

On the Evolution of Individualistic Preferences: Complete versus Incomplete Information Scenarios^α

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Abstract

We study the evolution of preferences via payoff monotonic dynamics in strategic environments with and without complete information. It is shown that, with complete information and subgroup matching (empirically plausible interdependent preference relations may entail the local instability of individualistic preferences (which target directly the maximization of material payoffs/...ness). The said instability may even be global if the subgroup size is large enough. In contrast, under incomplete information (unobservability of preference types), we show that independent preferences are globally stable in a large set of environments, and locally stable in essentially any standard environment, provided that the number of subgroups that form in the society is large. Since these results are obtained within the context of a very general model, they may be thought of as providing an evolutionary rationale for the prevalence of individualistic preferences.

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