)

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Note: To cite this publication please use the final published version (if applicable).

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Title: On the determinants and consequences of punishment goals : power, distrust, and rule compliance

Issue Date: 2016-06-14

Chapter 1

Introduction

Promoting rule compliance is of vital importance for societal leaders such as managers, policy makers, and politicians. People's willingness to comply with rules and guidelines tends to be positively associated with an organization's financial success, in part because rules tend to promote collective as opposed to individual interests (e.g., coming on time, behaving ethically, prudent use of resources, paying taxes; Akintoye & Tashie, 2013; Parks, Joireman, & Van Lange, 2013). Although the importance of rule compliance can hardly be overstated, rule compliance is not always easy to achieve. Enron, for example, went bankrupt as a consequence of unethical behavior and poor oversight from regulatory agencies (Raul, 2002). Similarly, governments' success in promoting compliance with tax rules varies widely between countries. Tax evasion is estimated to cost Greece up to 25% of its GDP, Germany up to 13.5% of its GDP, and the United States of America up to 8.6% of its GDP (Schneider, 2008; Tax Justice Network, 2011).

Although leaders can promote rule compliance through rewarding rule-abiding behavior (Thaler & Sunstein, 2011), they typically punish rule-breaking behavior with fines, penalties, and prison sentences (Kirchler, Kogler, & Muehlbacher, 2014). For example, judges sentence citizens to jail, managers fire employees for not sticking to rules, and government officials fine businesses for evading taxes. But what makes some leaders more, and other leaders less, effective at promoting rule compliance with such punishments? In this dissertation, I focus on the determinants and consequences of leaders' punishment *goals*. I investigate how and why leaders rely on certain punishment goals, and how and why leaders' reliance on such punishment goals affects punishment effectiveness.

I argue that—with increasing power over others—leaders rely more on punishment goals that are actually suboptimal in promoting rule compliance. I propose that power fosters a distrustful mindset towards people, which increases reliance on deterrence—but not just deserts as a punishment goal. Using deterrence—as opposed to just deserts—as a justification for punishments, in turn, decreases people's willingness to comply with rules because they feel distrusted by the leader. Although power may thus increase leaders' reliance on punishments to deter rule-breaking behavior, paradoxically, this may at times decrease the effectiveness of the punishment.

Punishment Goals

What do leaders aim to achieve with punishment? Scholars have typically classified punishment goals into goals that aim to *deter* future rule-breaking behavior (Bentham, 1789/1988; Hobbes, 1651/1988; Kirchler et al., 2014; Nagin, 1998) or goals that aim to give people their *just deserts* (i.e., give offenders their deserved punishment, thereby achieving justice; Darley, 2009; Kant, 1780/1961).

Although both goals may co-occur, they have different aims. A deterrence goal aims to deter future rule breaking from potential rule breakers and, as such, is prospective rather than retroactive. When having such a goal, leaders should be primarily concerned with deterring future rule breaking instead of achieving retributive justice through punishing (past) rule breakers proportionate to their crime. This approach is most often associated with legal philosopher Jeremy Bentham (1789/1988) who argued that “general prevention ought to be the chief end of punishment, as its real justification” (p. 396). In contrast, a just-deserts goal aims to punish past rule breakers proportionately (i.e., achieve balance between crime and punishment), regardless of the punishment’s ability to deter future rule breaking. A just-deserts goal is thus retroactive rather than prospective. Having this goal, leaders should be primarily concerned with achieving retributive justice through punishing rule breakers proportionate to their crime instead of preventing future rule breaking. This approach is generally associated with moral philosopher Immanuel Kant (1780/1961) who argued that “punishment can never be administered merely as a means to promoting another good” and that “punishment should be pronounced over all criminals proportionate to their internal wickedness” (p. 397).

