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Karina Whitehead Centre for Decision Research and Experimental Economics School of Economics University of Nottingham University Park Nottingham NG7 2RD Tel: +44 (0) 115 95 15620 Fax: +44 (0) 115 95 14159 karina.whitehead@nottingham.ac.uk

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## An Economic Anatomy of Culture: Attitudes and Behaviour in Inter- and Intra-National Ultimatum Game Experiments

Swee-Hoon Chuah, Robert Hoffmann<sup>\*</sup>, Martin Jones<sup>†</sup>and Geoffrey Williams<sup>‡</sup>

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Details for Correspondence:

Dr Robert Hoffmann Nottingham University Business School Jubilee Campus, Wollaton Road Nottingham NG8 1BB United Kingdom

Tel + 44 (0) 115 846 80 70 Fax + 44 (0) 115 846 66 67 E-mail: robert.hoffmann@nottingham.ac.uk

<sup>\*</sup>Nottingham University Business School, Jubilee Campus, Nottingham NG8 1BB, United Kingdom

<sup>&</sup>lt;sup>†</sup>Department of Economic Studies, University of Dundee Nethergate, Dundee, DD1 4HN, United Kingdom

 $<sup>^{\</sup>ddagger}$ University of Nottingham Malaysia Campus, Wisma MISC, 2 Jalan Conlay, 50450 Kuala Lumpur, Malaysia

**Abstract:** The processes by which culture influences economic variables need to be exposed in order for the concept to be a useful tool for prediction and policy formulation. We investigate the attitudes and experimental behaviour of Malaysian and UK subjects to shed light on the nature of culture and the mechanisms by which it affects economic behaviour. Attitudinal dimensions of culture which significantly influence experimental game play are identified. This approach is offered towards a method to suitably quantify culture for economic analysis.

JEL-Classification: C72, C91, D64, Z13

Keywords: culture, ultimatum game, attitudes, world values survey, experiments

#### 1 Introduction

Experimental economics provides a powerful tool for the empirical study of individual economic decision making. Over the last few decades, a burgeoning literature of experimental studies has examined the relationship between the behaviour of subjects and the conditions of the experiment representing relevant economic variables. Subject behaviour depends on factors such as the structure of the choice, available information and the monetary rewards accompanying decision outcomes. These types of factor correspond to the determinants of decision making postulated in traditional theories of rational choice. Differences in decisions between subjects or within subjects over time reflect the pursuit of utility objectives under differing circumstances. In addition to these structural determinants, experimentalists have identified factors which cause systematic behavioural differences between subjects under ostensibly identical experimental conditions. A host of studies have established significant differences in the behaviour of subjects faced with the same choice problem along the lines of individual personal and demographic characteristics such as age, gender, ethnic background, physical appearance and nationality. For instance, behavioural differences along national and ethnic lines have been detected in subjects from different industrialised as well as traditional societies in a number of experimental games including the ultimatum game, the trust game, the dictator game as well as public good games. Subjects from developing and developed industrialised countries including the US, Italy, Germany, Switzerland, Israel, the former Yugoslavia, Russia, Indonesia, China, Japan, South Africa, Thailand, Vietnam, Tanzania and Sweden have so far been studied (Roth et al., 1991; Buchan et al., 1997; Botelho et al., 2000; Oosterbeek et al., 2004; Burns, 2004a; Carpenter et al., 2004; Holm and Danielson, 2005). In addition, a number of traditional societies in South America, Africa and Asia have been investigated (Henrich, 2000; Henrich et al., 2001, 2004).

Behavioural differences along national and ethnic lines are most commonly attributed to corresponding differences in culture (Camerer, 2003; Carpenter et al., 2004, e.g.). This approach is attractive as it offers an explanation for differential behaviours in response to identical conditions that conform to intuition and highlight new dimensions not captured in traditional approaches to economic decision making. As a result, cultural explanations of economic behaviour have recently flourished in many areas of economics, particularly in economic development and growth theory (Harrison and Huntington, 2000; Barro and McCleary, 2002; Walton and Rao, 2004, e.g.). However, there is a danger in treating culture as a vague, collective term for the type of factor traditional models cannot easily capture. This danger arises to the extent that the processes by which culture generates behavioural differences are not specified (Frederking, 2002). For instance, while the differential response to given experimental conditions along national and ethnic lines is well documented, it is unclear for individual cases what particular aspects of the cultures concerned are responsible, and by what processes and in which direction they influence economic decision making. This state of affairs is unsatisfactory as it is therefore difficult to use the concept of culture to either predict or explain economic behaviour, or to formulate economic  $policy^1$ .

This paper is intended as a contribution to these issues. In particular, our approach is to operationalise the concept of culture as a set of values and attitudes shared by a particular group of people and sustained through

<sup>&</sup>lt;sup>1</sup>For instance, Kenneth Arrow was recently quoted as saying that "the observation that cultural norms affect economic development has been made repeatedly, yet it has been very hard to use it effectively, whether for policy or for prediction." (Walton and Rao, 2004)

socialisation. To the extent that behaviour is influenced by a person's attitudes, and attitudes are partly acquired through cultural socialisation, differences in cultural background may generate systematic differences in behaviour. This approach allows us to examine the processes by which culture influences economic behaviour in terms of the correlation between subject attitudes and experimental behaviour. We offer a detailed examination of this nexus by combining laboratory experimentation with attitudinal survey techniques in a single study. In this study, subjects from two different societies were asked to play ultimatum games and subsequently to answer a battery of attitudinal questions. This resulting data is analysed in the following three steps. First, we establish the existence of differences in the behaviour of the two subjects groups facing otherwise identical experimental conditions attributable to their differing cultural provenance. Next, we assess whether there are corresponding cultural differences between their respective societies in terms of systematically different subject attitudes. Finally, we explore to what extent and in what way these attitudinal differences are responsible for the differential behaviour we observe.

