

Gächter, Simon; Herrmann, Benedikt; Thöni, Christian

Working Paper

Culture and cooperation

CESifo Working Paper, No. 3070

Provided in Cooperation with:

Ifo Institute – Leibniz Institute for Economic Research at the University of Munich

Suggested Citation: Gächter, Simon; Herrmann, Benedikt; Thöni, Christian (2010) : Culture and cooperation, CESifo Working Paper, No. 3070, Center for Economic Studies and ifo Institute (CESifo), Munich

This Version is available at:

<https://hdl.handle.net/10419/38927>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.

Culture and Cooperation

Simon Gächter
Benedikt Herrmann
Christian Thöni

CESIFO WORKING PAPER NO. 3070
CATEGORY 2: PUBLIC CHOICE
JUNE 2010

An electronic version of the paper may be downloaded

- *from the SSRN website:* www.SSRN.com
- *from the RePEc website:* www.RePEc.org
- *from the CESifo website:* www.CESifo-group.org/wp

Culture and Cooperation

Abstract

Does the cultural background influence the success with which genetically unrelated individuals cooperate in social dilemma situations? In this paper we provide an answer by analyzing the data of Herrmann *et al.* (*Science* 2008, pp. 1362-1367), who study cooperation and punishment in sixteen subject pools from six different world cultures (as classified by Inglehart & Baker (*American Sociological Review* 2000, pp. 19-51)). We use analysis of variance to disentangle the importance of cultural background relative to individual heterogeneity and group-level differences in cooperation. We find that culture has a substantial influence on the extent of cooperation, in addition to individual heterogeneity and group-level differences identified by previous research. The significance of this result is that cultural background has a substantial influence on cooperation in otherwise identical environments. This is particularly true in the presence of punishment opportunities.

JEL-Code: C92, D64, D79, H41, Z10, Z13.

Keywords: human cooperation, punishment, culture, experimental public good games.

Simon Gächter
School of Economics
University of Nottingham
Sir Clive Granger Building, University Park
UK – Nottingham NG7 2RD
simon.gaechter@nottingham.ac.uk

Benedikt Herrmann
School of Economics
University of Nottingham
Sir Clive Granger Building, University Park
UK – Nottingham NG7 2RD
benedikt.herrmann@gmail.com

Christian Thöni
University of St. Gallen
SEW-HSG
Varnbuelstrasse 14
9000 St. Gallen
Switzerland
christian.thoeni@unisg.ch

1. INTRODUCTION

Many important social problems of mankind – from interactions in the workplace to tackling climate change – involve the cooperation of genetically unrelated individuals in situations in which collective welfare is jeopardized by individual self interest. According to one model of human social behaviour, self-interest is a dominant behavioural force and therefore welfare-enhancing cooperation is doomed to fail, unless well defined small groups interact indefinitely (which allows for targeted punishment by withdrawing cooperation, see Axelrod (1984); Fudenberg & Maskin (1986); Sigmund (2010)). Numerous behavioural experiments, as for example surveyed in Fehr *et al.* (2002b), Fehr & Fischbacher (2004), and Gächter & Herrmann (2009), and other empirical studies (see, e.g., Gintis *et al.* (2005)) have shown that this prediction is way too pessimistic and that much more cooperation exists than is easily compatible with the selfishness assumption. This is particularly true in the presence of punishment opportunities. Many people are willing to exert costly punishment of people whose behaviour they dislike, even when there is no material benefit whatsoever for doing so. However, recent research also suggests that there is substantial individual heterogeneity with regard to pro-social behaviour, in particular in the context of cooperation (e.g., Fischbacher *et al.* (2001); Kurzban & Houser (2005); Bardsley & Moffatt (2007); Kocher *et al.* (2008); Muller *et al.* (2008); Herrmann & Thöni (2009); Fischbacher & Gächter (2010); see Bergmuller *et al.*, this volume, for a discussion of personality and cooperation). Such inter-individual differences have a potential of explaining aggregate behaviour and group-level differences (e.g., Gächter & Thöni (2005); Kurzban & Houser (2005); Gunnthorsdottir *et al.* (2007); Fischbacher & Gächter (2010)) and may play a major role for the stability of cooperation (McNamara & Leimar, this volume).