There are two general reasons why I am interested in understanding the determinants and consequences of leaders’ punishment goals. First, it provides an explanation for why leaders use punishments. What do leaders want to achieve when they impose (potentially life-changing) punishments on others? Second, it provides an explanation for leaders’ (in)effectiveness in promoting rule compliance with punishments. Are the goals that leaders use to justify their punishments beneficial or detrimental for people’s willingness to comply with rules? In this dissertation, I thus investigate punishment goals from both the top-down perspective of the leader (the determinants) and the bottom-up perspective of the people (the consequences). In the following paragraphs, I will first address the role of power as a determinant of punishment goals. I will then address the consequences of punishment goals for people’s willingness to comply with rules. Last, I will integrate the proposed determinants and consequences into an overarching framework with one underlying psychological explanation.

Determinants of punishment goals

Previous research on the psychology of punishment suggests that punishments are typically guided by a just-deserts goal rather than a deterrence goal (Darley, 2009). That is, punishments tend to be aimed at giving rule breakers what they deserve instead of preventing future rule-breaking behavior from these rule breakers (Aharoni & Fridlund, 2011; Carlsmith, 2006; Carlsmith, Darley, & Robinson, 2002; Keller, Oswald, Stucki, & Gollwitzer, 2010). In a recent experiment, for instance, participants still desired a rule breaker to be punished even when

the rule breaker (or other potential rule breakers) could never be deterred from breaking rules (Crocket, Ozdemir, & Fehr, 2014). When assigning punishments, these participants were also shown to be sensitive to factors that are relevant for just-deserts theory (e.g., extenuating circumstances) while being insensitive to factors that are relevant for the deterrence of rule breaking (e.g., publicity of punishment; Carlsmith et al., 2002). Just-deserts punishments are in part preferred over deterrence punishments because giving rule breakers their just deserts through punishment is (emotionally) satisfying (de Quervain et al., 2006; Strobel et al., 2011; Wenzel, Okimoto, Feather, & Platow, 2008) and driven by emotions such as anger (Nelissen & Zeelenberg, 2009; Seip, Van Dijk, & Rotteveel, 2014). This has led some scholars to conclude that: “the just-deserts goal is the psychological foundation of citizens’ desire to punish transgressions” (Darley, 2009, p. 1).

However, this conclusion seems premature in light of the limited amount of research that has been conducted on the psychological determinants of deterrence. The majority of research on punishment goals has focused on the determinants of just-deserts driven punishments, such as anger (Nelissen & Zeelenberg, 2011; Seip et al., 2014), concerns about group members’ status (Okimoto & Wenzel, 2011), and victims’ perceived desires (Gromet, Okimoto, Wenzel, & Darley, 2012), but has left the psychological determinants of deterrence relatively unaddressed. This is surprising since governmental authorities and organizational managers are well documented to use punishments to prevent-and-deter citizens and employees from breaking rules (Butterfield, Trevino, Wade, & Ball, 2005). A major concern among European tax agencies, for example, is to deter citizens from evading taxes with harsh fines and penalties (Kirchler et al., 2014). Moreover, philosophers and legal scholars have long stressed the importance of deterring people from rule breaking with punishments (Bentham, 1789/1988; Hobbes, 1651/1988). But what, then, determines reliance on deterrence as opposed to just deserts as a punishment goal?

Power

Power can be broadly defined as asymmetric control over valuable resources (Anderson & Brion 2014; Magee & Galinsky, 2008). As a result, power entails the ability to reward or punish others by granting or withholding valuable resources (Keltner, Anderson, & Gruenfeld, 2003). To help organizations achieve rule compliance, leaders are often given such power. Government officials can set the height of fines that citizens have to pay when they evade taxes, university professors can control whether and when lower-ranked academics are given tenure, and managers can control employees’ salaries or decide about bonuses. Having power can have pervasive psychological effects on people’s perceptions, emotions, and behaviors (Blader & Chen, 2012; Mooijman, Van Dijk, Ellemers, & Van Dijk, 2015). For instance, studies have shown

