Abstract

In real life, we often see examples of the opposite behavior that the neoclassical economic theory predicts, when people do not behave selfishly and care about the wellbeing of others, cooperate, have mutual trust, engage in charity, dislike injustice, are ready to punish a free-rider at their own expense, etc. This type of social behavior is called prosocial behavior. Prosocial behavior is the subject of interest of many disciplines, such as sociology, social psychology, economics, and others.

The phenomenon of large-scale cooperation between strangers has been included in the list of twenty-five most unexplored questions by modern science. Without the cooperation of many economic individuals, it is impossible to obtain a sufficient amount of public goods, such as science, innovation, clean environment, health care, defense, etc. Prosociality among individuals in economic relations has been given a lot of attention by economists precisely because of their important economic function. In particular, with the presence of cooperation and trust between individuals in economic relations, transaction costs are reduced and the created positive external effect adds more value to the economic system.

Recently, pioneering economic experiments were conducted in Georgia to the study of prosocial behavior. These studies found in Georgia that the highest level of cooperation and prosociality in public goods game experiment compared to the results of similar experiments of 16 different countries. However, they also showed that in Georgia anti-social punishment (such punishment when prosocial individuals are punished) was the most frequent and severe, compared to a similar experiment conducted in 16 other countries. In case of Georgia, in public goods game experiment the centralized punishment mechanism appeared to be more effective in deterring free riding than the peer punishment mechanism (when group members can punish each other). The experiments conducted in Georgia also revealed that dictators behave more selfishly, when they have prior experience of playing public goods game with peer punishment, than without such experience.

Despite these findings, many questions remain unanswered. For example, how stable are prosocial and altruistic behaviors? How is the prosocial norm formed and how does it affect an individual's decision and behavior? Why does the experience of playing a public goods game with a peer punishment mechanism lead to more selfish behavior in the dictator game played after than without such experience? A current economic experiment project addresses these questions and aim to contribute to the economic research of prosocial behavior and norm formation with new findings.