An interesting next approach is to jump from the “micro-level” to the “macro-level” and to ask whether there are also differences in cooperation behaviour across cultural backgrounds. When we speak of the “cultural background” we have those sets of beliefs and values in mind the majority of people in these societies hold and that get “transmitted fairly unchanged from generation to generation” (Guiso *et al.* (2006), p. 23). In particular, influential social scientists like Inglehart (1997) and Inglehart & Baker (2000) argue on the basis of data from the World Values Survey that there are distinct cultural areas in the world, reflected in people’s value systems. The question we ask in this paper is whether there are differences in experimentally observed cooperation behaviour across distinct world cultures.¹

To answer this question we will analyze a data set of highly comparable cross-cultural experiments conducted by Herrmann *et al.* (2008a) with more than 1100 participants in sixteen

subject pools from six distinct cultural areas around the world. All participants played finitely repeated public good experiments with and without punishment in stable groups, in a design inspired by Fehr & Gächter (2000). This data set, which we describe in Section 2 in more detail, along with our methodology of classifying subject pools according to cultural areas, allows us to disentangle the relative importance of individual heterogeneity, group-level differences, and cultural heterogeneity for cooperation. To our knowledge, such an analysis has not been done before.

In principle, survey methods could also be applied to uncover cross-cultural differences. However, subjects do not have an incentive to admit their true social preferences when it costs nothing to pass for being cooperative and pro-social. When surveyed, presumably only a few people would admit to being selfish. By contrast, behavioural experiments have the advantage that actual behaviour rather than stated intentions is observed. In experiments participants can, depending on their decisions, earn considerable amounts of money. Thus, the laboratory allows observing real decision making under controlled circumstances. Moreover, our goal of disentangling individual heterogeneity, group-level differences and cultural variation demands a laboratory experimental approach.²

Why might the cultural background matter at all for cooperation? This is an interesting question because the *Homo economicus* model mentioned above suggests that cultural background does not matter: selfishness is universal. The fact that not all people are selfish has recently inspired theoretical models of social preferences which take this heterogeneity into account (see, e.g., Fehr & Schmidt (2006) for a survey). Yet, these models are also mute with respect to the influence of cultural background. In general, economists, with some exceptions (e.g., Roth *et al.* (1991) in a seminal study) have not been interested in cultural differences. This is now changing (for a succinct survey see Fernández (2008)). The reasons are theoretical developments (e.g., Greif (1994); Bowles (1998); Bednar & Page (2007); Guiso *et al.* (2008); Tabellini (2008b)), and better data, both experimental (e.g., Henrich *et al.* (2001); Oosterbeek *et al.* (2004)) and non-experimental (Guiso *et al.* (2006); Fernández (2007); Tabellini (2008a)). By contrast, psychologists have established many profound differences in human behaviour and thinking across cultures (see, e.g., the reviews by Markus & Kitayama (1991); Nisbett & Cohen (1996); Cohen (2001); Nisbett (2003); Henrich *et al.* (forthcoming); Heine & Buchtel (2009); and Heine & Ruby (2010)). For example, in a recent paper Henrich *et al.* (forthcoming) show that Western subjects, which are most frequently used in behavioural experiments, are actually often the outlier in the range of observed behaviours. Thus, it is an obvious question whether there are also differences in cooperation behaviour across different world cultures. Moreover, evolutionary psychological approaches predict the possibility of cultural differences

because people have an evolved psychology that allows them to attune their behaviour to the norms, expectations, and (sanctioning) behaviours of others around them (e.g., Boyd & Richerson (2005); Gintis (forthcoming); Henrich (2004); Henrich & Henrich (2007); Herrmann *et al.* (2007); Nettle (2009); Tomasello *et al.* (2005); Tomasello (2009); Rendell *et al.* (2010)).

From what we know from numerous experiments we can speculate about potential behavioural channels of cultural influences. First, in the context of cooperation many experiments have shown that people are conditional cooperators who cooperate more the more they believe others will cooperate (e.g., Croson (2007); Gächter (2007); Fischbacher & Gächter (2010)). Any factor that influences beliefs might also influence cooperation. This is also true of framing effects (e.g., Dufwenberg *et al.* (2006)) or, more generally, contextual cues, of which the cultural background is an important example. For example, subjects in a public good experiment in Kenya termed the neutrally framed experiment as “harambee”, their word for community work (Henrich *et al.* (2005)). The way naturally occurring cooperation problems are normally solved in society might influence people’s beliefs about how others will behave. Second, from experiments in which punishment was possible, we know that substantial differences in punishment across subject pools in different cultures can exist and even be anticipated prior to any experience in the particular situation (see, e.g., Gächter *et al.* (2005) and Gächter & Herrmann (2009) who ran experiments in Russia and Switzerland). Consistent with this observation, Herrmann *et al.* (2008a), in experiments which we will analyze in detail below, showed a large diversity of punishment patterns across different subject pools around the world, resulting in vastly different cooperation levels.

