Sanctioning Strategies and Internalization

a Game-Theoretic Approach

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Basic question:

What kind of symbolic sanctioning strategies – praise and blame – will lead to internalization, i.e. conformity even under imperfect surveillance?

		Eve	
		C_E	D_E
Adam	C_A	R R	T S
	D_A	S T	P=0 P=0

Figure 1: Basic Prisoner's Dilemma Game
(T>R>P>S)

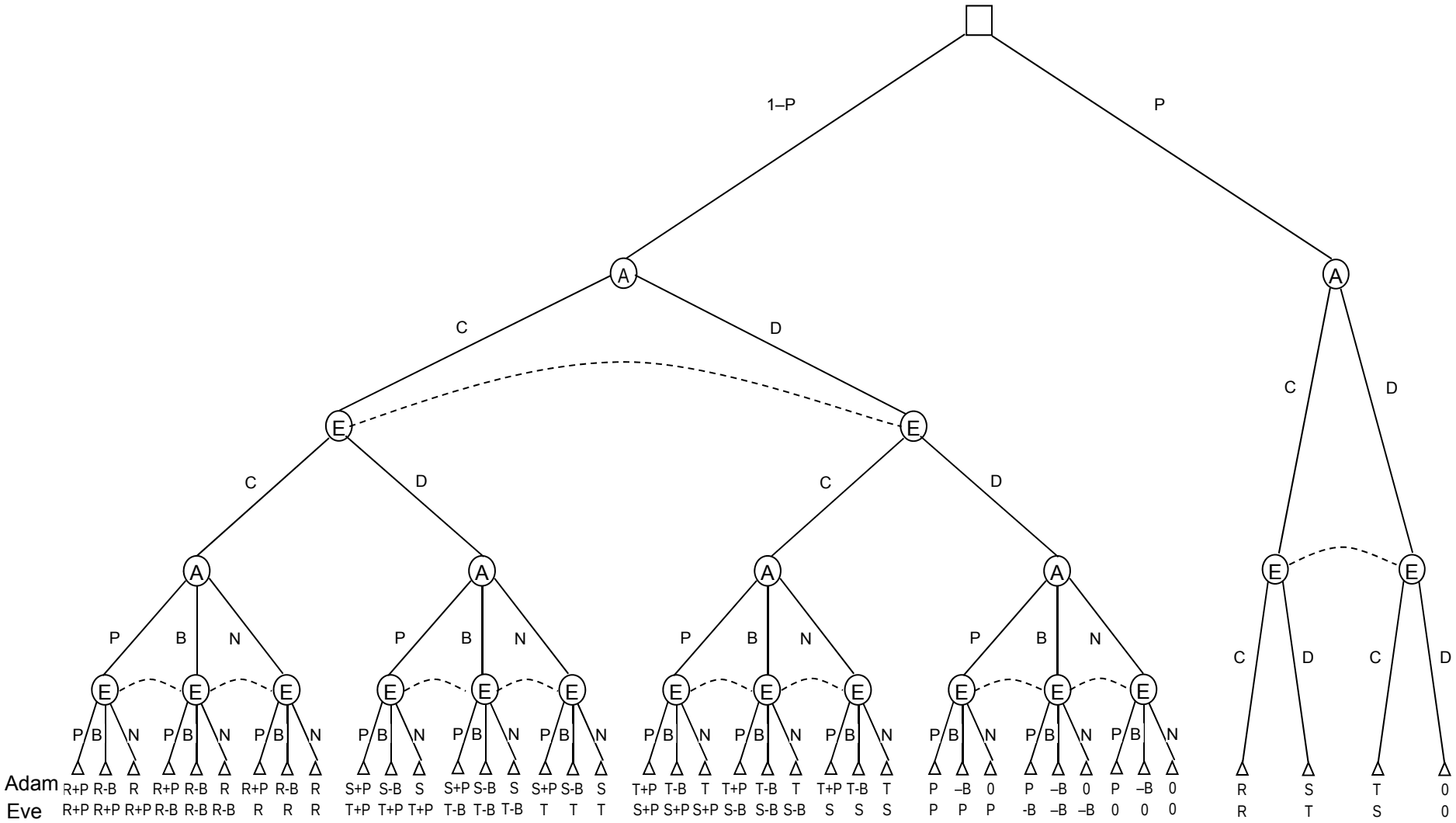

Figure 2: Norm game with symbolic sanctions and imperfect surveillance

C = conform; D = deviate; P = praise; B = blame; N = no reaction

$T > R > 0 > S$ $P > 0$ $B > 0$

Structure of an Internalization Game
(step 1)

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DD unconditionally defecting

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Symbolic sanctioning strategies		Symbolic payoff
PP	praising both observed and unobserved behavior	$(1–p)P+G^{+}$
PB	praising observed and blaming unobserved behavior	$(1–p)(P+G^{+})–pG^{-}$
PN	praising observed and not reacting to unobserved behavior	$(1–p)(P+G^{+})$

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BP	blaming observed and praising unobserved behavior	$–(1–p)(B+G^{-})+pG^{+}$
BB	blaming both observed and unobserved behavior	$–(1–p)B–G^{-}$
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BN	blaming observed and not reacting to unobserved behavior	$–(1–p)(B+G^{-})$
NP	not reacting to observed and praising unobserved behavior	pG^{+}
NB	not reacting to observed and blaming unobserved behavior	$–pG^{-}$
NN	not reacting to neither observed nor unobserved behavior	0

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will the actors always be unconditional conformists?

(1) Let us remember: In the basic game the combination (CC,CC) gives both actors the Pareto-optimal outcome R. To make the ***total*** payoff of an unconditional conformist CC maximal, his sanctioning payoff y_{CC} should be maximal. This will be the case if his partner chooses the sanctioning strategy PP.

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(2) Then the following inequalities must be satisfied for all $0 \leq p \leq 1$:

(i) $(1–p)P+G^{+} \geq p(T–R) + y_{CD}$

