

WORKSHOP

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DECISION-MAKING

AND THE RULE OF LAW

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Strategic Behavior in Tight, Loose and Polarized Environments

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Abstract

In the context of strategic decision-making, we investigate how individuals respond to different distributions of co-player behavior. We focus on the difference between tight (i.e., characterized by low behavioral variance), loose (i.e., characterized by high behavioral variance), and polarized (i.e., characterized by U-shaped behavior) environments. Our results show that individuals strongly adapt their actions to the variance and distribution (polarized/single-peaked) of co-player behavior. In particular, higher variance environments generate greater variance of replies, and polarized environments generate polarized responses. This implies that tight, loose, and polarized (empirical) norms are self-sustaining.