The purpose of this exercise is to confirm whether behavioural differences can be attributed to differences in national culture, and to identify the way in which particular attitudes map into observed experimental behaviour. It is hoped that this approach will contribute to addressing the issues outlined above. In particular, we argue that attitudinal surveys can provide a way of measuring economically relevant aspects of culture. In addition, to the extent that particular attitudes can be related generally to particular types of economic behaviour, attitudinal data may be used in the prediction of economic behaviour and for the formulation of appropriate policy. Our method is outlined in more detail in section 2. Results of the experiment and attitude survey are presented and discussed in sections 3 and 4 respectively. We conclude in section 5.

#### 2 Method

The approach adopted in this study is to (a) establish whether behavioural differences exists between subjects from different national backgrounds, (b) to assess whether corresponding cultural differences exists between them, and (c) to examine whether (and if so, how) any cultural differences contribute towards any observed behavioural differences. We now explain our methods for each of these steps in detail.

We chose Malaysia and the United Kingdom (UK) as the two societies subject to examination in this study. Malaysia is an industrialised but developing country with a population of about 23 million and an annual percapita GDP of about 8500 US Dollars, roughly a third of that of the UK. Malaysian society is multi-ethnic and multi-cultural, consisting of people from indigenous Malay (58% of the population), Chinese (24%) as well as Indian (8%) ethnic backgrounds. Each ethnic group is associated with a distinct and rich cultural heritage. In order to control for the potentially confounding effects of these cultural differences within Malaysian society, we restricted our sample to Malaysian Chinese individuals. Our results are therefore to some extent comparable to the previous evidence relating to mainland as well as Diaspora Chinese communities.<sup>2</sup>

The ultimatum game was used as a vehicle for assessing behavioural differences between the two national groups. This is a two-player sequential

<sup>&</sup>lt;sup>2</sup>Experimental studies with Chinese subjects include Kachelmeier and Shehata (1992); Hemesath and Pomponio (1998); Fan (2000). The applicability of Chinese traditional values to overseas Chinese communities is supported by Wu (1996), who argues that South-East Asian Diaspora Chinese tend to be at least as traditional as their mainland counterparts.

game in which a proposer offers a division of a fixed stake to a responder, who either accepts or rejects the split. An acceptance results in the pay-out of the proposed shares, while a rejection generates zero payoffs for both. Under common knowledge of rationality, payoff-maximising responders would accept any positive share, and proposers would offer the minimum. However, this game provides a useful tool for the examination of cultural differences precisely because it elicits subjects' monetary as well as social preferences, i.e. preferences both over one's own payoffs and those of others (Camerer and Fehr, 2004). This latter type of preference is manifest in consistent experimental findings of non-negligible rejection rates and offers to responders in the region of 40-50% of the stake. It is probable that social preferences, involving considerations such as fairness, reciprocation and altruism, are especially sensitive to cultural socialisation. As a result, the ultimatum game is a popular vehicle for the study of cultural difference. The consequently voluminous previous literature in this area also provides a ready benchmark for our own results.

The first step in our analysis was to test for behavioural differences between subjects from the two national groups. A behavioural data set was generated in a number of ultimatum game experiments with a total of 366 Malaysian Chinese and UK subjects. The experiments were conducted with working adults and university students both in Malaysia and in the UK. In Malaysia, subjects from Malaysia as well as from the UK were recruited via flyers, posters and e-mail circulars at a number of English-speaking institutions in Kuala Lumpur, including universities and colleges as well as the British Council and High Commission. Our experiments were designed to allow for game play both within and between the two national groups we study. This novel feature of the experiment was intended to add an international dimension to experimental game play. Attitudes and values concerning outgroup members are important parts of cultural belief systems. Assessing the effects of these aspects of culture necessitates games across ethnic and national lines. A small number of experimental studies have so far tested game play across ethnic lines within particular societies (Fershtman and Gneezy, 2001; Burns, 2004b). To our knowledge, cross-national games have so far not been investigated.

In the experimental sessions, subjects were briefed orally in English, then randomly assigned roles as proposers and responders and provided with forms to record their decisions. Players in the single-nationality sessions were told only that their opponents would be drawn randomly and anonymously from among other subjects present. In the cross-national sessions, players were informed that their opponents would be drawn randomly from members of the other national group present. Completed proposal forms were collected and distributed among responders. All subjects were then paid out in cash on the basis of their decisions and those of their respective opponents at the end of the session. The stake was 20 Ringgit Malaysia (RM).<sup>3</sup> The UK experiments were conducted at the Universities of Cambridge, Dundee, Oxford and Nottingham in the UK with subjects of both Malaysian and UK nationality. The same recruitment and experimental procedures were followed, with a stake size of  $\pounds 10.^4$  Table 1 presents the distribution of subjects over experimental roles and nationality as well as selected demographical data.

The next step in our analysis was to assess whether, and if so, in what

 $<sup>^{3}</sup>$ At the time of the experiments, RM 10 exchanged for US\$ 2.63, and the average hourly wage for casual labour in metropolitan Malaysia was around RM 4.

