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2005

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# Punitive Behavior in eBay Auctions

Kyle Gibson, M.A.

*Abstract: eBay employs a system known as “feedback” to assure trust between those buying and selling items using its service. Feedback information on past auctions is available for all to see; a positive reputation is likely to increase a seller’s business just as a negative reputation can harm it. The importance of a good eBay reputation (i.e., high feedback score) may lead members of the eBay community to react harshly if they receive neutral or negative feedback. Here, the hypothesis that negative feedback is reciprocated/punished with negative feedback is supported. The feedback system eBay uses does not serve the best interests of eBay members - it is simply not the most honest system possible. A more honest system would incorporate blind feedback in order to sidestep the inclination of some members to punish on principle alone.*

## *Introduction and Background*

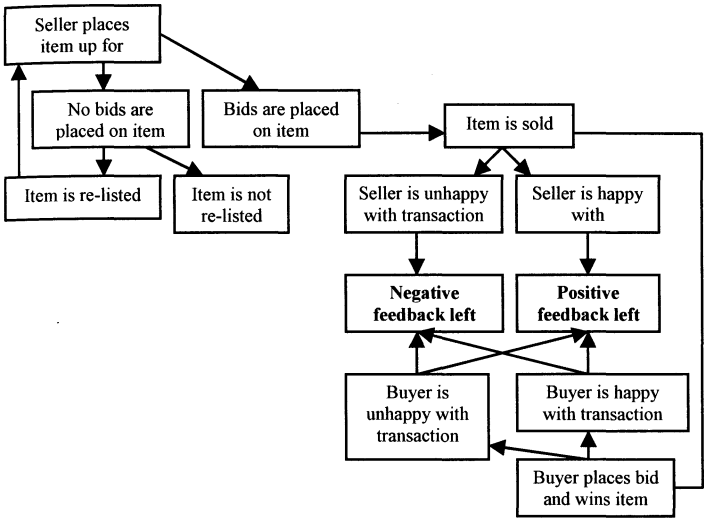
Certain areas of the human psyche have been forged by natural selection to recognize, remember, and repay treatment judged as “unfair” (Axlerod 1984; Boyd 1992; Ostrom 2000; Hamilton 1963; Ridley 1996). Philosophers from Plato to Hobbes and Marx have contemplated this fact and, with it, the cultural institutions humans create to regulate and arbitrate “unfair” social transactions. eBay uses one such regulatory system in order to ensure honest, fair, and legal business practices are employed by its members; this system is known as “feedback.”

The feedback system works as follows (Model 1): after an auction ends, buyers and sellers leave feedback for each other based on their shared auction experience. These ratings can be positive, neutral, or negative. The majority of eBay auctions transpire without any real problems and both the buyer and seller earn positive feedback from one another. However, sometimes an item or payment takes too long to arrive, does not arrive at all, or the auction is perceived negatively for some other reason. Negative feedback is reserved for these instances. Neutral feedback is meant to cover the remaining transactions but is, in

practice, quite rare. Of the 60 auctions reviewed for this paper, *none* involved neutral feedback.

The feedback system is public and therefore gives buyers and sellers a concept of whom they might be doing business with *before* they are forced to enter into a transaction. Feedback can be left by either party at any time following an auction. The discrepancy in the time at which feedback is left seems to play a role in determining what feedback score is reciprocated (negative, neutral, or positive). This interaction between feedback position and score is of primary interest here.

**Model 1: The eBay Feedback System**



EBay feedback transpires much like an ultimatum game. A single-sided ultimatum game works as follows. One person is given an easily divided item, often cash, and told they must divide it between themselves and an unknown “receiver.” The receiver sees this offer and can either accept or reject it. If the offer is accepted, both players keep the money, if it is rejected; neither of them keeps any money (Fehr 2003; Henrich 2000; Ridley 1996).

Classical, rational, economic theory dictates that “givers” should always give the smallest amount of money possible and receivers should accept any offer, no matter how small, because they both leave the game with more than they began with. The game, however, rarely follows this “rational” path. In “real world”

experiments, givers are more apt to offer around half of their money to receivers, who are likely to accept offers within this 50% range (Fehr 2003). If, on the other hand, the offer falls below 20%, the receiver rejects it so both participants walk away empty-handed (Fehr 2003). The ultimatum game demonstrates that people would rather punish someone trying to take more than their “share” than to have any of it themselves.

Here, I will test the hypothesis that receiving negative feedback *first* makes auction participants more likely to leave negative feedback for the person who left it for them, regardless of what transpired during the actual auction.

The theoretical literature on game theory, altruism, and punitive behavior is voluminous. Rather than attempt to cover it all, this section will focus only on several recent articles that deal directly with the phenomenon of social punishment. Background on specific game-theoretical models can be found in numerous other works (see Ridley 1996 for an excellent overview).

As a company and a community, eBay is highly dependent on the reliability, accuracy, and honesty of the feedback system. eBay encourages repeat buying and selling – some people even make their living auctioning goods on eBay. The high likelihood of repeat interaction and the use of public reputations (feedback) regulates eBay interactions. Buyers and sellers must conduct business “by the book” if they wish to maintain an honorable reputation and remain a member of the community. Ernst Fehr and Fischbacher (2003) detail the importance of such a reputation in social interaction. They show that the prospect of gaining a reputation increases the likelihood of cooperative behavior among individuals by more than 35%. The number is even higher if the actors believe they will interact with each other again in the future (Engelmann 2002 in Fehr & Fischbacher 2003). For people who use eBay repeatedly, a good reputation can mean the difference between getting a sale or a deal and getting put out of business.

