Identity, Bounded Rationality, and Coordination in the Inter-Group Prisoner's Dilemma

Timothy N. Cason (Purdue University)

Sau-Him Paul Lau (University of Hong Kong)

Vai-Lam Mui (Monash University)

Abstract
Nonstandard preferences can transform a game form from its original interpretation based on monetary payoffs. For example, social preferences can transform a Prisoner's Dilemma in monetary payoffs into a Stag Hunt game in utilities. Social interactions, by affecting group identity and strengthening social preferences, can therefore affect cooperation in an Inter-group Prisoner's Dilemma. This paper reports an experimental study of the effects of different social interactions among members of two groups prior to their play of a one-shot Intergroup Prisoner's Dilemma. We show theoretically how inter-group social interactions can affect the incidence of cooperation in this game with multiple equilibria in the presence of social preferences, strategic interactions of in-group and out-group members, and bounded rationality. The experimental results show that in the Baseline treatment without inter-group social interaction, only 8.3% of teams cooperate in the Intergroup Prisoner's Dilemma. Inter-group play of a coordination game, however, increases the cooperation rate by 400 percent, and adding pre-play communication across groups increases cooperation by 700 percent.