



# Social connectedness improves co-ordination on individually costly, efficient outcomes



Giuseppe Attanasi<sup>a,\*</sup>, Astrid Hopfensitz<sup>b</sup>, Emiliano Lorini<sup>c</sup>, Frédéric Moisan<sup>d</sup>

<sup>a</sup> BETA, Université de Strasbourg, France

<sup>b</sup> Toulouse School of Economics, France

<sup>c</sup> IRT, Université Paul Sabatier, France

<sup>d</sup> University of Cambridge, England

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## ABSTRACT

We study the impact of social ties on behavior in two types of asymmetric coordination games. Social ties are varied by making players interact with partners from different in-groups (fellow members of their own sports team, members of their sports club, students of their university). Subjective social ties are further measured by direct questionnaires. We find that smaller and more salient in-groups lead to significantly more group beneficial choices. The same effect is observed for players that report high values of their subjective social ties. We discuss the implication of these results for theories assuming that socially tied individuals follow some group beneficial reasoning.

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## 1. Introduction

This paper analyzes behavior in asymmetric coordination games for different levels of social ties between players. Behavior in interactions requiring coordination is intrinsically difficult to predict. While participants in coordination problems clearly prefer to coordinate, reaching this state in the absence of communication is not trivial. Focal points help in symmetric games but might not be strong enough when games are asymmetric (Crawford et al., 2008). Incidentally human interactions are never completely void of information about interaction partners. When we interact with others, we take into account people's nationality, gender, political preferences, or favorite sports team. Group membership of others leads us to anticipate certain behaviors or influences our concerns for their welfare. These effects have, over the last years, received increased attention in economics and psychology. Specifically, recent experimental evidence has investigated the importance of a joint social identity on coordination among multiple Pareto ranked equilibria (Chen and Li, 2009).

The importance of *social identity* in economics has been pointed out by the seminal work of Akerlof and Kranton (2000). Social identity theory is based on the assumption that an individual is not characterized by one unique 'personal self', but rather by many 'selves' that correspond to overlapping circles of group identities. Different cues might trigger the individuals to act and feel on their personal, family or national 'level of self' (Turner et al., 1987). While social identity theory clearly considers the importance of different levels or 'strengths' of social identity, the main experimental approach has

\* Corresponding author at: Address: 61 Avenue de la Forêt Noire, 67085 Strasbourg, France. Fax: +33 (0)3 68 85 20 70.

E-mail address: [attanasi@unistra.fr](mailto:attanasi@unistra.fr) (G. Attanasi).

focused on identifying a ‘minimal group’ level, which allows us to observe discriminatory behavior.<sup>1</sup> Since the seminal work by Tajfel et al. (1971), results support the idea that even minimal group membership enhances behavior beneficial to group members, sometimes at the expenses of the out-group (i.e., people who are not members of the group).

A reasonable assumption is that the *strength of a social tie* between two individuals can be described through the level with which each of them commonly identifies with the same group(s). This interpretation relies on a gradual type of group identification that extends the binary in-group/out-group classification presented above (one may instead identify with a given group up to a certain degree). In this case, the question is how behavior is changed when we interact with a person we know very well compared to an acquaintance, or a person we are only minimally tied with (e.g., a perfect stranger). What to expect is not immediately obvious. Stronger ties with others might lead to better predictions of others’ intentions. For example, a stronger tie between two individuals might influence their concerns for each other’s outcomes according to existing theories of social preferences (e.g., Charness and Rabin, 2002; Fehr and Schmidt, 1999), which all assume individual intentions (what should I do?) to maximize the overall benefit of the group. Alternatively, stronger connectedness might induce another type of reasoning that focuses on collective intentions (what should we do?) to reach the same group beneficial outcome (e.g., Bacharach, 1999; Sugden, 2000, 2003). Finally, a stronger social tie between two individuals might enforce some commonly known external norms, such that the cost for deviating from them increases (Goette et al., 2012): not conforming to an in-group norm may lead one to identify more as an out-group member and consequently deteriorate the quality of the social relationship.