<sup>&</sup>lt;sup>4</sup>According to The Economist's *Big Mac Index*,  $\pounds 10$  corresponds to RM 25 in purchasing power parity terms. Stake sizes were chosen on the basis of this as well as to afford comparable divisibility of the stakes in both experimental locations.

way our subjects' different national backgrounds generated any observed behavioural differences between them. We started by examining to what extent subjects from the two nations differ in terms of cultural background. Depending on context, the term culture can have a number of meanings, including the arts, good manners and habits, artefacts, shared knowledge, symbols and discourse as well as civilisation generally.<sup>5</sup> Here, we follow the conception of culture as a learned set of values and attitudes shared by a particular group through socialisation processes (Hofstede, 1984; Inglehart, 1997, e.g.). In turn, attitudes are commonly defined as learned predispositions to react to stimuli (objects and events) in consistent ways (Fishbein and Ajzen, 1975; Gross and Nimann, 1975; DeFleur and Westie, 1963; Schuman and Johnson, 1976). As attitudes are not directly observable, they are commonly inferred through subject behaviour, elicited attitudinal survey responses or physiological symptoms. Defined in this way, attitudes are an important influence on behaviour.<sup>6</sup> As a result, the study of attitudes in the social sciences is an important tool for predicting, understanding and even influencing behaviour (McBroom and Reed, 1992). There have been a number of attempts to measure national cultures using comprehensive attitudinal surveys, such as the ones conducted internationally by Hofstede (1984) as well as Inglehart (1997) and their collaborators.

In the present study, we followed this approach to the study of culture. In particular, after the completion of the experimental game, we distributed a questionnaire to collect a host of attitudinal data from every experimental subject, who were paid RM 10 (in Malaysia) and £5 (in the UK) for complet-

<sup>&</sup>lt;sup>5</sup>The seminal, but somewhat dated survey of culture definitions is Kroeber and Kluckhorn (1952).

<sup>&</sup>lt;sup>6</sup>While a causal relationship between attitudes and behaviour is generally accepted, there is an important debate over the strength of this relationship and the factors that mediate it. See Schuman and Johnson (1976) for an overview.

ing it. Completion took most subjects between twenty and forty minutes. The survey questions were sourced from the fourth wave (1999-2000) of the World Values Survey (WVS, see (Inglehart, 1997)) a comprehensive and wide-ranging poll of socio-economic and political values. The WVS battery consists of more than 200 individual questions relating to a number of general as well as personal dimensions. The general issues include politics (attitudes towards political systems, public and private political institutions), society (attitudes towards minority groups, immigration, family values, gender and individual rights), religion (religious denomination, participation and beliefs) and the economy (attitudes towards work, income distribution, foreign aid, economic systems). Personal questions regard personal status (health, happiness, financial satisfaction, future expectations) and current/past activities (social activism, participation in organised activities). Depending on their nature, individual questions are presented using Likert scales with variable numbers of items as well as ranking formats. Due to its size, the complete question set of the 1999-2000 WVS is not reproduced here, but is available from the project's website (Inglehart, 2005) or from the current authors upon request. The advantages of using the WVS question battery for our attitudinal survey include its broad scope as well as focus on attitudinal dimension along which national cultures tend to differ. In addition, our use of the WVS afford comparison with a host of cross-sectional as well as time-series WVS data as well as a literature using these. Finally, our survey also collected a number of demographic data, including subject age, gender, ethnic origin, educational background, size of home town, mother tongue, economic, social and marital status.

#### 3 Results and Analysis

Our experimental design involving experimental game play as well as attitudinal surveying generated a data set with observations for every subject's experimental behaviour (either offer level or response), demographical details as well as answers to the WVS attitudinal battery. In this section, we report and analyse these data. The first step of our analysis was to assess whether behavioural differences exist between Malaysian and UK experimental subjects. The summary results of the ultimatum game part of the experiments are displayed in table 2. In line with previous results, proposers tended to offer slightly less than half of the stake to their responders on average. The majority of proposers in both national groups offered exactly half of the stake. Malaysian offers appear to be somewhat more concentrated on the 50-50 split, albeit with a similar dispersion. We adopted a non-parametric approach to examine differences in offer levels between proposers from the two respective nationalities using a Mann-Whitney test. The test statistic attests significantly higher offers by Malaysian subjects (p=0.017).

We conducted a number of additional tests to ascertain whether the difference in the average offer level between the two nationalities may have been caused by demographical variables other than differing national-cultural background. This is possible to the extent that another variable known to affect behaviour has unequal representation among the proposers of the two respective nationalities. For instance, there is evidence that ultimatum game offers are sensitive to proposer gender (Solnick, 2001) and age (Murnighan and Saxon, 1998). However, subjects in both national groups were relatively similar in terms of age, educational as well as socio-economic background (table 1). The test results showed that none of these variables significantly relate to offer behaviour. The proportion of female proposers is relatively larger in our sample of Malaysian subjects (47 compared with 32%). However, this is unlikely to be the cause for the higher average Malaysian offers as female subjects did not make significantly higher offers than male ones overall (MW-U=3605.00, p=0.165), within the Malaysian (MW-U=1076.50, p=0.273) or the UK national group (MW-U=731.50, p=0.587). As a result, we conclude that subjects in our data set exhibit differences in offer behaviour not attributable to experimental conditions or demographics other than nationality.

Rejection rates are also in line with those found in previous experiments. A Fisher Exact Probability test showed no significant difference in rejection rates between the two national groups (one-tailed p=0.513). Again, we performed additional test to assess the sensitivity of responder behaviour to a host of demographical factor such as age, gender, income and education, controlling for offer levels. The tests for all the variables were negative.

