



Keeping up Appearances. Experiments on Cooperation in Social Dilemmas
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Experiments on cooperation in social dilemmas

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In situations in which an individual's interest is not in line with the general interest, the institutional environment steers behavior.

With a series of laboratory experiments that capture the nature of the tradeoff between two individuals, I show that both reputation (third party information) and experience (first hand information) jointly influence helping behavior. In the next two experiments, we study games in which groups of people interact and obtain knowledge about each other or about other groups. to show how voluntary grouping boosts cooperation rates, and how competition together with punishment increases cooperation rates.

I use laboratory experiments to assess the effect of information about (others') previous behavior on cooperative decisions. Controlled laboratory experiments allow us to study the decisions of participants who find themselves on the brink of our disposition to do good and to be exploited by others. The situations we create for them are abstract translations of everyday situations: the decision to trust a stranger, whether to help someone with a good reputation or whether to join a group.

I investigate the effects of reputations in games played by two players who meet repeatedly, or, alternatively, have some information about previous behavior of their partner towards others.

We show that people use both types of information when deciding about a reciprocal gift, even when the indirect information (e.g., gossip) is known to be less reliable but more

abundant. We find that in such a noisy environment, the helping levels remain the same; but people compensate for the noisiness of the indirect information by switching to the more reliable direct information. In environments without noise, too, direct information is on average more decisive for helping.

In other words, having a say about one's interaction partner reduces the need for punishment, but preserves the threat. This complementary effect of punishment and endogenous grouping may well account for the level of cooperation we observe in real institutions.

competition reduces the number of allocated punishment points. The interaction between the two mechanisms makes punishment lose its destructive effect on earnings, without losing its deterring force. Indeed, observation without any financial consequences drives up the contributions to a public good as much as competition does. Although competition reduces the number of allocated punishment points, it increases at the same time the impact per punishment point on contributions in the subsequent period.

Third, competing with another group – even if the competition takes place only in the minds of the participants – increases the impact of punishment. Merely evoking the mental scheme of an institution may be enough to bring forth a stronger reaction to another institution. The results presented in this thesis show that the subtle interplay between two institutions amplifies their effect on human social behavior. First, since participants in the lab substitute noisy reputational information with direct information, reputation appears to be a multilayered construct that cannot be studied in isolation. Theory on either direct or indirect reciprocity has been shown to have large predictive powers, but further study of human cooperative behavior requires assumptions on how the two types of information, direct experience and reputation, are integrated in social decision making. Second, if a punishment institution is bolstered by partner choice, higher contributions are achieved with less punishment. This means that the puzzle of the evolution of costly punishment perhaps has shrunk a little; or even that the theoretical puzzle has been inflated from the start, by isolating the social dilemma from its supporting institutions. Third, competing with another

group – even if the competition takes place only in the minds of the participants – increases the impact of punishment. Merely evoking the mental scheme of an institution may be enough to bring forth a stronger reaction to another institution.

These contextual characteristics have been decisive in social relations throughout human history and therefore deserve a role in economic theory – and therefore also in the laboratory.