

# Supplementary Materials for: Enforcement of Contribution Norms in Public Good Games with Heterogeneous Populations

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## Abstract

This document contains supplementary materials for the paper *Enforcement of Contribution Norms in Public Good Games with Heterogeneous Populations*. It is organized in the following way: Section 1 consists of a sample of the instructions used in the experiment and in the online questionnaire study, and Section 2 presents the regressions of the various robustness checks for the norm-elicitation technique reported in the paper.

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# 1 Instructions

In this section, we provide a sample of the instructions used in the experiment and in the online questionnaire study. The instructions below are a translation of the original instructions, which are in Dutch.

## 1.1 Experiment

The experimental instructions correspond to those given to high players in the UMB treatment with punishment. Instructions used for low players, for groups without punishment, and in the other group types are very similar and available upon request. Note that respondents in the questionnaire study were given a copy of the instructions observed by subjects in the experiment. Questionnaire respondents saw the instructions of the group type to which they had been randomly assigned. Moreover, they saw instructions only for groups without punishment.

### Introduction

This experiment is divided into different periods. There will be 10 periods in total. During all 10 periods, the participants are divided into groups of three. Therefore, you will be in a group with 2 other participants. The composition of the groups will remain the same during all of the experiment.

Each period consists of two stages. In the first stage, you have to decide how many tokens you contribute to a group project. In the second stage, you will learn how much the other members of your group contributed to the project.

### The first stage

At the beginning of each period each participant in your group receives 20 tokens. We will refer to these tokens as the initial endowment.

In the first stage you decide how to use your initial endowment. You have to choose how many tokens you want to contribute to a group project and how many of them to keep for yourself. You can contribute any amount of your initial endowment to the group project. How many tokens you contribute is up to you. Each other group member will also make such a decision. All decisions are made simultaneously. That is, nobody will be informed about the decision of the other group members before everyone made his or her decision.

### Earnings in the first stage

Your earnings in tokens, in each period, are the sum of two parts:

- The number of tokens that you kept for yourself.
- Your income from the group project. This income equals:

$$[\text{multiplication factor}] \times \text{sum of contributions of all group members to the project}$$

The projects' multiplication factor is determined as follows: in each group, *one of the group members will have a multiplication factor of 0.75* and the other *two group members will have a multiplication factor of 0.5*. Before the experiment started each desk was assigned a multiplication factor equal to either 0.5 or 0.75. Therefore, by randomly assigning the yellow cards, each participant was randomly assigned to one of these values. The multiplication factor will be the same for all the 10 periods. *You will be the group member who has a multiplication factor of 0.75.*

Notice that, for each token which you keep for yourself you earn 1 token. If instead you contribute this token to the group project, then the total contribution to the project will rise by one token. Your income from the group project will rise by 0.75 tokens. Moreover, the other group members' income from the project will rise by 0.5 tokens. Your contribution to the group project therefore also raises the income of the other group members. For each token contributed to the project the total earnings of the group will rise by 1.75 tokens. Note that, you also earn tokens for each token contributed to the group project by the other group members. For each token contributed by any member you earn 0.75 tokens.

In summary, your earnings in tokens at the first stage of a period are equal to:

$$20 - \text{your contribution} + \text{your multiplication factor} \times (\text{sum of contributions})$$

After everyone has made his or her decision the first stage ends.

### Example for the first stage

Here is an example that illustrates how the earnings in tokens are calculated in the first stage of each period. The numbers used in the example are arbitrarily chosen.

You are in a group with two other participants (group member 1 and group member 2). Each participant's multiplication factor equals: you = 0.75, group member 1 = 0.5, group member 2 = 0.5. Suppose that, you contribute 15 tokens to the group project, group member 1 contributes 5 tokens to the group project, and group member 2 contributes 10 tokens to the group project. The earnings in tokens of each of the participants are given by:

$20 - \text{tokens contributed} + \text{multiplication factor} \times \text{sum of all contributions}$

In your case this equals:  $20 - 15 + 0.75 \times (15 + 5 + 10) = 27.5$  tokens.

For group member 1 this equals:  $20 - 5 + 0.5 \times (15 + 5 + 10) = 30$  tokens.

For group member 2 this equals:  $20 - 10 + 0.5 \times (15 + 5 + 10) = 25$  tokens.

