

Money and Cooperation in Repeated Interactions

Situations where there is a tension between what is individually optimal and socially optimal are common, e.g., roommates pondering whether to wash dishes or not, etc. A variety of factors may determine whether opportunistic behavior or cooperation prevails in these situations, including whether interactions are repeated. While the theory of infinitely repeated games is helpful in capturing intertemporal incentives, it often fails to provide sharp predictions. A growing experimental literature has developed to explore factors affecting cooperation in repeated interactions and the selection of equilibria.

In these lectures, we discuss how changes in the experimental environment (e.g., changes in group size, payoff parameters, game frame) and institutions (e.g., money) affect cooperation in social dilemma and exchange games.

Reading List

Lecture 1

“An Experimental Study of Finitely and Infinitely Repeated Linear Public Goods Games” by V. Lugovsky, D. Puzzello, A. Sorensen, J. Walker and A. Williams, *Games and Economic Behavior* **102**, 2017.

“Cooperation under the Shadow of the Future: Experimental Evidence from Infinitely Repeated Games” by Pedro Dal Bó, *American Economic Review* **95**, 2005.

“Cooperation in the Finitely Repeated Prisoner’s Dilemma” by M. Embrey, G.R. Fréchette, and S. Yuksel, *Quarterly Journal of Economics*, forthcoming.

Other suggested readings:

“The Evolution of Cooperation in Infinitely Repeated Games: Experimental Evidence” by Pedro Dal Bó and Guillaume Fréchette, *American Economic Review* 101, 2011.

“Prisoner’s Other Dilemma” by M. Blonski and G. Spagnolo, *International Journal of Game Theory* 44, 2015.

"Consistent Covariance Matrix Estimation With Spatially Dependent Panel Data" by Driscoll, John C. and Kraay, Aart C., *Review of Economics and Statistics*, MIT Press, vol. 80(4), 1998.

Lecture 2

“Gift Exchange versus Monetary Exchange: Theory and Experimental Evidence” by J. Duffy and D. Puzzello, *American Economic Review* **104** (2014), 1735-1776.

“Experimental Evidence on the Essentiality and Neutrality of Money in a Search Model” by J. Duffy and D. Puzzello, Experiments in Macroeconomics, *Research in Experimental Economics*, Volume 17, Bingley, UK: Emerald Group Publishing Ltd.

“Monetary Policies in the Lab” by J. Duffy and D. Puzzello, work in progress

“The Essentiality of Money in Environments with Centralized Trade” by L. Araujo, B. Camargo, R. Minetti

and D. Puzzello, *Journal of Monetary Economics* **59** (2012), 612-621.

Other suggested readings:

“Emergence of Money as a Medium of Exchange: An Experimental Study” by J. Duffy and J. Ochs, *American Economic Review* **89**, 1999.

“Intrinsically Worthless Objects as Media of Exchange: Experimental Evidence” by J. Duffy and J. Ochs, *International Economic Review* **43**, 2002.

“The coordination value of monetary exchange: experimental evidence” by G. Camera and M. Casari, *American Economic Journal: Microeconomics* **6**, 2014.

“The Dynamic Free Rider Problem: A Laboratory Study” by M. Battaglini, S. Nunnari and T. Palfrey, *American Economic Journal: Microeconomics* **8**, 2016.

“Static and Dynamic Underinvestment: An Experimental Investigation” by M. Agranov, G. Frechette, T. Palfrey and E. Vespa, *Journal of Public Economics*, 2016.

“Experimenting with Equilibrium Selection in Dynamic Games” by E. Vespa and A. Wilson, mimeo.