We are of course not the first to investigate cultural influences on cooperation behaviour, or pro-sociality in general (see, e.g., Oosterbeek *et al.* (2004)). Particularly noteworthy are the seminal large-scale studies conducted in small-scale societies around the world (Henrich *et al.* (2001); Henrich *et al.* (2005); Henrich *et al.* (2006); Henrich *et al.* (2010)).³ While Henrich and his co-workers mostly used simple bargaining games and conducted their experiments with members of small-scale societies, the experiments we will analyze were all conducted in large-scale developed societies. The small-scale societies differ among each other in the extent to which cooperation is important for economic production (e.g., cooperative whale-hunting vs. individual hunting and gathering); how strong market integration is (how many calories are bought on the market?); the size of communities; and adherence to a world religion (Henrich *et al.* (2010)). Differences on these dimensions explain a large part of the variation that is observed in experimental bargaining games in these small-scale societies (Henrich *et al.* (2005); Henrich *et al.* (2010)). Modern developed societies hardly differ on the dimensions of market integration and reliance on cooperation, for all modern societies know division of labour and

trade between non-kin (Richerson & Boyd (1999)). Thus, in comparison to the small-scale societies the cultural influence we identify does not come from fundamental differences in socio-economic structures but from historical, religious, political and value differences, which Inglehart and Baker's (2000) classification of cultural areas around the world, or Hofstede's (2001) "cultural dimensions" try to capture.

Another distinguishing feature of our approach from previous cross-cultural economics experiments is that many of them test specific (proximate) hypotheses that are derived from the compared cultures (Bohnet *et al.* (2008); Bohnet *et al.* (2010); Buchan *et al.* (2002); Buchan *et al.* (2009); Chuah *et al.* (2007); Chuah *et al.* (2009); Hayashi *et al.* (1999); Holm & Danielson (2005); Kachelmeier & Shehata (1997); Yamagishi (1988); Yamagishi & Yamagishi (1994); Yamagishi *et al.* (1998); Wu *et al.* (2009)). Our approach is different since our goal is to understand a more fundamental issue – do we find evidence that comparable subjects from modern developed societies that are characterized by large-scale cooperation but differ strongly with regard to historical and cultural values behave differently in games of cooperation? This question is motivated by evolutionary theories of cooperation (Henrich (2004); Henrich & Henrich (2007); Nowak (2006); Sober & Wilson (1998)) rather than proximate mechanisms of cultural differences.

The typical methodology of cross-cultural experiments is to observe a comparable subject pool in different societies. The idea is to run experiments in a way that minimizes variations due to subject pool composition or experimental procedures. In this way any differences that might be observed between cross-societal subject pools are likely due to differences in the cultural background of the compared societies. Our methodology, which we describe in more detail in the next section, builds on this idea but refines it in two ways. First, the data of Herrmann *et al.* (2008a) were collected in six distinct cultural areas according to Inglehart & Baker (2000) and Hofstede (2001). Thus, rather than comparing two cultures we compare six cultures. Second, we do not identify culture by nationality, because different nations can share largely similar cultural backgrounds. The cultural classification of Inglehart & Baker (2000) gives us at least two different societies in each of the six cultures; in three cultural areas we have data from subject pools from three different societies and in three cultural areas from two different societies. In one culture, "Protestant Europe", we have data from four subject pools from three countries (in Switzerland we have data from two subject pools, St. Gallen and Zurich). This structure of our data allows us to compare within-cultural variation with between-cultural variation, which is impossible if there is only one subject pool per society or cultural area.⁴

Our main findings are that cooperation within cultures is largely similar while there exist highly significant differences between cultures. This is true in public good experiments with and without punishment and also holds for punishment behaviour. This dual observation of within-culture similarity and cross-cultural heterogeneity is the main support for the claim that there are cultural influences on cooperation.

2. THE DATA AND OUR APPROACH

In the following we first describe the most important details of the design of Herrmann *et al.* (2008a), followed by the details of our classification of cultural areas. Our third step is a description of our main statistical approach for discerning the importance of cultural background for cooperation and punishment.

We start with the details of the experimental design which was motivated by the observations from Ostrom *et al.* (1992), Fehr & Gächter (2000) and Fehr & Gächter (2002) who showed that the punishment mechanism has dramatic impacts on contributions in the public goods game. All subjects took part in two experiments, each lasting for ten periods. The first experiment always was a public good experiment with no punishment opportunities (we call this the “N-condition”). The second experiment was a public good experiment with a punishment opportunity (the “P-condition”). Both experiments were played in stable groups of four subjects for 10 periods. In both experiments subjects received an endowment of 20 ECU (experimental currency unit) in each period. All subjects decided simultaneously how many ECU they wanted to contribute to a public good. All contributions in a group were summed up and multiplied by 1.6. The resulting amount of ECU was divided *equally* among all subjects in the group. A subject's payoff consisted of the ECUs he or she did not contribute plus his share of the public good. In the N-condition the stage game ended here and subjects moved on to the next period. Note that in this game it is individually rational (assuming selfish preferences) to contribute nothing to the public good: for every unit contributed a subject earns only .4 units in return. However, joint income is maximized if all subjects contribute their entire endowment to the public good. This is due to the fact that the *social return* of contributing is 1.6 per unit contributed.

