

Leading by Example in the Presence of Free Rider Incentives

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Abstract

Leadership problems in the presence of free rider incentives are pervasive in the workplace and organizations but also the political sphere. We examine the impact of leadership in the context of a simple team cooperation problem with free rider incentives. In a public goods game one player was assigned to the role of the leader who had to decide first on his contribution to a linear public good. His contribution was announced to the followers who then decided simultaneously on their contribution decisions. We find that leader and follower contributions are positively correlated even in a one-shot game, which testifies the relevance of leading by example. Despite this, we find that the presence of a leader in a repeated leadership game did not enhance the overall level of cooperation relative to a situation with an absent leader. The reason is that being a leader means being a sucker. Yet, on average it pays to be a bold leader because sufficiently many people follow the leader's example.