

Other-regarding behavior under collective action

Katerina Sherstyuk*, Nori Tarui*, Melinda Podor*, Jay Vilorio*, and Tatsuyoshi Saijo†

September 2010

Abstract

Many real-world collective-action settings include environmental (or dynamic) externalities, in that collective action by a group of decision-makers affects collective-action environment for other people. Real-world examples include climate change mitigation, species preservation, and collective decisions on public education. If people care about the environmental externality they impose on others, such other-regarding preferences may help to resolve collective action problems. In this paper we use two-stage Prisoners' Dilemma and Coordination games with environmental externalities to study other-regarding behavior under collective action. Our laboratory experiments reveal that the presence of environmental externalities does influence subjects' collective action, but only in certain settings. The subjects tend to forego payoffs to avoid imposing negative externalities on others, but not to generate positive externalities on others. This provides evidence that the subjects are driven by equity concerns more than by social welfare maximization concerns. The evidence of other-regarding behavior disappears once payoff asymmetry is introduced, or if strategic uncertainty about the costs and benefits of other-regarding action is high.

*Department of Economics, University of Hawaii at Manoa. Correspondence: Sherstyuk at katyas@hawaii.edu or Tarui at nori@hawaii.edu.

†Institute of Social and Economic Research, Osaka University.