The second step of the analysis involved assessing to what extent cultural differences exist between the Malaysian and UK subjects in terms of their answers to the WVS battery. This attitudinal part of our experiment generated a data set consisting of the responses of our 366 subjects to 218 demographic as well as attitudinal questions on a range of issues including religion, the management of the economy, the role of the state, individual freedoms and outgroups. In order to make these data amenable for further analysis, we conducted exploratory factor analysis to simplify the data set and to identify the main underlying attitudinal dimensions. We proceeded as follows. To begin with, the WVS was designed to elicit subject attitudes in terms of of a number of distinct attitudinal constructs (see Inglehart (1997) for more detail). As a result, we grouped the individual questions in terms of the constructs they were aimed at and subjected each group of items to separate factor analysis. In order to aid identification and interpretation of the dimensions contained in the resulting principal component matrices, we used the Varimax rotation method to obtain parsimonious factor solutions. In all cases, a scree test was used to determine the number of factors to be rotated (Cattell, 1978). Finally, we performed internal consistency tests on all factors thus generated and retained only those with Cronbach  $\alpha$ -values greater than 0.6 as sufficiently reliable. This process of factor analysis identified nineteen distinct cultural dimensions for the subjects in our sample. These factors and the individual items which constitute them are outlined in table 3. Each subject was given a score for each factor consisting of the unweighted average of the subject's scores for each of the individual items constituting the factor concerned (Cattell, 1978). To aid interpretation, the factors were given illustrative labels on the basis of the commonalities among the items which constitute them.

We examined to what extent Malaysian and UK subjects differ significantly along these nineteen dimensions. We conducted a series of Mann-Whitney tests for differences between the scores of Malaysian and UK subjects respectively for every factor. The results are presented in table 4. They demonstrate that Malaysian and UK subjects differed significantly on eleven of the nineteen factors. While there is no difference between Malaysian and UK subjects in terms of participation in a range of voluntary associations (NPAR) and view of their respective political systems, past, present and future (POLI), Malaysian subjects are significantly less active in exercising their democratic rights (PASS) and have less confidence in their national political institutions (INST), but more in private corporations (CORP). Both groups' confidence in lobby groups and international organisation are the same (LOBB and INT), as are their views on the democratic system (DEMO). Malaysian subjects express more negative views regarding outgroup members (OUTG), are more critical towards the expression of individual freedoms (INDI), and less in favour of women's equal rights (GEND). There was no difference in attitudes relating to economic interactions with foreigners (INSU). UK subjects are more deterministic when it comes to economic factors (DETE). While there are no national differences in personal ambition (AMBI), Malaysian subjects are more motivated by their job conditions favouring personal achievement (MOTI) and leisure (LEIS). Finally, although Malaysians are significantly more religious than UK subjects (SECU), this does not find expression in greater public spirit than their UK counterparts (FRID). On the whole, UK subjects score higher on Inglehart (1997)'s post-materialism scale (POST).

The results of the attitudinal survey demonstrate specific cultural differences between Asians and Westerns which conform to previous findings (Inglehart, 1997; Hofstede, 1984; Nisbett, 2003, e.g.). However, our purpose here is not to discuss these, but to assess to what extent they are responsible for the national differences in ultimatum game behaviour observed in our experiments. We began this final step of our analysis by testing whether subject attitudes can account for their offer behaviour in the experiments by regressing proposers' factor scores on offers. The results (columns two and three of table 5) demonstrate that the attitudinal factors in our final model account for some 12% of the variation in offers. Four factors, POST, SECU, FRID and INDI are significant explanators. Three of these are also subject to cultural difference between Malaysian and Uk subjects. This latter finding provides some support for a direct relationship between cultural difference and resulting behavioural differences between the two national groups in our experiment. The behavioural differences we observed may be cultural in origin to the extent that ultimatum bargaining behaviour is sensitive to particular attitudinal dimensions along which the two cultures differ. To test this hypothesis more formally, we performed a Chow test to determine whether the coefficients estimated for all subjects are equal to those in estimations for the two sub-samples consisting of only Malaysian or UK proposers respectively. We therefore re-estimated the model contained in column one of table 5 for each of the two national groups. The results are presented in columns four to seven. For the Malaysian proposers it can be seen that offer levels are negatively influenced by high levels of postmaterialism (POST) and free-riding (FRID). By contrast there is some evidence that a non-religious attitude (SECU) will result in higher offers. For UK proposers, individualism per se seems to be less important and instead there is a strong effect as a result of participation in voluntary organisations (NPAR). A lesser willingness to participate is associated with smaller offers. There is also some evidence that hostility to corporate bodies (CORP) has a negative effect on offer levels. The Chow test on all three regressions generated an F- value of 2.055, which is significant at the 5%-level. This suggests that the relationship between attitudes and behaviour should be estimated separately for the two national groups. We interpret this result as evidence that cultural differences between the two groups are contributing to behavioural differences between them.

This exercise was repeated for responder behaviour to to assess the extent to which attitudinal variables affect rejection rates. Although responder behaviour was seen not to be subject to national differences, attitudes present in both national groups may explain their behaviour. We performed logistic regressions to find out. The independent variables include the level of offers as well as the attitudinal dimensions that resulted from the factor analysis. The final model was obtained using the general-to-specific approach and contains offer levels as well as a number of attitudinal factors as significant explanators (see table 6). Again, we re-estimated the model for the two sub-groups Malaysian and UK subjects respectively, and performed a likelihood ratio test to ascertain whether the coefficients for the regression over all subjects is equal to those estimated for the latter two. The resulting test statistic of 12.212 was insignificant. As a result, the relationship between attitudes and responder behaviour should be estimated over both national groups. Only the aggregate regression results are reported here for that reason. These reveal that a greater rejection propensity is associated with opposition to gender discrimination (GEND), work motivation (MOTI), a negative view of international institutions (INTE) and tolerance of freeriding behaviour (FRID). By contrast, personal ambition (AMBI), motivation by job perks (LEIS), political passivity (PASS), a negative view of lobbying organisations (LOBB), a positive view of the political system (POLI), belief in individual freedom (INDI) and post-materialist values (POST) are accompanied by lower rejection rates.

