

Seminar 8: Social Preferences

The focus of this week's seminar will be social preferences—a type of preference in which the utility of one person depends upon the utility of another. From the perspective of the standard model, people should be motivated purely by self-interest and should not exhibit such preferences. However, there is a large body of evidence for various different kinds of social preference, such as direct reciprocity, charitable giving, contributing to public goods etc. Our goal will be to review some of the evidence for social preferences and look at how we can model them. As in previous seminars, we shall see that the appropriate way to model such other-regarding preferences is not to dispense with the standard economic model, but rather to extend and modify it. People do 'take into account' the consequences of their decisions for others, but they may do so in an altruistic or self-interested way depending on the context and their social preferences.

Background Reading

Cartwright, E. (2011; Chapter 7). *Behavioral Economics*. Routledge: New York.

Levitt, S. and List, J. (2007). What do laboratory experiments measuring social preferences reveal about the real world?. *The Journal of Economic Perspectives*, 21, 153-174.

Readings for Speakers

Speaker 1: Fairness, the Dictator Game, and the Ultimatum Game

Camerer, C. and Thaler, R. (1995). Anomalies: Ultimatums, dictators and manners. *Journal of Economic Perspectives*, 9, 209-219.

Engel, C. (2010). Dictator games: A meta-study, *Preprints of the Max Planck Institute for Research on Collective Goods*, No. 2010.

Speaker 2: Gift Exchange Game and Non-monetary Utility

Gächter, S. & Falk, A. (2002). Reputation and reciprocity: Consequences for the labour relation. *Scandinavian Journal of Economics*, 104 (1), 1-26.

Kube, S., Marchal, M.A., & Puppe, C. (2012). The currency of reciprocity: Gift exchange in the workplace. *American Economic Review*, 102 (4), 1644-1662.

Speaker 3: Punishment and Cooperation

Fehr, E., & Gächter, S. (2000). Cooperation and punishment. *American Economic Review*, 90, 980-994.

Fehr, E., & Fischbacher, U. (2004). Third party punishment and social norms. *Evolution & Human Behavior*, 25, 63-87.

Speaker 4: Indirect Reciprocity, Reputation and Cooperation

Milinski, M., Semmann, D., & Krambeck, H-J (2002). Donors to charity gain in both indirect reciprocity and political reputation. *Proceedings of the Royal Society of London B*: 269, 881-883.

Semmann, D., Krambeck, H-J., & Milinski, M. (2004). Strategic investment in reputation. *Behavioural Ecology and Sociobiology*, 56, 248-252.