In the P-condition there was an additional stage where subjects could reduce each others' incomes at their own cost. All subjects learned the contributions of all other group members. Subjects could then assign punishment points to each other group member. Each punishment point reduced the income of the punished group member by three ECUs. However, punishment

was also costly to the punisher. Each punishment point cost the punisher one ECU. For further details, the procedures and the instructions we refer the reader to Herrmann *et al.* (2008b).

Herrmann *et al.* (2008a) ran these experiments in sixteen different locations with a total of 1120 participants. The locations are all over the developed world and span a large set of cross-societal differences (see Herrmann *et al.* (2008b) for the details). As explained above, subjects interacted in stable groups of four members throughout the entire experiment. Therefore, groups constitute the independent units of observations on which all our non-parametric tests will be based. In total, we have data from 280 groups.

Herrmann *et al.* (2008a) designed and ran their experiments in a way that minimizes differences in behaviour that come from subject pool composition or experimental procedures. To ensure this, participants were all undergraduates and thereby very similar with regard to age, education, and their socio-economic situation in their respective society. Gender composition was also similar in most subject pools. Thus, any variation we observe between subject pools or cultural regions are unlikely due to differences in subject pool composition. Similarly, to minimize behavioural variability as introduced by experimental procedures Herrmann *et al.* (2008a) followed standard practices of cross-cultural experiments as introduced to experimental economics by Roth *et al.* (1991). A detailed discussion of these issues can be found in Herrmann *et al.* (2008b).

An important conceptual step for our purposes is to classify locations into cultural regions according to cultural proximity. To avoid being arbitrary we rely on seminal research by Inglehart (1997) and Inglehart & Baker (2000), who use data from the World Values Survey to identify clusters in world cultures. According to Inglehart & Baker (2000), societies can be characterised by two dimensions: “traditional vs. secular-rational values” and “survival vs. self-expression values”. The first refers to people’s attitudes on topics like abortion, national pride, obedience, and respect for authorities; the latter refers to attitudes on the importance of economic and physical security over self-expression and quality-of-life; homosexuality, happiness and trust. Table 1 shows the countries where our data stems from and their cultural classification. Where available, we take the classification from the Global Cultural Map (Inglehart & Baker (2000), p.29, Figure 1). This allows us to classify all countries in the cultural areas "English speaking", "Protestant Europe", "Orthodox/Ex-Communist", and "Confucian". Among the four remaining countries, only Turkey appears in Inglehart & Baker (2000). An alternative source of information about cultural differences are the four cultural dimensions (power distance, individualism, masculinity, and uncertainty avoidance) defined by Hofstede (2001). Using these four dimensions strongly suggests pairing Greece and Turkey. If we calculate the Euclidian distance then Turkey is the third closest country to Greece in a

sample of 71 countries (and the closest one in our sample of countries). Finally, we group the two Arabic subject pools into the category "Arabic-speaking".

Before we continue, a caveat is in order. Classifications are always to some extent open to criticism, and Inglehart & Baker (2000) are aware of this (see their discussion on pp. 32-40). We believe, however, that this classification makes a lot of sense in particular because the identified cultural clusters all share some common history and four of the clusters also share a common language. Moreover, the identified clusters are also similar with regard to other measures of cultural similarity, like Hofstede's four cultural dimensions (Hofstede (2001)), or norms of civic cooperation, the strength of the rule of law, or democracy (see Herrmann *et al.* (2008b), in particular Table S1). There is no detailed information on the Arabic countries, but Hofstede groups them under "Arab world" (Hofstede's sample does not include Oman, but its neighbouring states Saudi Arabia and UAE).

Table 1

Our main interest is in whether there are cultural differences in contribution decisions and how important they are, if they exist. To analyze these questions our empirical strategy will be two-fold. We first describe the data using graphical tools and non-parametric tests to analyze whether there are cultural differences, that is, systematic patterns of different contributions to public good according to the cultural areas defined above. Cultural differences exist if the variation between cultures is larger than the variation within cultures. Therefore, we will provide tests of behaviour within a culture as well as tests between cultures. If behaviour is very homogeneous within culture but different across cultures, we should not find statistically significant differences within culture but significant differences between cultures. Notice, however, that homogeneity within culture and differences across cultures are only sufficient for the existence of cultural differences. Significant between-cultural differences can still exist even if there are significant within-cultural differences, provided the within-cultural differences are "small enough" relative to the between-cultural differences.