#### 4 Discussion

These findings suggest the following concerning the existence and nature of a relationship between culture and economic behaviour. To begin with, we detected differences in ultimatum game offers between Malaysian and UK subjects which cannot be attributed to demographical factors other than nationality. In addition, these behavioural differences along national lines were accompanied by cultural differences in terms of elicited attitudes towards a host of social, political and economic issues. Four attitudinal dimensions were seen to partially explain offer behaviour for both Malaysian and UK subjects, of which three are subject to national differences. Eleven significantly explain subject rejection behaviour. These latter two findings suggest specific cultural influences on both proposer and responder bargaining which warrant closer examination. In general, ultimatum game offers are governed by strategic considerations of responder rejections as well as altruistic preferences, which are evidenced by positive offers in dictator game experiments, where the responder's has no option to reject (Forsythe et al., 1994, e.g.). Ultimatum game responses entail a trade-off between responder preferences for monetary payoffs and social preferences for their fair and/or equitable allocation (Camerer, 2003, p.11). Rejection behaviour indicates relatively strong preferences for equality and fairness, while acceptances emphasise monetary outcomes. In the following, we discuss the relationships between particular attitudinal factors and these considerations underlying ultimatum bargaining. While some of these relationships may be elucidated with reference to existing theory, others necessitate a more speculative approach that may generate hypotheses for future research.

A number of factors relate to subjects' stances on social issues. *GEND* measures a subject's agreement with equal status for women in areas such as work, education and politics. *PASS* encompasses non-engagement in various forms of political activism, e.g. subjects' past or potential participation in boycotts, strikes, occupations, demonstrations or petitions. *LOBB* measures low confidence in trade unions, environmental and women's groups. High values on the first two factors, and low ones on the third are associated with greater rejection rates. An interest in gender equality and social issues generally may reveal an underlying concern with fairness and equality which is manifest in a greater willingness to reject uneven offers.

Positive attitudes towards the political establishment and status quo are

expressed in high scores on *POLI*, attitudes towards the country's past, present and future political system as well as low scores for *INTE*, i.e. high confidence in international organisations such as the UN, the EU and ASEAN. These attitudes are associated with a lower propensity to reject ultimatum game offers, perhaps revealing greater acquiescence with prevailing conditions.

Rejection behaviour is also related to three dimensions of subjects' attitudes towards their professional lives. AMBI incorporates six items relating to the importance of accomplishment in the work environment, both for personal reasons and to satisfy the expectations of others. Work motivation (MOTI) captures an attitude valuing aspects of work such as pay, opportunities for initiative, achievement and responsibility as well as a good match with interests and abilities. In contrast, subjects with high leisure motivation (LEIS) value the environment of work, including aspects such as job security, the absence of pressure, good hours and holiday entitlements. Work motivation relates positively, and leisure motivation negatively with rejection propensity. It is not obvious what underlies these effects. High work motivation may result in high aspirations and resultant fairness assessments of ultimatum game offers. The converse may be true for leisure motivation. Personal ambition is inversely related with rejection propensity and might reflect purely financial motives.

Post-materialism/modernism (POST) is composed of subject responses to three questions in which subjects select two out of four statements, each of which reflects either post-modernist or modernist tendencies on a series of social, economic and political goals. Subjects receive high scores to the extent that post-materialist goals are chosen at the expense of modernist ones. Post-materialism is a key dimension in Inglehart's theory of cultural change generated by unprecedented levels of economic and physical security in advanced industrialised societies. It involves shifts of

authority away from both religion and the state to the individual, with an increasing focus on individual concerns such as friends and leisure. Postmodernism de-emphasises all kinds of authority, whether religious or secular, allowing much wider range for individual autonomy in the pursuit of individual subjective wellbeing. (Inglehart, 1997, pp.74-75)

The post-materialist shift is also associated with increasing beliefs in exercising personal freedom of choice in areas at odds with traditional norms, such as homosexuality, prostitution, abortion, divorce, euthanasia and suicide (Inglehart, 1997), which constitute our factor *INDI*. This factor has commonalities with individualism, one of five dimensions along which national cultures differ in the empirical study of Hofstede (1984). Individualist cultures emphasise individual interests and freedoms at the expense of collective ones (Hofstede, 1994, p.73).

In our experiments, post-materialist and individualist attitudes are significantly associated with lower ultimatum game offers as well as rejection rates. First, proposers that score highly on these factors may be less disposed towards altruism or have systematically less conservative expectations of responder rejection behaviour. While the former interpretation seems intuitively more plausible, our current data are insufficient to test it. In addition, post-materialist and individualist values in responders may moderate their preferences for fairness and equality as these entail a more collective perspective on the allocation of payoffs. However, care needs to be taken as the results apply to the group of proposers as a whole. *POST* is unrelated to offers within the UK group of proposers, while *INDI* is not significant in either national sub-group. Post-materialist values are also often accompanied by distrust in corporations such as the press, major companies and television networks (CORP). As is the case for *POST* and *INDI*, UK subjects score higher on this factor than their Malaysian counterparts (table 4). This factor is a significant explanatory for UK offer behaviour, but not for Malaysian subjects or at the aggregate level. Greater distrust is associated with lower offers.

