

Triggering Cooperation By Using Outside Options

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Abstract

We investigate how an *opt-out option* can trigger cooperation using a multi-player prisoners' dilemma game. When individuals have (various forms of) social preferences, then two beneficial effects may occur from introduction of an opt-out option resulting in cooperation: positive sorting and forward induction. Their relative relevance is an empirical issue to be explored case by case. We exemplify by reporting results from a lab-in-the-field experiment. Our preliminary results indicate that positive sorting is the dominating effect, that is the outside option make selfish players to opt out. We discuss the policy implications of these findings to solve problems requiring cooperation, especially related to the environment.

Key Words: Cooperation, social preferences, opt-out options, forward induction, experiment.

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