Tutorial 2: Investigating Informal Sanctions

Falk, A., Fehr, E., & Fischbacher, U. (2005). Driving forces behind informal sanctions. *Econometrica*, 73(6), 2017-2030.

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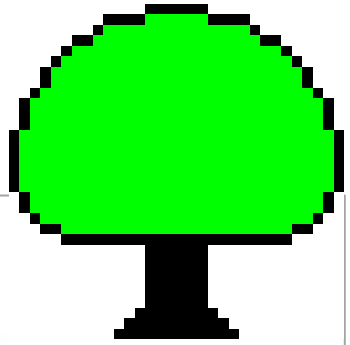
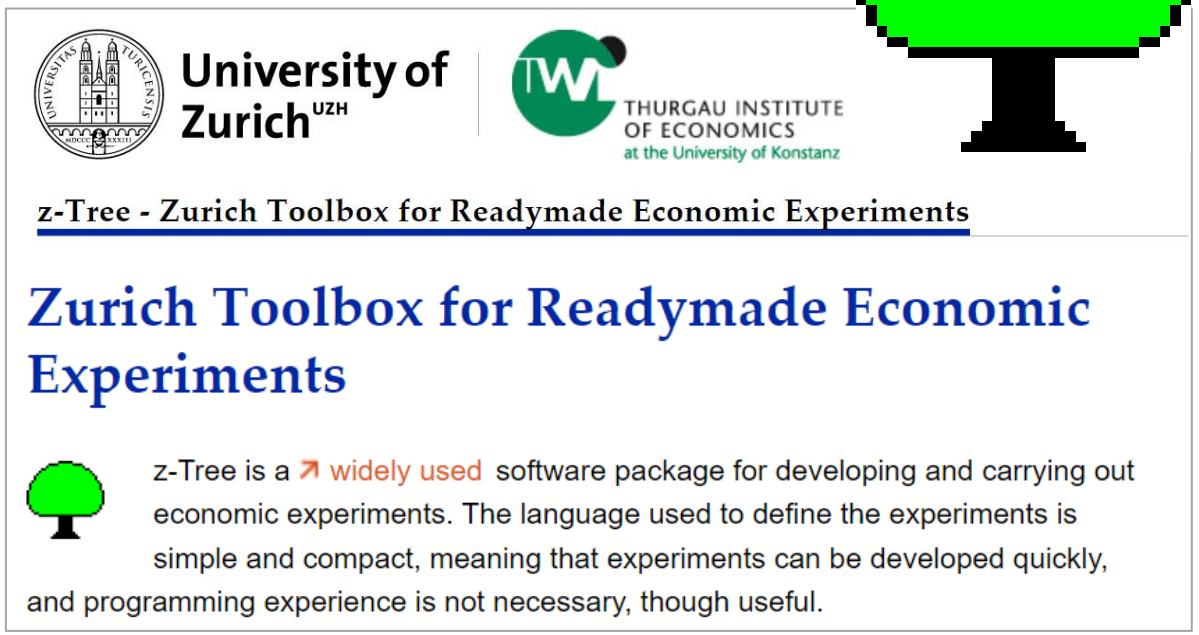
Ningbo, April 3, 2023

Background Information

- Scholars
  - Armin Falk
  - Ernst Fehr
  - Urs Fischbacher
- Institutions
  - University of Zürich
  - University of Konstanz
- Research areas
  - Social preferences
  - Social norm
  - Neuroeconomics





Questions to FFF05

Research question – 1.	What questions do Falk, Fehr and Fischbacher set out to answer?
Experimental Design – 2.	What are the main features of the experimental design? What functions do they serve? How were treatments designed to answer these questions?
Conclusion – 3.	What are the main findings?
Limitation – 4.	What, if anything, do you think we learn about behaviour in the real world from this experiment?
Extension – 5.	What additional research questions related to this topic do you think it would be interesting to answer? How would you go about trying to answer them?

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2. What are the main features of the experimental design? What functions do they serve?

- Task: a two-stage game.
- Stage 1:
  - A three-player one-shot Prisoner's Dilemma (PD).
  - Features?

	Both Other Players Defect	One of the Other Two Players Cooperates	Both Other Players Cooperate
Player *i* defects	20	32	44
Player *i* cooperates	12	24	36

- Stage 2:
  - Each subject is informed other players' decisions in Stage 1.
  - Each subject could then punish other players.

2. What are the main features of the experimental design? What functions do they serve?

- Treatment differences

Treatment	Sanction parameter f	Strategy method or not?
Low sanction (strategy method)		
High sanction (strategy method)		
High sanction (specific respond method)		

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- Treatment differences

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Low sanction (strategy method)		
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- What are the aims of each treatment, respectively?
  - Low sanction (strategy)
  - High sanction (strategy)
  - High sanction (specific)

2. What are the main features of the experimental design? What functions do they serve?

- Q1: Spitefulness-driven sanction vs. Fairness-driven sanction

2. What are the main features of the experimental design? What functions do they serve?

- Q2: $|x_i - \frac{\sum x_i}{n}|$ minimiziation or not?

