

Speaker: Adam Zylbersztein (Economics)

Title: What Drives Failure to Maximize Payoffs in the Lab? A Test of the Inequality Aversion

Hypothesis (joint with Nicolas Jacquemet)

Abstract: In experiments based on the Beard (1994) and Beil (1994) two-person coordination game, first movers frequently do not trust others to be own-payoff maximizers, which results in a large number of coordination failures leading to Pareto-suboptimal outcomes. On the other hand, a non-negligible share of second movers indeed fail to select the decision that simultaneously maximizes both players' payoffs. This paper reports on a new experiment aimed at explaining the source of these inefficient behaviors. We introduce treatments highlighting the impact of interdependent preferences, as well as the role of the saliency of equilibria. We find that first movers are more likely to rely on their partners the less they can win by selecting the safe option. As for second movers, we find intriguing evidence on social preferences. While there is no evidence on their aversion to inequality, they care whether their partners' advantage is deserved. The presence of such preference also explains results from several previous laboratory implementations of this game.

Adam Zylbersztein is a PhD student in the Paris School of Economics and the University of Paris 1 Pantheon-Sorbonne. He is currently visiting the Columbia Economics Department. His main fields of research are experimental economics and behavioral game theory.