Recent experimental evidence has observed that, for the case of *symmetric games*, an ‘enhanced’ minimal group paradigm enables coordination among multiple Pareto ranked equilibria (Chen and Chen, 2011). Similarly, Gaechter et al. (2012) observe that players scoring higher on a psychological measure of shared identity (‘one’-ness) are more likely to coordinate on high effort levels in a weakest link game. Furthermore, Charness et al. (2007) have shown that coordination can increase in a battle of the sexes game when a ‘host’ player (in-group member) interacts with a ‘guest’ player (out-group member). In this case, making these roles salient to the players (when they are both observed by the host’s in-group members) leads coordination to favor an ‘aggressive’ host who faces a more ‘accommodating’ guest.

*Asymmetric games* have however not been investigated for the case of different levels of connectedness among interacting players. Yet stronger connectedness might favor coordination on outcomes that are considered as better for the group. For example, take a battle of the sexes game that does not offer symmetric payoffs dependent on which outcome the players agree on. Consider the classical example of Ann and Bob who have to choose between going to the opera or to a football game. Though Ann might prefer the opera and Bob the football game, Ann might have a higher utility from the football game than Bob from the opera. Thus the overall efficiency for the couple is higher when they coordinate on the football game.

In this paper, we study with an experiment how the level of connectedness with others influences coordination in asymmetric battle of the sexes games, where coordination comes at a cost for the individual. We investigate this effect in two games: an *asymmetric battle of the sexes game* (baseline game) and an extension of this game where, due to the presence of an *outside option*, one player has to make a conscious choice to enter the battle of the sexes game (entrance game). The entrance game enables us to investigate how social connectedness influences the interpretation of moves by the other.

*Objective social ties* are varied by making players interact with partners from different in-groups: fellow members of their own sports team, members of their sports club, students of their university. Sports team are exogenously assigned, according to gender and skill at playing volleyball. In this regard, our experimental design is different from other studies on social ties where groups are formed endogenously (Leider et al., 2009; Goeree et al., 2010), while instead it shares features with studies where groups are randomly assigned (Goette et al., 2012) or differ in terms of members’ characteristics (Fershtman and Gneezy, 2001). *Subjective social ties* are further measured by direct questionnaires. These questionnaires are aimed at eliciting a subject’s perceived self-connectedness to the group and perceived ties between other team members.

Our results show that even in asymmetric games where one player has to accept an individual cost, coordination on a group beneficial outcome is increased with both stronger objective ties and stronger subjective ties. Higher social connectedness indeed enhances the focal value of such group beneficial outcome.

The rest of the paper is organized as follows. Section 2 clarifies the concept of a social tie that we consider. Section 3 presents the two versions of the asymmetric battle of the sexes game (the baseline and entrance game) studied in this paper. We further discuss how social ties are measured. Specifically we distinguish between objective ties (which refer to the type of partners a subject interacts with) and subjective ties (which correspond to a subject’s own perception about social relationships within a group). Section 4 gives the procedures of the experiment and Section 5 presents results from both coordination games, depending on each type of social ties (objective and subjective). Section 6 discusses the theoretical implications of our results.

## 2. Defining social ties

The concept of social ties that we consider relies on *social identity theory* (Tajfel and Turner, 1979; Hogg, 2003), according to which an individual’s social identity is built upon a set of social features, each referring to a salient characteristic that can

<sup>1</sup> Primarily based on this ‘minimal group paradigm’, a large body of evidence has been collected in psychology (e.g., Brewer, 1979, 1999; Tajfel and Turner, 1979) and in economics (e.g., Bernhard et al., 2006; Buchan et al., 2006; Chavanne et al., 2011; Goette et al., 2012) on in-group vs out-group behavior.

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