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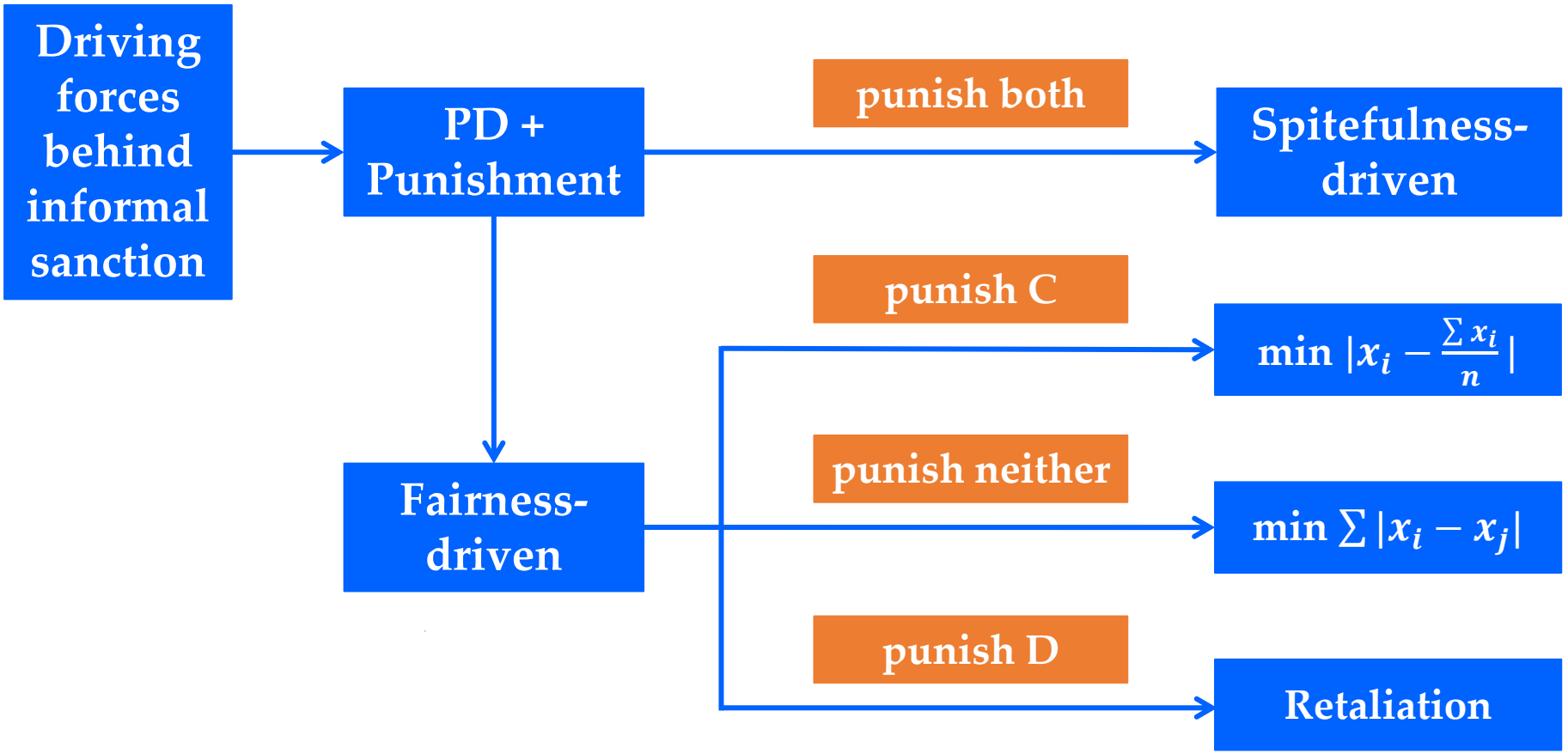
- Q2: $\sum |x_i - x_j|$ minimiziation or not?

2. What are the main features of the experimental design? What functions do they serve?

- Q2: Retaliation or not?

3. What are the main findings?

- The argument flow chart:



3. What are the main findings?

FIGURE 1a
HIGH SANCTION TREATMENT
(STRATEGY METHOD)

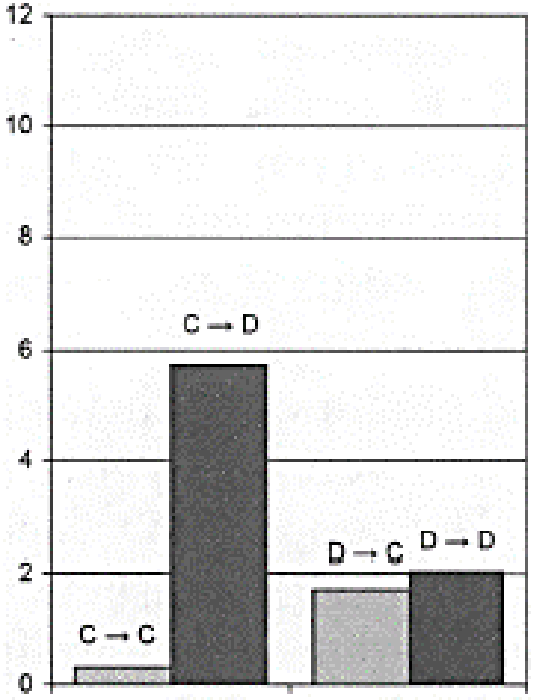


FIGURE 1b
LOW SANCTION TREATMENT
(STRATEGY METHOD)

