



Analysis of Social and Economic Processes



ASEP Colloquium Series 2019

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2.30-4.30 p.m.

Pagani Room
U7 Building - 3rd floor

BARGAINING UNDER THE SHADOW OF THE FUTURE. CAN REPUTATION BE BAD FOR SOCIAL COOPERATION?

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The large evolutionary literature on repeated interaction has mostly explored the possibility that longer time horizons will foster the emergence of efficient, co-operative equilibria. A common theme in this literature is that norms of social cooperation that would never emerge in one-shot interactions may become viable when the game is played for a sufficiently large number of rounds. This paper explores the opposite possibility. We ask whether it may be the case that efficient norms that are stable in one-shot settings become unstable as the expected length of the interaction increases. We prove that for a large class of games that include the Nash Demand Game and the Hawk-Dove game, no equilibria satisfy a mild criterion of evolutionary stability as the continuation probability δ becomes sufficiently large. The intuition is that in these games, that we dub "games of conflict", players have an incentive to violate any existing social norm that is efficient and symmetric, in the attempt to co-ordinate on asymmetric outcomes that give them a higher payoff. The conflict that ensues is detrimental for efficiency.

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