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How Does Volatility in Relationships Lead to the Universalization of Social Cooperation and Institutions

22 April 2026 (Wed)
16:00–17:30

WYL314, 3/F, Dorothy Y. L. Wong
Building, Lingnan University



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BIOGRAPHY

LU Ziqi is an Assistant Professor from the School of Economics, Jinan University in Guangzhou, and he obtained his PhD from the economics department at Harvard in 2024. His research applies game theory and signaling models to understand the long-run evolution of morality, the history of political economy, and the foundations of cognitive biases. His most recent work uses separable repeated prisoner's dilemma to understand the evolution of moral universalism, the appearance of general altruism, and how the market replaces social exchange. He is also studying the evolution of the political institutions of China, particularly the staffing of the civil service system and the dynamic relationship between the central and local governments.

ABSTRACT

Modernization usually accompanies the rise of moral universalism and the general cooperation between social members. This paper attempts to capture the dynamics using a framework of voluntarily-separable repeated prisoner's dilemma. Modernization is captured by increased volatility in separation costs, which drives a structural transformation in three steps. First, in low-volatility environments, cooperation is strictly decreasing in social distance, generating a baseline of “Amoral Familism” where cooperation is sustained only by close ties and reciprocity. Second, higher volatility destabilizes close partnerships while simultaneously creating “stochastic lock-ins” that enable cooperation among strangers. This process flattens the cooperative gradient across social distances, rationalizing the rise of “Moral Universalism” without assuming changing preferences. Third, the locus of institutional enforcement shifts: as private reputation mechanisms fail in the private sphere and cooperation becomes viable in the public sphere, society transitions from fragmented private ordering to universal public institutions.