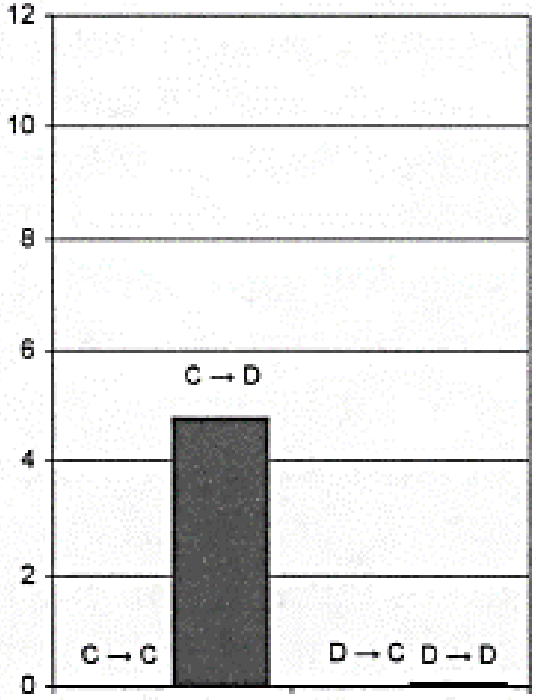


FIGURE 1c
HIGH SANCTION TREATMENT
(SPECIFIC RESPONSE METHOD)

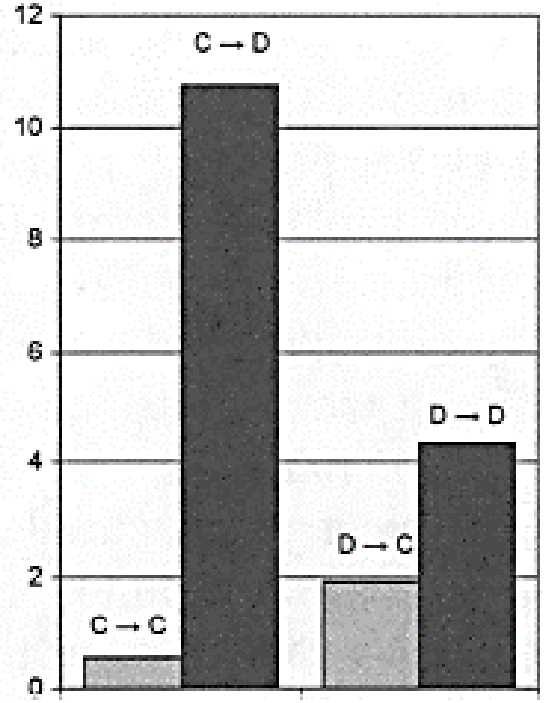


FIGURE 1.—Average payoff reduction across different treatments. Remark: C → C represents the situation in which a cooperator faces another cooperator; C → D is the situation in which a cooperator faces a defector; D → C and D → D can be interpreted analogously.

More about Tutorial 3

- TB106
- Participate by your individual timetable
  - The lab only has 20 seats, we are unable to create an extra seat for you
  - If you come to the wrong session, we will not accept you into the lab
- Please line up outside of the lab, I will sign you up and assign you a seat number.

Appendix. 1 A refresh of the two-player PD

- What are the features of a typical (symmetric) PD game?
  - Feature 1: Player A's dominate action is to defect.
  - Feature 2: Player A's payoff increases when the other player chooses C.

		Prisoner B (column player)	
		Cooperate	Defect
Prisoner A (row player)	Cooperate	(T , T)	(D , P)
	Defect	(P , D)	(S , S)
		Note: P > T > S > D.	

Appendix. 2 Other important experimental designs

- Between-subject design.
  - No subject participates in more than one treatment.
  - Why?
- Anonymity.
  - Subjects does not know the personal identities of their interaction partners, and all interactions between the subjects are anonymous.
  - Why?
- Neutral framing.
  - The cooperation decision is framed in terms of investments into a project.
  - The decision is framed as the assignment of deduction points to the members.
  - Using this frame is to avoid value laden terms such as “punishment ”or “sanction”.
  - Why this is important?

Appendix. 3 A review of the strategy method

- First used by Reinhard Selten (1967) in an oligopoly experiment.
- Could you please use your own words to explain what it is?
  - Subjects specify a complete set of actions (i.e., a strategy) for each possible decision situation that might arise.
- Advantages:
  - To obtain data for all information sets of the game, especially for those that are rarely been taken.
  - To reveal more information about a player and his/her motivation (allows to classify types).
  - (Probably) to save time and money.
- Strategy method could induce different behaviour because…
  - Decisions are "cold", i.e., hypothetical (see e.g., Brandts and Charness, 2000, Exp Economics).
  - Subjects have to consider all possible subgames, not only those who actually arise in the game.