that control over resources can benefit power holders—they tend to be less dependent on others (Fiske, 1993; Lee & Tiedens, 2001) and therefore enjoy greater freedom to act according to their personal desires (Galinsky, Gruenfeld, & Magee, 2003; Lammers, Stoker, Jordan, Pollman, & Stapel, 2011). It is easier for power holders to disregard social norms (Keltner, Gruenfeld, & Anderson, 2003) and focus on accomplishing their own goals (Guinote, 2007a; Maner & Mead, 2010), instead of having to devote attention to what others think and feel (Goodwin, Gubin, Fiske, & Yzerbyt, 2000). Power therefore tends to boost people's self-esteem (Wojciszke & Struzynska-Kujalowicz, 2007) and leads them to express more positive—approach related—emotions (e.g., amusement and happiness) and less negative—inhibition related—emotions (e.g., embarrassment and shame; Keltner et al., 2003). As Rucker, Galinsky, and Duboi (2012, p. 353) noted: “the cumulative evidence suggests that power is an omnipresent force whose tentacles reach out and grasp nearly every situation to guide and ultimately shape human behavior”.

Recent research suggests that having power can impact how severely people believe others should be punished for rule-breaking acts (Van Prooijen, Coffeng, & Vermeer, 2014; Wiltermuth & Flynn, 2013). Van Prooijen et al. (2014) demonstrated that power holders punish rule breakers more harshly because power tends to increase people's tendency to perceive rule breaking acts as diagnostic of the rule breaker's personality. Moreover, Wiltermuth and Flynn (2013) demonstrated that power holders punish rule breakers more harshly than non-power holders because power increases the moral clarity with which people perceive morally right acts from morally wrong ones (i.e., power holders view rule-breaking acts as more immoral than non-power holders). Although these previous studies on power and punishments are informative, they do not address the *goals* that power holders strive for when imposing punishments on others. Indeed, what do such power holders aim to achieve with their punishments? The first aim of this dissertation is to examine how and why power affects leaders' punishment goals. Since punishment goals are a vital source of punishment behavior, understanding the effects of power on punishment goals can provide a fundamental understanding of leaders' subsequent punishment behavior (e.g., the type of punishment they tend to use). More specifically, I propose that—through fostering a distrustful mindset towards others—power increases reliance on deterrence, but not on just deserts, as a punishment goal. Power is thus predicted to be an important determinant of leaders' punishment goals through affecting their distrust towards others. The research—consisting of eight experimental studies and a field study—testing this hypothesis is reported in Chapter 2.

Power and distrust

Considering the theorized importance of distrust in explaining why power increases reliance on deterrence—but not just deserts—as a punishment goal, I also examined why having power increases distrust in others. Distrust entails expecting others to break rules that promote cooperation (such as a declaration of business expenses; Mulder, Van Dijk, De Cremer, & Wilke, 2006). Understanding the power-distrust link is important because it gives further insight into the psychological mechanism that underlies leaders' reliance on deterrence as a punishment goal. Powerful leaders tend to be motivated to maintain their power (because of its many benefits; see Fehr, Herz, & Wilkening, 2013) and distrusting others prepares them to counteract behaviors aimed at undermining their power (e.g., through expecting others to break rules; Kramer, 1999). For instance, managers who trust their employees to comply with organizational rules are more likely to fail to take the appropriate actions required to prevent their employees from breaking rules, thereby potentially undermining their own power position. Distrusting their employees to comply with organizational rules, however, increases the likelihood that a manager engages in acts that prevent employees from breaking rules (e.g., introducing more monitoring; Lount & Pettit, 2012). I propose that the power-distrust link is in part explained by leaders' motivation to maintain their power over others. Decreasing the motivation to maintain power may thus attenuate the extent to which power fosters distrust. Because power is hypothesized to increase reliance on deterrence as a punishment goal through increasing distrust, these predictions suggest that powerful leaders' reliance on deterrence as a punishment goal can in part be explained by their motivation to maintain power over others. The research—consisting of three experimental studies—addressing this prediction is reported in Chapter 3.

