

The Strategic Advantage of Negatively Interdependent Preferences*

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Abstract

We study certain classes of supermodular and submodular games which are symmetric with respect to material payoffs but in which not all players seek to maximize their material payoffs. Specifically, a subset of players have negatively interdependent preferences and care not only about their own material payoffs but also about their payoffs relative to others. We identify sufficient conditions under which members of the latter group have a strategic advantage in the following sense: at all intragroup symmetric equilibria of the game, they earn strictly higher material payoffs than do players who seek to maximize their material payoffs. We show that these conditions are satisfied by a number of games of economic importance, and discuss the implications of these findings for the evolutionary theory of preference formation and the theory of Cournot competition.

JEL Classification: C72, D62.

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