

Wintersemester 2019/2020
Master-Seminar

Economics of Fairness and Cooperation

– deutsch und englisch – 6 CP

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Introduction: 21.10.2019, 12:00-13:00
Block: 20./21.01.2020

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Economic models often assume that people act in line with the “self-interest hypothesis” such that they first, choose rationally and second, maximize their individual monetary payoff. However, this seems not in line with many laboratory studies in economics and empirical observations from the field, e.g. when it comes to behavior in cooperation contexts.

In the present seminar, we discuss experimental evidence regarding behavior in social situations and in particular theories of social preferences that have been put forward to explain the corresponding observations. In addition, we aim at investigating how this knowledge can be applied to the study of climate negotiations and sustainable behavior.

Students who take part in the seminar are to identify an economic problem within a topic of their choice, write a paper (**about 15 pages**) and present their results in the seminar. Papers should be mainly based on peer-reviewed literature. The seminar papers can be written either in German or in English, the presentations should be held in English.

We ask you to register via e-mail. Please indicate your field of study, number of semesters studied, registration number and three topics you would like to work on. **Topics are assigned on a first come, first served basis.**

Topics (and some proposed literature):

1. Early Experimental Evidence on Other-regarding Behavior
 - a. Güth, W., Schmittberger, R., & Schwarze, B. (1982). An experimental analysis of ultimatum bargaining. *Journal of economic behavior & organization*, 3(4), 367-388.
 - b. Forsythe, R., Horowitz, J. L., Savin, N. E., & Sefton, M. (1994). Fairness in simple bargaining experiments. *Games and Economic behavior*, 6(3), 347-369.
 - c. Berg, J., Dickhaut, J., & McCabe, K. (1995). Trust, reciprocity, and social history. *Games and economic behavior*, 10(1), 122-142.
 - d. Fehr, E., & Fischbacher, U. (2004). Third-party punishment and social norms. *Evolution and human behavior*, 25(2), 63-87.
2. Other-regarding preferences: Inequity aversion
 - a. Bolton, G. E., & Ockenfels, A. (2000). ERC: A theory of equity, reciprocity, and competition. *American economic review*, 90(1), 166-193.
 - b. Fehr, E., & Schmidt, K. M. (1999). A theory of fairness, competition, and cooperation. *The quarterly journal of economics*, 114(3), 817-868.