The existence of cultural differences does not yet tell us how "big" they are, also relative to the importance of individual variation and variation that is due to differences between groups. For that purpose we use a nested analysis of variance (ANOVA) model to attribute the amount of variance in the contributions explained by cultural variations, group differences, and individual heterogeneity. Our basic linear model underlying the ANOVA uses the exogenous variables *Period*, *Culture*, *Group*, and *Individual* (*Period* is the period number, *Culture* is a categorical variable to identify the six cultural clusters, and *Individual* (*Group*) are dummy

variables for each individual (group)). *Individual* is nested in *Group* and *Group* is nested in *Culture*. We use the ANOVA to disentangle the coefficient of determination to separate the explanatory power of our exogenous variables in the N- and the P-condition.⁵ Our approach not only allows us to measure the explanatory power of cultural variation, but also allows us to compare the importance of cultural variation relative to individual and group influences.

3. Results

The main results of the first part of our analysis, which concerns the existence of culture effects, are contained in Figures 1 to 4. Recall that we argued that cultural differences in contributions exist if contributions are more similar within a culture than between cultures. In our analysis we separate the data according to the cultural categorization summarized in Table 1 and according to treatment condition.

We start with Figure 1 and the *N-condition*. The left part of each panel shows the results for the N-condition; ‘c’ indicates the average contribution over the ten periods. Within all cultures contributions are remarkably similar. According to Kruskal-Wallis tests based on group average contributions across all periods, contributions within a culture are at most weakly significant (in two cultures) and insignificant in four cultures (see p-values indicated in the panels of Figure 1). Between cultures, however, contributions are highly significantly different (Kruskal-Wallis test with group averages as independent observations and culture as the grouping variable; $\chi^2(5)=30.9$, $p=0.0001$). We interpret this as unambiguous evidence for cultural influences on cooperation in the absence of punishment.

This difference concerns the average level of cooperation. However, all subject pools experience a decline of contributions in the N-condition over time (except subjects in Athens and the two Arabic subject pools, where contributions appear more stable). The explanation of the decline of cooperation is beyond the scope of this paper. We refer the reader to Neugebauer *et al.* (2009) and Fischbacher & Gächter (2010) for analyses of the almost ubiquitous decline of cooperation in finitely repeated public good games. To test whether there are also cultural differences with regard to the extent of the decline of cooperation, we calculated for each independent group a Spearman rank order correlation of group average contribution and period. We use this correlation coefficient as a test statistic in a Kruskal-Wallis test with the cultural regions as the test groups. We find highly significant differences ($\chi^2(5)=42.1$, $p=0.0001$).

We now turn to the analysis of the *P-condition* (illustrated in the right part of each panel). Within a culture the temporal patterns are surprisingly similar. In some of the cultures there is also an indication of significant within-culture variation: cooperation levels are significantly

different in two and weakly significantly different in one culture. Across cultures contribution levels are highly significantly different (Kruskal-Wallis test with group averages as independent observations and culture as the grouping variable; $\chi^2(5)=96.5$, $p=0.0001$).

Figure 1

Figure 1 (and Figures 3 and 4 below) also suggest that there are cultural differences with regard to the *change* of contributions between the N-condition and the P-condition: in four cultures contributions are significantly higher in the P-condition than in the N-condition (with $p<.002$) whereas in two cultures this change is not significant (with $p>.459$, Wilcoxon signed ranks tests with group averages as independent observations (see the p-values for “change” indicated in Figure 1).

We conclude from this analysis that there are cultural differences in contributions, in particular in the P-condition. The major part of these cultural differences in the P-condition is most likely due to differences in punishment. Antisocial behaviour increasingly attracts attention in the study of cooperation (Jensen this volume) but the role of culture remains little explored. Herrmann *et al.* (2008a), Table 1, show that contributions are strongly linked to patterns of punishment. In particular they show that contributions in the P-condition depend (i) positively on the initial contribution, (ii) positively on the extent of punishment of free riding behaviour, and (iii) negatively on antisocial punishment, that is punishment of people who contributed the same or more than the punishing individual. Herrmann *et al.* (2008a) also show that antisocial punishment is strongly linked to norms of civic cooperation in a given society as measured by representative questionnaires in the World Values Survey and the strength of the rule of law in a country (see Herrmann *et al.* (2008b) for further details and references). Both measures differ strongly between the societies of the subject pools of Herrmann *et al.* (2008a). Thus, (antisocial) punishment seems to be linked to the societal background. This observation begs the question of cultural differences in punishment behaviour. Herrmann *et al.* (2008a) have already shown that there are only weakly significant differences in punishment of free riding behaviour and highly significant differences in antisocial punishment across *subject pools*. Are there cultural differences in punishment if we apply our concept of cultural differences?

Figure 2 depicts the extent of average punishment of free riding behaviour as well as of antisocial punishment per subject pool and grouped for the six cultural areas. Interestingly, with one exception, there are no significant differences in both free rider punishment and antisocial punishment within cultures (based on Kruskal-Wallis tests). Moreover, we find

significant differences in punishment across cultures for free rider punishment ($\chi^2(5)=11.2$, $p=0.048$) and much stronger cultural differences in antisocial punishment ($\chi^2(5)=82.5$, $p=0.0001$).