Free riding (FRID) gauges subjects' attitudes towards tax and fare evasion, benefit fraud, bribery and receiving stolen goods. A similar set of items is used by Knack and Keefer (1997) as a measure of individual co-operation in collective action with a public-good character, which they show to promote economic performance in the aggregate. In our experiment, small scores on this factor imply public spirit and are associated with higher ultimatum game offers as well as lower rejection rates. Public spirit may be rooted in altruistic preferences which positively influence ultimatum game offer sizes. Conversely, subjects that express attitudes sympathetic towards free riding are more likely to reject. Again, this result does not obtain in the regression on the UK group of proposers only.

Secularism (SECU) consists of some fifteen questions relating to the strength and nature of subjects' religious beliefs and practice. The resulting factor therefore provides a measure of individual religiosity akin to those used in psychological studies of the correlates of religion (Hill and Hood, 1999). Work in this area has sought to explore the relationships between religious beliefs, practice and experience on one hand and relevant causal and effect variables including demographics, socio-political attitudes, personality traits as well as pro-social behaviour on the other (see Spilka et al. (2003) for an overview). Studies examining the latter of these connections are particularly relevant in the current context of economic behaviour. Religious doctrines such as charity and forgiveness have been argued to be potential forces for pro-social behaviour. On the other hand, beliefs such as absolute truth, original sin and pre-destination may engender prejudice, mistrust in others as well as a focus on material acquisition (Schoenfeld, 1978; Batson and Ventis, 1982). Empirical studies have failed to uncover consistent and significant effects of religiosity on trust, honesty, charity, volunteering and helping behaviour. In addition, they have been dogged by issues such as the social desirability of pro-social attitudes for religious subjects coupled with the use of self reporting (Hunsberger and Platonow, 1987). The current study addresses these issues through the financial incentivisation of subjects. Our results suggest a moderate negative effect of religiosity on offer levels as low scores for SECU imply high religiosity in the WVS coding system. Again, this result obtains overall as well as for Malaysian subjects, not, however for UK proposers.

Non-participation NPAR measures to what extent subjects engage in a range of voluntary associations. While this variable is insignificant in explaining rejections as well as offers overall and for Malaysian subjects, it is significant at the %5-level for UK proposers. Greater involvement in voluntary organisations is associated with larger offer levels. These items were included by the WVS authors to test a Tocquevillean connection between individual participation, resulting interpersonal trust and scope for large-scale co-operation conducive to economic development (Inglehart, 1997, p. 224). Our result indicates a connection between participation and ultimatum offer behaviour consistent with this hypothesis for UK subjects.

### 5 Conclusions

Culture is an interesting economic variable to the extent that is it known to influence economic performance at the national level. It is a useful variable to the extent that the process by which it does so and the intervening factors involved can be uncovered. One possibility is that the attitudes that constitute culture influence individual behaviour in economic interactions, which in turn influences economic performance on the aggregate. The current study supports this view in demonstrating a linkage between cultural attitudes and individual behaviour as a potential intervening variable. In particular, our study identifies the particular attitudes which are relevant in the context of ultimatum game behaviour. In addition, partially different sets of attitudes were seen to be significant in explaining Malaysia and UK offer behaviour respectively. These findings are based on the factor analysis of a large experimental data set resulting in internally consistent attitudinal dimensions. To our knowledge, this is the first time work based on this method has been reported.

Our work identifies a particular set of measurable attitudes as proxies for the cultural influences on the economic choices represented by ultimatum game proposals and responses. Between these, a greater number of attitudinal variables significantly explain rejection behaviour. In addition, cultural factors explain a greater proportion of the variation in this variable. The latter finding is partly due to the inclusion of offer levels O as an independent variable in the logistic regression. A more general reason might lie in the nature of offer and response decisions. While ultimatum game responses involve mainly fairness considerations, offers also contain a strategic element which may be less sensitive to cultural influences. However, this possibility must be treated as tentative, and warrants further investigation. The relatively low explanatory power of culture in the context of offer behaviour may also be attributable to the general problem of perennially low attitude-behaviour correlations uncovered in empirical social psychology (see McBroom and Reed (1992) for an overview). A large literature has suggested a number of explanations, including measurement problems and the existence of other variables influencing behaviour such as situational and social factors as well as intentions. The missing variable problem may apply to our treatment of offer behaviour to some extent. While the attitudinal dimensions in this study may capture altruistic and fairness preferences to some extent, this cannot be said for strategic thinking. A more complete approach could account for these considerations through an investigation of proposer expectations of responder behaviour.

Our results warrant some amount of caution also since the relationship between attitudinal factors and behaviour we uncovered are specific to the ultimatum game. Other games that reflect economically-relevant decision making are expected to correlate with other types of attitude. Further work in this direction is currently underway.

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		MAL		UK			
	proposer	responder	all	proposer	responder	all	
Number	98	88	186	85	95	180	
AGE	23.13	23.66	23.38	22.68	23.97	23.36	
FEM	46.94	47.73	47.31	31.76	36.84	34.44	
EDU	23.38	22.62	23.01	22.05	23.20	22.66	
INC	06.00	06.04	06.02	06.49	06.05	6.27	
URB	05.56	05.05	05.32	04.99	04.84	04.91	

Table 1: Demographic characteristics of subjects by subject group and experimental role. EDU is (prospective) age at completion of full-time education. INC is self-ascribed average percentile of income group relative to society. URB is population of home town on a scale of size categories from 1:<2000 to 8:>500,000 people.

