Psychological Games – Theory & Experiments – Readings

My main goal was to introduce the framework of psychological game theory. To learn more, start out reading sections 1 and 2 (including footnotes 2-6) of this article:


Then read the rest. Carefully note and understand how B&D’s article relates to the earlier work by Geanakoplos, Pearce & Stacchetti (1989, GEB). In my lecture, I used guilt aversion as my leading example/application. I touched on Dufwenberg’s (2002, JEBO) example of psychological forward induction, Dufwenberg & Gneezy’s (2000, GEB) early experimental test, Charness & Dufwenberg’s (2006, Econometrica; 2010, EL; 2011, AER) considerations of communication, Battigalli & Dufwenberg’s (2007, AER P&P) general model, Dufwenberg, Gächter & Hennig-Schmidt’s (2011, GEB) related work on framing, Battigalli, Charness & Dufwenberg (2013, JEBO) account of how the model can explain aspects of Uri Gneezy (2006, AER) deception data, and Chang, Smith, Dufwenberg & Sanfey’s (2011, Neuron) neuroeconomics turn. All the papers where I was a co-author (+also papers mentioned below) are downloadable on my homepage:

http://www.u.arizona.edu/~martind1/

Here are two related exercises the students can have fun with: (1) Consider the game form in Figure 1 of C&D (2006). Apply B&D’s (2007) theory of simple guilt. For which values of $\theta_B$ is $(In, Roll)$ an SE? (2) Now apply B&D’s theory of guilt-from-blame. (a) For which values of $\theta_B$ is $(In, Roll)$ an SE? (b) If $\sigma=\sigma_A, \sigma_B$ is an SE, describe $\sigma_B(Roll)$ as a function of $\theta_B$.


Finally, study…
- anger theory (which was the topic I concentrated on in last year’s spring school): read Battigalli, Dufwenberg & Smith (2015, mimeo);
- perceived cheating aversion in the Fischbacher & Follmi-Heusi (2013, JEEA) die-roll paradigm: read Dufwenberg & Dufwenberg (2016, mimeo);
- social norms & respect: read Dufwenberg & Lundholm (2001, EJ) and also Bernheim (1994, JPE), and note also the related discussion in B&D (2009).

Well, that should take a week… have fun!