

ABSTRACT OF THESIS

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Title: Peer Pressure in work Teams : Theory and experiment evidence

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In recent years, models of peer pressure which have been developed are essentially models of mutual monitoring insofar as they assume that the only choice confronting agents in determining the peer pressure environment is to specify their monitoring effort.

In this thesis, we aim at considering a model of peer pressure where the agents decide on the sanctions to impose to eventual free riders. When sanctioning is costly, a rational money maximizer will never punish. As a consequence, subjects will shirk because they anticipate that they will never be punished. We conducted several experimental treatments to explore the validity of the theoretical predictions on the efficiency of peer pressure. The experiments simulate team production and allow subject to punish the other members. Our results indicate that subjects often engage in costly punishment of shirkers and that the availability of punishment increases cooperation. Moreover, the efficiency of peer pressure is strongly correlated with the cost and the nature of the sanction.

We find that the increase in cooperation is not only due to the willingness to avoid monetary consequences of sanctions but also to avoid disapproval of the peers. This analysis also provides evidence that subjects sanction their peers for two main reasons. The first explanation is that subject punish their peers because they expect that sanctions might have positive effects on future cooperation. The second explanation relies upon considerations of fairness : subjects are willing to sanction their peers in order to reduce inequity of payoffs. So full cooperation, as observed in the experiments, would be sustained as an equilibrium outcome if subjects would be sufficiently inequity averse.

Keywords : peer pressure, monitoring, work teams, free riding, cooperation, sanction, experimental economics, public good game with opportunity of sanction