There are of course, instances where auctions do not go well and negative feedback is merited. This may happen for a variety of reasons, but it is often due to slow shipping or the item arriving differently than described. There are other instances where negative feedback appears to be left only to punish people. In a relatively recent article on punishment, Price *et al.* (2002) propose the almost tautological notion that punishment evolved as a mechanism to quell freeriding. They demonstrate empirically that punishment is employed not to increase the punisher’s wellbeing but to decrease the freerider’s (Price 2002: 179). In other words, people often punish others at their

own expense. The punishers identified by Price *et al.* could be defined as strong reciprocators. Strong reciprocators are individuals who are acutely aware and defensive of local social norms (Gintis, 2000). When a freerider attempts to violate local norms, strong reciprocators put an end to their behavior regardless of the costs they incur themselves (Gintis 2000). If, as I have hypothesized, leaving negative feedback ensures negative feedback will be reciprocated, it may be the case that the eBay community is populated by a high proportion of strong reciprocators, or that the eBay community fosters “strong” behavior among its members.

### *Hypothesis and Methods*

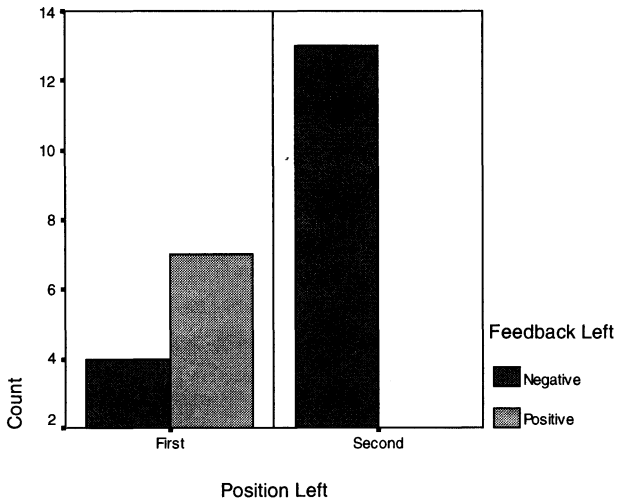
The alternative hypothesis being tested here proposes that in a real-world setting (eBay), people will act in a way that is concurrent with the predictions of strong reciprocity described above. That is, people will punish others even if there is no direct benefit to doing so.

A total of 60 eBay auctions were selected at for consideration in this study. Randomization was insured by the following selection process. First, a random word was selected from a dictionary (e.g., “dog”), the word “dog” was then typed into the search field located on eBay’s homepage ([www.ebay.com](http://www.ebay.com)). The search then returned a list of auctions containing the word “dog” in their title. From this list, the last auction on the page was selected. This brought up a live, ongoing auction for the dog-related item. The most recent negative transaction of the person selling this item was chosen for analysis. Information concerning several areas was collected for each of these negative transactions: a) the feedback score left by the buyer and seller, b) the positions in which scores were left, and c) the self-reported reasons given by each participant for leaving such a score, and d) the cumulative scores of both individuals. SPSS was used to test the alternate hypothesis and to discern the primary motivations cited for leaving negative feedback.

### *Results*

The results of a 2 x 2 chi-square test show the significant and dramatic effects of relative position on feedback (refer to Graph 1).

Graph 1: Feedback Score Left x Position Left



In auctions involving negative feedback, when participants left positive feedback first, negative feedback was returned to them 57% of the time. *When participants left negative feedback first, negative feedback was returned 100% of the time.* This difference is statistically significant ( $p=.001$ ,  $\chi^2=11.679$ ,  $df=1$ ,  $n=24$ ). In these cases, participants made no bones about why they chose to respond negatively to those who left them a negative score – in 46.2% of negative feedback cases, “left negative feedback for me” was cited as the reason for doing so.

### Discussion

For eBay participants, leaving negative feedback for someone in the first position guarantees the reception of negative feedback in retaliation. This is less than optimal for the eBay community. In a truly “honest” system, it would not matter what buyers and sellers say about one another. It is perfectly feasible that a seller could be happy about a transaction because he received payment quickly. He should therefore give the buyer positive feedback for prompt payment. If, say, the item then takes an unsatisfactorily long time to arrive at the buyer’s home because of an error or laziness on the part of the seller, the buyer should leave negative feedback so that others do not suffer the same inconvenience. In reality, this sort of mixed feedback transaction is rare because strong reciprocators are enforcing norms that run counter

to eBay's wishes. This may be because the reputation garnered on eBay is not likely to affect the way someone is treated outside of the eBay community. The relatively socially isolated world of eBay buyers and sellers encourages each side to try to strong arm the other into leaving positive feedback regardless of the circumstances.

It is unlikely that there is a way to extend a person's eBay reputation in to the world outside of the internet or to simply persuade the entire eBay community to be more liberal in their use of negative and neutral feedback (who in their right mind would want to go first?). A better way to encourage a more honest system may be to give blind feedback. Blind feedback would take away the ability of one person to punish another because of actions made outside the realm of the transaction itself. Additionally, it would provide a more honest representation of eBay members' trustworthiness.

### *Conclusion*

The hypothesis that negative feedback is reciprocated with negative feedback regardless of what actually transpires during an eBay auction was supported. The feedback system employed by eBay does not serve the best interests of eBay members because it is not the most honest system possible. A more honest system would incorporate blind feedback in order to sidestep the inclination of some to punish on principle alone.

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