Figure 2

In addition to the culture-specific changes in contributions between conditions, Figures 3 and 4 illustrate two further features of the data which we will analyze in more detail in the next step. Figure 3 focuses on the distribution of *individual average contributions* and shows that in the cultures in which punishment leads to a significant behavioural change, the variance of individual contributions is reduced as well. Not very surprisingly, punishment, when it “works”, makes people’s contributions more similar (and increases the level of contributions), whereas no such homogenizing effect is visible when punishment is ineffective. In two cultures, the variance of individual contributions even increases in the presence of punishment.

Figure 3

Figure 4 illustrates how *group average contributions* are distributed between conditions and cultures. This is interesting because cooperation in the Herrmann *et al.* (2008a) experiments happened in groups with fixed memberships over time and groups might have been “locked” into a particular path-dependent contribution pattern, for example due to a frequent tendency of conditional cooperation (e.g., Gächter & Thöni (2005); Kurzban & Houser (2005); Gunnthorsdottir *et al.* (2007); Fischbacher & Gächter (2010)). Such path dependency might lead to substantially different group average contributions, and therefore to large between-group variance. Moreover, the presence of punishment might affect both the between-group variance (by making groups more homogenous) and the within-group variance. We find that the introduction of punishment reduces the within-group variance in all six cultures. The effect on the between-group variance is more diverse: in four of the six cultures the between-group variance increases and in two cultures it decreases.

Figure 4

We conclude from this descriptive analysis that cultural differences in contribution decisions exist without doubt. In our next step we are interested in the relative fraction of the variance that is due to individuals, groups, and in particular culture in contributions in both the N- and the P-condition. For this purpose we use the nested ANOVA model described in

Section 2 to decompose the explanatory power of our measure for culture, group composition, and individual differences.

Figure 5 shows the R^2 associated to our explanatory variables for the N- and the P-condition. It measures the sum of squares associated with the explanatory variable divided by the total sum of squares in the contribution decisions. Bar heights depict the fraction of the variance that is explained by the corresponding variable. The lowest part of a bar depicts the fraction of the variance explained by *Culture*. In the N-condition the cultural variation in our subject pool explains only a small amount of the variance (3.9 percent). Group level differences (that is, between-group variance) account for additional 29.3 percent of the variation in contributions, and further 16.0 percent can be explained by individual fixed effects. Time effects account for 7.4 percent of the variation. Finally, 43.4 percent of the variation remains unexplained by our model.

Comparing the results of the N-condition to the results of the P-condition reveals striking differences. First, a much smaller portion of the variance in contributions remains unexplained. Individual and period effects lose much of their explanatory power while *Group* and *Culture* gain in importance. In particular, the percentage of the variance explained by our cultural classification is more than five times larger in the P-condition than in the N-condition.

Figure 5

Are these fractions of explained variance large? This is an important question, because even in the absence of any systematic cultural, group or individual effects the ANOVA model would provide some non-zero R^2 . We ran 100 ANOVAs with simulated contributions (all contributions in 0,1,...,20 were drawn with equal probability). The explanatory power of *Culture* in the absence of systematic cultural variation is very close to zero (mean: .043%, sd: .025). Consequently, the influence of *Culture* is far beyond the effect that would show up in the absence of cultural variation. The same is true for *Group* and *Individual* effects, as well as *Period* effects.⁶

4. SUMMARY AND CONCLUDING REMARKS

In this paper we analyzed an experimental data set by Herrmann *et al.* (2008a) who ran comparable public good experiments with and without punishment in sixteen subject pools from six distinct cultural areas around the world. This data set allows us to show that cultural differences in cooperation exist in the sense that within-cultural variation is smaller than the between-cultural variation. Moreover, we found that for the extent of cooperation we observe,

cultural variation is a particularly important source of variation in the presence of punishment opportunities. This is due to large cultural differences in punishment. In the absence of punishment individual (“micro-level”) variation is much more important than cultural (“macro-level”) variation, whereas the opposite is true in the presence of punishment. Group-level differences (the “meso-level”) are very important both in the presence and the absence of punishment.

We know from numerous experiments that individual heterogeneity is an important source of variation that can translate into important aggregate-level differences in outcomes (Camerer & Fehr (2006); Gächter & Thöni (2010)). Our data set confirms this insight by showing that individual variation and group-level variation are both important sources of the overall variation. The importance of our finding of culture effects in addition to individual-level and group-level differences is that, holding everything else constant, differences in cultural background can lead to differences in behaviour in otherwise identical environments. Thus, accounting for individual and implied group-level differences is not enough to understand the whole breadth of variation in cooperation. Culture needs to be accounted for.