- c. Engelmann, D., & Strobel, M. (2004). Inequality aversion, efficiency, and maximin preferences in simple distribution experiments. *American economic review*, 94(4), 857-869.
3. Other-regarding preferences: Intention-based reciprocity
 - a. Rabin, M. (1993). Incorporating fairness into game theory and economics. *The American economic review*, 1281-1302.
 - b. Dufwenberg, M., & Kirchsteiger, G. (2004). A theory of sequential reciprocity. *Games and economic behavior*, 47(2), 268-298.
 - c. Falk, A., & Fischbacher, U. (2006). A theory of reciprocity. *Games and economic behavior*, 54(2), 293-315.
4. Other-regarding preferences: Group identity
 - a. Akerlof, G. A., & Kranton, R. E. (2000). Economics and identity. *The Quarterly Journal of Economics*, 115(3), 715-753.
 - b. Chen, Y., & Li, S. X. (2009). Group identity and social preferences. *American Economic Review*, 99(1), 431-57.
5. Other-regarding preferences: Guilt aversion
 - a. Battigalli, P., & Dufwenberg, M. (2007). Guilt in games. *American Economic Review*, 97(2), 170-176.
 - b. Ellingsen, T., Johannesson, M., Tjøtta, S., & Torsvik, G. (2010). Testing guilt aversion. *Games and Economic Behavior*, 68(1), 95-107.
6. Other-regarding preferences: Social Norms
 - a. Krupka, E. L., & Weber, R. A. (2013). Identifying social norms using coordination games: Why does dictator game sharing vary?. *Journal of the European Economic Association*, 11(3), 495-524.
 - b. Andreoni, J., & Bernheim, B. D. (2009). Social image and the 50–50 norm: A theoretical and experimental analysis of audience effects. *Econometrica*, 77(5), 1607-1636.
7. Other-regarding preferences: Field Evidence
 - a. Card, D., Mas, A., Moretti, E., & Saez, E. (2012). Inequality at work: The effect of peer salaries on job satisfaction. *American Economic Review*, 102(6), 2981-3003.
 - b. Cohn, A., Fehr, E., Herrmann, B., & Schneider, F. (2014). Social comparison and effort provision: Evidence from a field experiment. *Journal of the European Economic Association*, 12(4), 877-898.
 - c. Breza, E., Kaur, S., & Shamdasani, Y. (2017). The morale effects of pay inequality. *The Quarterly Journal of Economics*, 133(2), 611-663.
8. Cooperation in the (in)finitely repeated prisoner's dilemma – Theory and Evidence
 - a. Kreps, D. M., Milgrom, P., Roberts, J., & Wilson, R. (1982). Rational cooperation in the finitely repeated prisoners' dilemma. *Journal of economic theory*, 27(2), 245-252.
 - b. Bó, P. D. (2005). Cooperation under the shadow of the future: experimental evidence from infinitely repeated games. *American economic review*, 95(5), 1591-1604.
9. Conditional cooperation
 - a. Fischbacher, U., Gächter, S., & Fehr, E. (2001). Are people conditionally cooperative? Evidence from a public goods experiment. *Economics letters*, 71(3), 397-404.
 - b. Fischbacher, U., & Gächter, S. (2010). Social preferences, beliefs, and the dynamics of free riding in public goods experiments. *American economic review*, 100(1), 541-56.
10. Punishment in cooperation
 - a. Fehr, E., & Gächter, S. (2000). Cooperation and punishment in public goods experiments. *American Economic Review*, 90(4), 980-994.

- b. Gürer, Ö., Irlenbusch, B., & Rockenbach, B. (2006). The competitive advantage of sanctioning institutions. *Science*, 312(5770), 108-111.
- 11. Social concerns in climate negotiations
 - a. Lange, A., Löschel, A., Vogt, C., & Ziegler, A. (2010). On the self-interested use of equity in international climate negotiations. *European Economic Review*, 54(3), 359-375.
 - b. Lange, A., & Vogt, C. (2003). Cooperation in international environmental negotiations due to a preference for equity. *Journal of public Economics*, 87(9-10), 2049-2067.
- 12. Social concerns in disastrous climate change
 - a. Milinski, M., Sommerfeld, R. D., Krambeck, H. J., Reed, F. A., & Marotzke, J. (2008). The collective-risk social dilemma and the prevention of simulated dangerous climate change. *Proceedings of the National Academy of Sciences*, 105(7), 2291-2294.
 - b. Tavoni, A., Dannenberg, A., Kallis, G., & Löschel, A. (2011). Inequality, communication, and the avoidance of disastrous climate change in a public goods game. *Proceedings of the National Academy of Sciences*, 108(29), 11825-11829.
 - c. Barrett, S. (2013). Climate treaties and approaching catastrophes. *Journal of Environmental Economics and Management*, 66(2), 235-250.
- 13. Cooperation with the future
 - a. Hauser, O. P., Rand, D. G., Peysakhovich, A., & Nowak, M. A. (2014). Cooperating with the future. *Nature*, 511(7508), 220.
 - b. Sherstyuk, K., Tarui, N., Ravago, M. L. V., & Saijo, T. (2016). Intergenerational games with dynamic externalities and climate change experiments. *Journal of the association of environmental and resource economists*, 3(2), 247-281.
 - c. Jacquet, J., Hagel, K., Hauert, C., Marotzke, J., Röhl, T., & Milinski, M. (2013). Intra-and intergenerational discounting in the climate game. *Nature climate change*, 3(12), 1025.

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gez. Prof. Dr. Andreas Löschel