

PROSOCIAL COOPERATION AND SELF-GOVERNANCE. AN EXPERIMENTAL STUDY ON SOCIAL DILEMMAS WITH EXTERNALITIES

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Abstract

Companies regularly engage in collective action initiatives to further the social good, or to reduce detrimental effects of their market activities. For example, technology companies have offered their support for more regulation to avoid the abuse of facial recognition. Similarly, companies of the textiles or the toys industries have supported multi-stakeholder initiatives with the aim of securing certain social and environmental standards in the supply chain. Some of these initiatives display two interesting characteristics. First, they are designed to further the social good, but not necessarily the private profits of the participants. Second, competition prevents that they are established by only one or few market participant alone; that is, they require collective action. To reflect these two characteristic features, we call such initiatives prosocial self-governance.

This paper reports the results of a series of experiments we designed to investigate whether market participants are willing and able to engage in prosocial self-governance. We designed a social dilemma game in which two decision-makers can cooperate in the interest of an affected but inactive third party. More specifically, we analyze three kinds of behavior: Prosocial cooperation; peer-to-peer punishment of non-cooperative behavior; and the willingness to form a self-governing sanctioning institution. We find that the majority of participants is prosocial in that they would like to sacrifice some private income for the sake of a third party. However, they fail to cooperate when competition is induced. The possibility to punish others for non-cooperation increases cooperation. If given the opportunity to choose, however, only about a third of all groups choose the sanctioning institution. In these groups cooperation increases and punishment occurs rarely.

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