Consequences of punishment goals

In addition to examining power as a determinant of punishment goals, the aim of this dissertation is to examine the consequences of punishment goals. When leaders justify their punishment behavior as an attempt to deter people or provide people their just deserts, does this affect people's willingness to comply with rules? Inspired by the literature on (perceived) interpersonal justice, I examine whether punishment goals may have direct consequences for people's willingness to comply with rules. Previous research has demonstrated that rule compliance is in part determined by how people feel treated by their leader (i.e., interpersonal justice; Tyler & Lind, 1992). For instance, people's willingness to comply with rules decreases when a leader is perceived to act unjustly through pursuing his or her own interest instead of others' interests (De Cremer & Van Knippenberg, 2002). This is in part because of the “social contract” between people and their leaders; people are willing to comply with leaders' rules and

grant them power as long as leaders ensure that justice is done (i.e., people who cooperate are proportionately rewarded and people who break rules are proportionately punished; see Plato 380 BC/1992). These effects of perceived interpersonal treatment are often independent from the outcome that people (expect to) receive from leaders (Cropanzano, Gillian, & Gilliland, 2007). In other words, it can be the subjective treatment *itself*, regardless of the objective monetary outcome that one expects to receive, that plays a role in people's willingness to comply with rules.

In this dissertation, I examine whether leaders' use of punishment goals as a punishment justification affects the subsequent effectiveness of this punishment. I propose that justifying the use of punishments as an attempt to deter, compared to an attempt to achieve justice, decreases the extent to which a punishment is effective at promoting rule compliance. I further propose that this is explained by people feeling more distrusted by a leader that justifies punishments as an attempt to deter compared to achieve justice. Indeed, distrust may not only underlie reliance on deterrence as a punishment goal, it may also directly influence people's willingness to comply with rules because being distrusted by one's leader may seem unjust and unwarranted. Examining these consequences of punishment-goal justifications allows an understanding of how leaders' reliance on punishment goals (as described briefly above, and in more detail in Chapter 2) affects the subsequent effectiveness of the punishment. This provides an integrative understanding of the consequences of leaders' punishment goals. Is a leader's inclination to rely on certain punishment goals beneficial or detrimental for his or her ability to promote rule compliance through the use of such punishments? The research—consisting of four experiments—addressing the consequences of punishment goals for punishment effectiveness is reported in Chapter 4.

Integrating determinants and consequences of punishment goals

Central to the above-mentioned predictions about the determinants and consequences of punishment goals is the role of distrust. Distrust entails an expectation of malicious intent from others (integrity-based distrust; Kramer, 1999). Distrust thus means expecting others to break rules that promote cooperation (such as rules regarding tax payments or declarations of business expenses; Mulder, Van Dijk, De Cremer, & Wilke, 2006). As described briefly above, distrust is predicted to both underlie leaders' reliance on deterrence as a punishment goal, and decrease the effectiveness of punishments that are justified as an attempt to deter people from rule breaking. Distrust, in other words, is predicted to mediate the effect of power on punishment goals (the determinant) and to mediate the effect of using deterrence as punishment justification on rule compliance (the consequence). More specifically, I predict leaders' *distrust towards people* to mediate

the positive relationship between power and use of deterrence as a punishment goal, and I predict people *feeling distrusted by the leader* to mediate the negative relationship between leaders' use of deterrence as punishment justification and rule compliance. Leaders' distrust towards people may, in other words, be determined by their power, and consequently inferred from their punishment-goal justifications by people, thereby undermining people's willingness to comply with rules. Distrust may thus explain why leaders rely on deterrence as a punishment goal *and* why this reliance on deterrence may decrease punishment effectiveness.

Summary

In sum, in the current dissertation I examine, (a) how and why the power that leaders have affects their distrust in others, (b) how this distrust affects leaders' reliance on punishment goals, (c) how leaders' use of punishment goals as a justification affects the extent to which people feel distrusted by their leader, and (d) how feeling distrusted by their leader affects people's willingness to comply with this leader's rules. Together, addressing these four questions facilitates both a top-down understanding of how and why leaders are inclined to use punishments and a bottom-up understanding of how and why people are willing to comply with rules set by leaders that rely on deterrence or just deserts goal for punishments. In the remainder of this dissertation, I will outline these questions in more detail and provide empirical support for the current set of predictions. I conclude this dissertation by discussing the theoretical and practical implications of my analysis, and the limitations of my research, in Chapter 5. Because Chapters 2, 3, and 4 were written as independent articles that can be read separately, readers may notice some overlap between the chapters. Please also note that throughout the dissertation, the words punishments and sanctions, and leaders and authorities, are used interchangeably.