We conclude with two caveats and future research questions. First, in this analysis we have only demonstrated the existence and quantitative importance of cultural differences. Our approach cannot explain where the differences come from. Herrmann *et al.* (2008a) found large differences in cooperation only in the presence of punishment and due to large differences in punishment across subject pools. Why these cultural differences in punishment occur is an interesting task for future research. Second, we have drawn our conclusions from comparing subjects who are very similar with regard to their socio-economic status and other socio-demographic characteristics. However, in every society there exist various social groups who might also show a large variation in cooperative behaviour (see, e.g., Ockenfels & Weimann (1999); Fehr *et al.* (2002a); Bellemare & Kröger (2007); Gächter & Herrmann (forthcoming); Hong & Bohnet (2007); Hoff *et al.* (2009); Kocher *et al.* (2009); Henrich *et al.* (forthcoming)). It is an important task for future research to understand this sort of variation relative to the sources of variation we have identified in this paper.

ACKNOWLEDGEMENTS

We gratefully acknowledge financial support from the University of Nottingham, the Latsis Foundation (Geneva), and the EU-TMR Research Network ENDEAR (FMRX-CT98-0238). We received helpful comments from the editors and referees, as well as various workshop audiences, in particular the Arts and Humanities Research Council workshops Culture and the Mind in Sheffield, and from Peter Egger and Conny Wunsch. This paper is part of the MacArthur Foundation Network on Economic Environments and the Evolution of Individual Preferences and Social Norms.

Table 1

City	Country	Culture	# Subjects
Boston	USA		56
Nottingham	UK	English speaking	56
Melbourne	Australia		40
Copenhagen	Denmark		68
Bonn	Germany	Protestant Europe	60
Zurich	Switzerland		92
St. Gallen	Switzerland		96
Minsk	Belarus	Orthodox/Ex- Communist	68
Dnipropetrovs'k	Ukraine		44
Samara	Russia		152
Athens	Greece	Southern Europe	44
Istanbul	Turkey		64
Riyadh	Saudi Arabia	Arabic speaking	48
Muscat	Oman		52
Seoul	South Korea	Confucian	84
Chengdu	China		96

Table 1: Cultural classification of the cities where our data stems from. Classification taken and adapted from Inglehart and Baker (2000) and Hofstede (2001) (for Southern Europe and Arabic speaking).