	0					R		
	No.	Mean	Median	Mode	StDev	No.	Rate	
MAL	98	46.28	50.00	50 (74%)	08.89	88	11.63	
UK	85	44.15	50.00	50~(58%)	08.44	95	12.37	
ALL	183	45.29	50.00	$50 \ (\%)$	08.73	183	12.00	
Diff.	$U=3443.50 \ (p=0.016^{**})$					p=0.531 (1-tailed)		

Table 2: Descriptive statistics for offer levels O and rejection rates R for Malaysian (MAL) and UK subjects respectively. Frequencies of modal responses in percent shown in parentheses. Results of tests for differences in O (Mann-Whitney U) and R (Fisher Exact Probability) between MAL and UK subjects given. The symbol \*\* indicates significance at the 5%-level.

<ul> <li>(1) religious, (2) sport or recreation, (3) art, music or educational,</li> <li>(4) trades union, (5) political party, (6) professional (7) environmental, (8) charitable,</li> <li>(9) other voluntary organisations</li> <li>Outgroup rejection (OUTG): undesirable neighbours would be</li> <li>(1) criminal record holders, (2) of different race, (3) heavy drinkers, (4) emotionally unstable,</li> <li>(5) immigrants/foreign workers, (6) HIV/AIDS sufferers, (7) drug addicts, (8) homosexuals</li> <li>Gender rights (GEND): extent of agreement (1=strongly agree) that</li> <li>(1) men should have more rights to scarce jobs, (2) men make better political leaders, (3) problems if wife earns more than husband, (4) university education more important for boys</li> <li>Personal ambition (AMBI): extent of agreement (1=strongly disagree) that</li> <li>(1) work until satisfied with result, (2) disappointed if personal goals not accomplished,</li> <li>(3) like work so much that often stay up to finish, (4) main goal to make parents proud,</li> <li>(5) make effort to live up to friends' expectations, (6) work makes life worth living</li> <li>Achievement motivation (MOTI): important aspects of a job include</li> <li>(1) good pay, (2) respect by people, (3) opportunity to use initiative, (4) opportunity for achievement, (5) responsibility, (6) interest, (7) match with abilities</li> <li>Leisure motivation (LEIS): important aspects of a job include</li> <li>(1) not too much pressure, (2) good job security, (3) good hours, (4) generous holidays</li> <li>Post-materialism: (POST) most and second most important national goals include</li> <li>(1) individual say in communities/work and/or city/countryside beautification, rather than high economic growth and/or strong defences, (2) individual say in government decisions and/or network and/or city/countryside beautification.</li> </ul>
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Achievement motivation (MOT1): important aspects of a job include         (1) good pay, (2) respect by people, (3) opportunity to use initiative, (4) opportunity for         achievement, (5) responsibility, (6) interest, (7) match with abilities         Leisure motivation (LEIS): important aspects of a job include         (1) not too much pressure, (2) good job security, (3) good hours, (4) generous holidays         Post-materialism: (POST) most and second most important national goals include         (1) individual say in communities/work and/or city/countryside beautification, rather than         nigh economic growth and/or strong defences, (2) individual say in government decisions         and/or protecting freedom of speech, rather than maintaining order and/or fighting inflation
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<ul> <li>achievement, (5) responsibility, (6) interest, (7) match with abilities</li> <li>Leisure motivation (<i>LEIS</i>): important aspects of a job include</li> <li>(1) not too much pressure, (2) good job security, (3) good hours, (4) generous holidays</li> <li>Post-materialism: (<i>POST</i>) most and second most important national goals include</li> <li>(1) individual say in communities/work and/or city/countryside beautification, rather than aigh economic growth and/or strong defences, (2) individual say in government decisions</li> <li>and/or protecting freedom of speech, rather than maintaining order and/or fighting inflation</li> </ul>
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major protocomy needom of speech, rather than maintaining order and/or lighting initation,
(3) progress towards more humane society and/or towards a more intellectual
(as opposed to materialistic) society, rather than a stable economy and/or fighting crime
Political passivism (PASS): potential or past participation (1=have done, 3=would never do) in
(1) petition signing, (2) boycotts, (3) lawful demonstrations, (4) unofficial strikes, (5) occupations
Economic insularity (INSU): extent of agreement (1=disagree) with
(1) greater rights of own citizens to scarce jobs than immigrants, (2) limits on goods imports,
(3) limits to labour immigration
Public institutions (INST): degree of confidence (1=much, 4=none) in
(1) armed forces, (2) legal system, (3) police, (4) government, (5) political parties, (6) parliament
Corporations (CORP): degree of confidence (1=much, 4=none) in
(1) the press, (2) television, (3) major companies
Lobby groups (LOBB): degree of confidence (1=much, 4=none) in
(1) labour unions, (2) green groups, (3) women's groups
International organisations (INTE): degree of confidence (1=much, 4=none) in
(1) EU, (2) ASEAN, (3) the UN
<b>Political system</b> ( <i>POLI</i> ): view (1=very bad, 10=very good) of country's political system
(1) in the past, (2) now, (3) as expected ten years in the future
<b>Democracy</b> ( <i>DEMO</i> ): extent of agreement (1=agree strongly, 4=disagree strongly) that under democracy
(1) the economic system runs badly, (2) there is too much indecisiveness and squabbling,
(3) order cannot be maintained well
<b>Economic determinism</b> ( <i>DETE</i> ): extent of agreement (1=agree, 2=disagree) that poverty
(1) is due to laziness/lacking willpower rather than unfair treatment, (2) can be
escaped rather than not, (3) is addressed too much rather than too little by government
Secularism (SECU): (1=strongly agree)
(1) belief in absolute guidelines about good and evil, (2) belonging to a religious denomination,
(3) religious upbringing, (4) frequent attendance at religious services, (5) religiosity, (6) belief in
(a) God, (b) life after death, (c) a soul, (d) the devil, (e) hell, (f) heaven, (g) sin, (7) importance
of religion in life, (8) comfort and strength from religion
Free riding $(FRID)$ : justification exists (1=never, 10=always) for
(1) benefit fraud, (2) fare evasion, (3) tax evasion, (4) knowingly buying stolen goods,
(5) accepting a bribe
Individual freedom (INDI): justificat <sup>30</sup> exists (1=never, 10=always) for
(1) homosexuality, (2) prostitution, (3) abortion, (4) divorce, (5) euthanasia, (6) suicide

Table 3: Components of attitudinal factors.