### **The second stage**

At the beginning of the second stage, everyone in the group will see how much each of the other group members contributed to the project as well as their earnings from the first stage. The decision each group member has to make in the second stage is to either reduce or leave equal the earnings of each other group member. Reducing other group members' earnings can be done by spending tokens. The other group members can also reduce your earnings if they wish to. All decisions are made simultaneously. That is, nobody will be informed about the decision of the other group members before everyone made his or her decision.

More concisely, in this stage, you must decide whether and if yes how many tokens you want to spend to reduce the earnings of the other two group members. If you want to reduce another member's earnings, you do that by allocating deduction points. For each deduction point that you allocate to another group member his or her earnings are reduced by 3 tokens and your own earnings are reduced by 1 token. If you do not wish to change the earnings of another group member then you must allocate 0 deduction points to him or her. Note, that you will not be allowed to reduce the earnings of a group member to less than zero.

Remember that, for every deduction point you receive from other group members, your earnings will be reduced by 3 tokens (but never below zero). Every participant can spend up to a maximum of 10 tokens (i.e. allocate 10 deduction points) on each group member in each period.

After everyone has made a decision, you will be informed how many deduction points you received from the other group members and also what your total earnings in tokens for that period are. Note that you do not get to know how individual group members spend their deduction points. In other words, you will only be informed of the total amount of deduction points allocated to you by the other two group members. You will not know how many deduction points each individual group member allocated to you.

### **Examples for the second stage**

Here are some arbitrarily chosen examples that illustrate how your final earnings are calculated. You, group member 1 and group member 2 are all members of the same group.

*Example 1:* Suppose that after the first stage you have earnings that are equal to 30 tokens. In the second stage you decide to allocate 3 deduction points to group member 1 (this reduces group member 1's earnings by 9 tokens) and 0 deduction points to group member 2 (this does not change group member 2's earnings). After all have made their decision, you learn that the others allocated you a total of 4 deduction points. In this case, your total earnings in tokens in this period are given by:

$$\begin{aligned} & (\text{Your first stage earnings} - 3 \times \text{deduction points allocated to you})^* \\ & \quad - \text{deduction points you allocated} \end{aligned}$$

\* If the number between brackets is negative then replace it with zero.

In this example, your earnings are equal to:  $(30 - 3 \times 4) - 3 = 18 - 3 = 15$  tokens.

*Example 2:* Suppose that after the first stage you have earnings that are equal to 18 tokens. In the second stage you decide to allocate 4 deduction points to group member 1 (this reduces group member 1's earnings by 12 tokens) and 6 deduction points to group member 2 (this reduces group member 2's earnings by 18 tokens). After all have made their decision, you learn that the others allocated you a total of 8 deduction points.

In this case, your earnings are equal to:  $(18 - 3 \times 8) - 10 = 0 - 10 = -10$  tokens.

Note that  $18 - 3 \times 8 = -6$ , since this is a negative number it is replaced by zero.

### Negative earnings

It is, in principle, possible that you make negative earnings in a period. However, you can always avoid this by not spending any tokens in the second stage (that is, by not allocating any deduction points to the other members). Hence, you can always avoid negative earnings with certainty through your own choices.

### Summary

In summary, your earnings in tokens in each period are equal to:

$$\begin{aligned} & (\text{Your initial endowment} - \text{your contribution to the project} \\ & \quad + 0.75 \times (\text{sum of contributions}) \\ & \quad - 3 \times \text{total deduction points received from others})^* \\ & \quad - \text{amount of deductions points you allocated to others} \end{aligned}$$

\* If your earnings up to this point are negative then replace them with zero

## 1.2 Online questionnaire study

The questionnaire study consisted of two sets of questions. The first set corresponds to the following question:

“From the viewpoint of a *neutral uninvolved arbitrator*, what is the ***fair*** amount that each of the group members should contribute to the group project?