(ii) $(1–p)P+G^{+} \geq (1–p)(T–R) + y_{DC}$

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(5) Given these restrictions the minimal elements in equations (i) and (ii) are:

m_{CD} = NB with $y_{CD} = –pG^{-}$ and

m_{DC} = BN with $y_{DC} = –(1–p)(B+G^{-})$

The sanctioning mode therefore is M = (PP, NB, BN, BB), i.e. deviant behavior is always blamed whether observed or not; however conforming behavior is only praised if the actor is an unconditional conformist. In the literature this mode of sanctioning is called "sanctioning of sentiment" (Gesinnungssanktionierung). It fulfils all three conditions (α), (β) and (γ) as long as $G^{+}+G^{-} \geq T-R$, i.e. the strength of conscience outweighs the incentive to deviate.

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- M = (NN, NB, BN, BB) **“only blame”** is used as a symbolic sanction
- M = (NN, NN, NN, NN) **“laissez faire”**: behavior is never sanctioned

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- In order to internalize the norm with the *"only blame strategy"*, the bad conscience must be stronger than the incentive to deviate, $G^- > (T–R)$.

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- Of course, as one would expect, if the incentive to deviate is larger than the sum of all symbolic sanctions – $(T–R) > (P+B+G^{+}+G^{-})$ – none of the modes of sanctioning will bring about internalization.

Two Conjectures:

- If in the medium run respect and self-respect would become equally strong the conclusion stated above could be strengthened: If social approval alone is stronger than the incentive to deviate (P+B>T–R) then both players unconditionally conforming will always be a Nash equilibrium.

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- If internalization is successful players will accept punishment without retaliation. This „function" of internalization – accepting sanctions even if one has the capacity to „retaliate" or even repenting and paying restitution – is one of the important prerequisites of the stability of norms besides „secondary norms" where third persons disapprove a lack of sanctioning and applaud the application of sanctions.