Factor	$\alpha$	Mal	aysia	UK		All		MW-U	p
		Mean	St.Dev	Mean	St.Dev	Mean	St.Dev		
NPAR	0.6313	2.435	0.394	2.471	0.298	2.453	0.350	16395.50	0.732
OUTG	0.6651	1.619	0.204	1.446	0.198	1.534	0.219	8716.00	0.000***
GEND	0.6275	2.560	0.480	2.853	0.454	2.704	0.489	10706.50	0.000***
AMBI	0.6356	6.256	1.502	6.100	1.332	6.179	1.421	15550.00	0.239
MOTI	0.8423	7.959	1.538	7.776	1.424	7.869	1.484	14636.00	0.037**
LEIS	0.7335	7.031	1.843	6.421	1.459	6.732	1.691	12471.00	0.000***
POST	0.8727	0.694	1.001	0.805	0.988	0.749	0.995	13161.00	0.003***
PASS	0.8028	2.310	0.456	1.876	0.443	2.096	0.499	7963.50	0.000***
INSU	0.6594	1.664	0.306	1.672	0.280	1.668	0.293	16474.50	0.855
INST	0.7193	2.633	0.463	2.450	0.531	2.542	0.506	12068.00	0.000***
CORP	0.6592	2.524	0.534	2.920	0.541	2.720	0.572	10110.50	0.000***
LOBB	0.7071	2.609	0.595	2.572	0.599	2.590	0.597	15025.50	0.499
INTE	0.8338	2.459	0.656	2.431	0.724	2.445	0.690	14306.00	0.468
POLI	0.7140	6.207	1.455	5.999	1.667	6.105	1.564	15026.00	0.149
DEMO	0.7054	2.891	0.440	2.911	0.578	2.901	0.513	15414.00	0.786
DETE	0.6532	1.601	0.436	1.781	0.454	1.690	0.454	12693.00	0.000***
SECU	0.8550	1.991	0.312	2.191	0.408	2.089	0.376	10413.50	0.000***
FRID	0.7840	3.420	1.681	3.189	1.582	3.307	1.635	$1\overline{5319.00}$	0.160
INDI	0.8149	4.533	1.933	6.609	1.714	5.554	2.101	6793.00	0.000***

Table 4: Results of the factor analysis of the attitudinal data set. Column  $\alpha$  provides Cronbach  $\alpha$ -values of internal factor reliability. Columns 3 to 8 present means and standard deviations of the factor scores of Malaysian, UK and all subjects respectively. Column MW contains the probability values of Mann-Whitney tests for differences in average factor scores between Malaysian and UK subjects. The symbols \*, \*\* and \*\*\* indicate significance at the 10, 5 and 1%-levels respectively.

	All		MAL		UK	
	Coeff	p-value	Coeff	p-value	Coeff	<i>p</i> -value
Constant	46.244	$0.000^{***}$	29.547	0.002**	58.166	0.000***
NPAR	-0.854	0.617	2.446	0.213	-6.898	0.029**
LEIS	0.469	0.188	0.406	0.328	0.872	0.167
POST	-1.431	$0.048^{**}$	-2.555	$0.025^{**}$	-1.052	0.279
CORP	-1.380	0.249	1.884	0.286	-3.182	$0.064^{*}$
SECU	4.711	$0.032^{**}$	5.479	$0.059^{*}$	5.074	0.164
FRID	-0.798	$0.033^{**}$	-1.007	$0.048^{**}$	-0.487	0.383
INDI	-0.701	$0.025^{**}$	-0.481	0.211	-0.322	0.598
F	3.215	0.003***	2.726	0.013**	2.195	0.044**
$R^2$	0.117		0.183		0.166	

Table 5: Ordinary Least Squares regression results for offer level O for all subjects, as well as for Malaysian (MAL) and UK subjects respectively. The symbols \*, \*\* and \*\*\* indicate significance at the 10, 5 and 1%-levels respectively based on two-tailed testing.

Dependent Variable: $R$					
Regressor	Coefficient	<i>p</i> -value			
Constant	-15.039	0.000***			
0	-0.341	0.000***			
GEND	0.800	0.015**			
AMBI	-0.509	0.014**			
MOTI	0.869	0.006***			
LEIS	-0.536	0.011**			
POST	-0.551	$0.089^{*}$			
PASS	-0.731	$0.056^{*}$			
LOBB	-0.684	$0.094^{*}$			
INTE	0.661	$0.074^{*}$			
POLI	-0.453	0.032**			
FRID	0.774	0.013**			
INDI	-0.833	0.001***			
$Pseudo-R^2 = 0.544$					

Table 6: Logit regression results for probability of rejection (R). The final model includes attitudinal dimensions as well as offer level (O) as independent variables. Unstandardised coefficients given. The symbols \*, \*\* and \*\*\* indicate significance at the 10, 5 and 1%-levels respectively.