Group member 1 (has an endowment of  $y_1$  tokens and can contribute up to  $\bar{c}_1$  tokens): \_\_\_\_\_

Group member 2 (has an endowment of  $y_2$  tokens and can contribute up to  $\bar{c}_2$  tokens): \_\_\_\_\_

Group member 3 (has an endowment of  $y_3$  tokens and can contribute up to  $\bar{c}_3$  tokens): \_\_\_\_\_ ”

Respondents indicated a contribution for each group member and could choose any contribution between 0 and  $\bar{c}_i$ . The second set corresponds to a series of questions of the following form:

“From the viewpoint of a *neutral uninvolved arbitrator*, what is the ***fair*** amount that group member  $i$  and group member  $j$  should contribute if: *group member  $k$  contributes  $x$  tokens to the group project?*

Group member  $i$  (has an endowment of  $y_i$  tokens and can contribute up to  $\bar{c}_i$  tokens): \_\_\_\_\_

Group member  $j$  (has an endowment of  $y_j$  tokens and can contribute up to  $\bar{c}_j$  tokens): \_\_\_\_\_ ”

Respondents indicated a contribution for group members  $i$  and  $j$  and could choose contributions between 0 and respectively  $\bar{c}_i$  or  $\bar{c}_j$ . We varied the values of  $x$  and the role of group members  $k, i, \text{ and } j \in \{1, 2, 3\}$  in order to identify different relative contribution norms. The specific roles and the answers that most-closely correspond to each norm are provided in Table A1. Note that for all group types,  $x = 16$  tokens in the first question and  $x = 8$  tokens in the remaining questions.<sup>1</sup>

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<sup>1</sup>In addition to these questions, the questionnaire had “filler” questions so that respondents could not discern the purpose of the study. These questions are available upon request.

**Table A1: Online questionnaire study questions**

*Note:* Parameters for the second set of questions in the questionnaire study and the answers that most closely correspond to each contribution norm. Note that for all group types, the contribution of group member  $k$  is fixed to  $x = 16$  tokens in question 1 and  $x = 8$  tokens in questions 2 and 3.

Group type	Question #	Group member	Role	Contribution <i>most</i> consistent with				Efficiency
				Equality of contributions	Earnings	Proportionality to endowments	Benefits	
EQUAL	1	$i$	low	16	–	–	–	20
		$j$	low	16	–	–	–	20
	2	$i$	low	8	–	–	–	20
		$j$	low	8	–	–	–	20
URE	1	$i$	low	16	0	8	–	20
		$j$	low	16	0	8	–	20
	2	$i$	low	8	0	4	–	20
		$j$	low	8	0	4	–	20
UUE	1	$i$	high	8	20	16	–	20
		$j$	low	8	8	8	–	20
	2	$i$	low	16	0	8	–	20
		$j$	low	16	0	8	–	20
UMB	1	$i$	low	8	0	4	–	20
		$j$	low	8	0	4	–	20
	2	$i$	high	8	28	16	–	40
		$j$	low	8	8	8	–	20
UMB	1	$i$	low	16	8	–	11	20
		$j$	low	16	8	–	11	20
	2	$i$	low	8	4	–	5	20
		$j$	low	8	4	–	5	20
3	$i$	high	8	16	–	12	20	
	$j$	low	8	8	–	8	20	

## 2 Coefficients of the best-fitting regressions

In this section, we report the robustness checks of the econometric procedure used to evaluate the subjects' sanctioning behavior. As in the results section of the paper, we report the values of  $\mu^{*H \rightarrow L}$ ,  $\mu^{*L \rightarrow H}$ , and  $\mu^{*L \rightarrow L}$  that best describe the punishment data and the corresponding regression estimates.

**Table A2: Best fitting contribution norms using all groups**

	<i>Optimal <math>\mu</math>'s</i>			
	EQUAL	URE	UUE	UMB
$\mu^{*H \rightarrow L}$		0.51	0.33	0.48
$\mu^{*L \rightarrow H}$		0.54	0.68	0.51
$\mu^{*L \rightarrow L}$	0.51	0.52	0.50	0.51
	<i>Regressions</i>			
	EQUAL	URE	UUE	UMB
$\beta_{pos}^{H \rightarrow L}$		0.72** (0.20)	0.07 (0.17)	0.92** (0.30)
$\beta_{neg}^{H \rightarrow L}$		0.65** (0.17)	0.60** (0.23)	0.68** (0.19)
$\beta_{pos}^{L \rightarrow H}$		0.26 (0.19)	0.46 <sup>†</sup> (0.27)	0.13 (0.17)
$\beta_{neg}^{L \rightarrow H}$		0.66** (0.19)	0.45* (0.20)	0.75* (0.33)
$\beta_{pos}^{L \rightarrow L}$	0.07 (0.11)	0.42* (0.21)	0.39 (0.33)	0.28 (0.23)
$\beta_{neg}^{L \rightarrow L}$	0.64** (0.15)	0.89** (0.18)	1.15** (0.29)	0.76** (0.19)
$\lambda$	0.12 <sup>†</sup> (0.06)	0.26** (0.06)	0.18** (0.06)	0.22** (0.07)
$\gamma^r$	0.14 <sup>†</sup> (0.08)	0.29** (0.07)	0.17 (0.11)	0.17 (0.12)
$\gamma^p$	-0.11 (0.07)	-0.03 (0.08)	-0.31** (0.10)	-0.07** (0.07)
# obs.	594	594	594	540
log likelihood	-400.13	-365.15	-367.50	-439.68

Table A2 contains the values of  $\mu^{*H \rightarrow L}$ ,  $\mu^{*L \rightarrow H}$ , and  $\mu^{*L \rightarrow L}$  that best describe the punishment data when we estimate the  $\mu$ 's using data from all the groups (i.e., both efficient and inefficient groups). The table also contains the coefficients of the corresponding Tobit regressions. In Table A3, we report the regressions obtained when searching for the optimal  $\mu$ 's using probit as opposed to Tobit estimates (with inefficient groups only) where the decision consists of either punishing (= 1) or not punishing (= 0). All regressions are run with subject random effects, and in addition to the shown coefficients, they all contain group dummies, a constant, and dummies

**Table A3: Best fitting contribution norms using probit estimates**

	<i>Optimal <math>\mu</math>'s</i>			
	EQUAL	URE	UUE	UMB
$\mu^{*H \rightarrow L}$		0.52	0.36	0.48
$\mu^{*L \rightarrow H}$		0.51	0.69	0.51
$\mu^{*L \rightarrow L}$	0.52	0.50	0.50	0.52
	<i>Regressions</i>			
	EQUAL	URE	UUE	UMB
$\beta_{pos}^{H \rightarrow L}$		0.13 (0.10)	0.04 (0.07)	0.29* (0.14)
$\beta_{neg}^{H \rightarrow L}$		0.23* (0.09)	0.18 <sup>†</sup> (0.10)	0.60** (0.17)
$\beta_{pos}^{L \rightarrow H}$		0.06 (0.09)	0.13 (0.16)	0.00 –
$\beta_{neg}^{L \rightarrow H}$		0.28* (0.12)	0.13 <sup>†</sup> (0.07)	0.64** (0.25)
$\beta_{pos}^{L \rightarrow L}$	0.00 –	0.18 <sup>†</sup> (0.10)	0.00 –	0.28 (0.18)
$\beta_{neg}^{L \rightarrow L}$	0.14* (0.07)	0.63** (0.16)	0.35** (0.11)	0.51** (0.17)
$\lambda$	0.08* (0.03)	0.06 <sup>†</sup> (0.03)	0.06** (0.02)	0.08* (0.03)
$\gamma^r$	0.17** (0.05)	0.09 <sup>†</sup> (0.05)	0.03 (0.04)	0.14* (0.06)
$\gamma^p$	–0.07* (0.03)	–0.10* (0.04)	–0.07 <sup>†</sup> (0.04)	–0.03 (0.04)
# obs.	324	378	378	324
log likelihood	–160.60	–124.15	–146.79	–164.98

indicating the role of  $i$  and  $j$ . Standard errors are reported in parentheses, and statistical significance at the 10, 5, and 1 percent levels are indicated by the symbols <sup>†</sup>, \*, \*\*, respectively.

Overall, the regressions in Tables A2 and A3 are qualitatively the same to in the main body of the paper (in Table 6). Results are also quantitatively similar. In the following sentences we describe any important differences between the various specifications. Both tables reveal that using data from all groups does not markedly alter the optimal  $\mu$ 's in EQUAL, URE, and UUE. In contrast, in UMB we find that  $\mu^{*H \rightarrow L}$ ,  $\mu^{*L \rightarrow H}$ , and  $\mu^{*L \rightarrow L}$  all are close to 0.50, which is

consistent with the enforcement of an equal contributions norm. With respect to the estimated regression coefficients, the only noticeable difference between Table 6 in the main body of the paper and the tables in this appendix occurs for the case where we use probit regressions. Namely, in Table A3 the coefficient measuring negative deviations from the absolute efficiency rule ( $\lambda$ ) in URE, and two coefficients measuring deviations from the relative contribution rule in UUE ( $\beta_{neg}^{H \rightarrow L}$  and  $\beta_{neg}^{L \rightarrow H}$ ) are now statistically significant only at the 10 percent level.