Figure 1

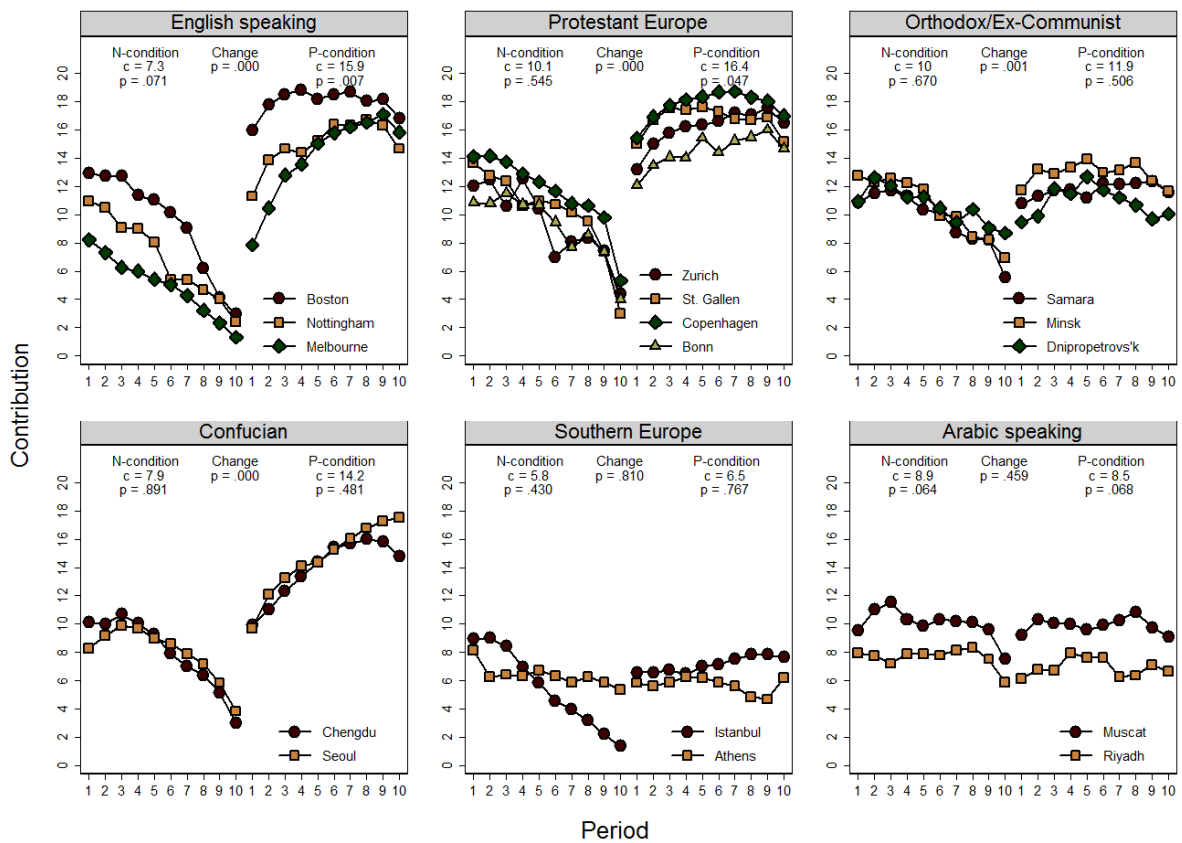


Figure 1: Average contributions in the 16 subject pools during the 10 periods of the N-condition and the P-condition; “c” denotes the average contribution across all periods and subject pools of a given treatment and culture; “p” denotes the p-value of a Kruskal-Wallis test for the equality of contributions of subject pools in a given treatment and culture. “Change” denotes the p-value of a Wilcoxon signed rank test for the change of contribution between the N-condition and the P-condition. All tests are based on group average contributions over all periods of a respective treatment.

Figure 2

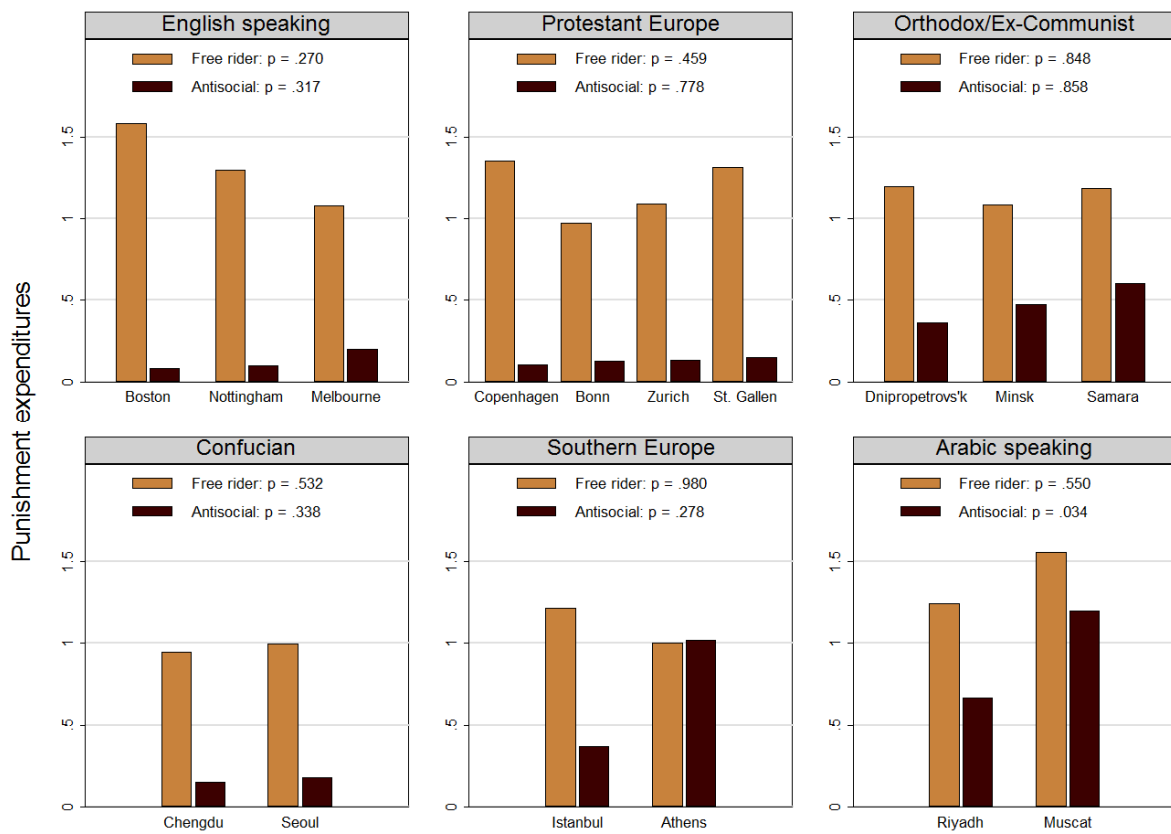


Figure 2: Average expenditures for punishment targeted at subjects with a lower contribution (Free rider punishment) and targeted at subjects with a weakly higher contribution (Antisocial punishment) than the punishing subject. P-values are from Kruskal Wallis tests for differences across subject pools based on the independent group averages.

Figure 3

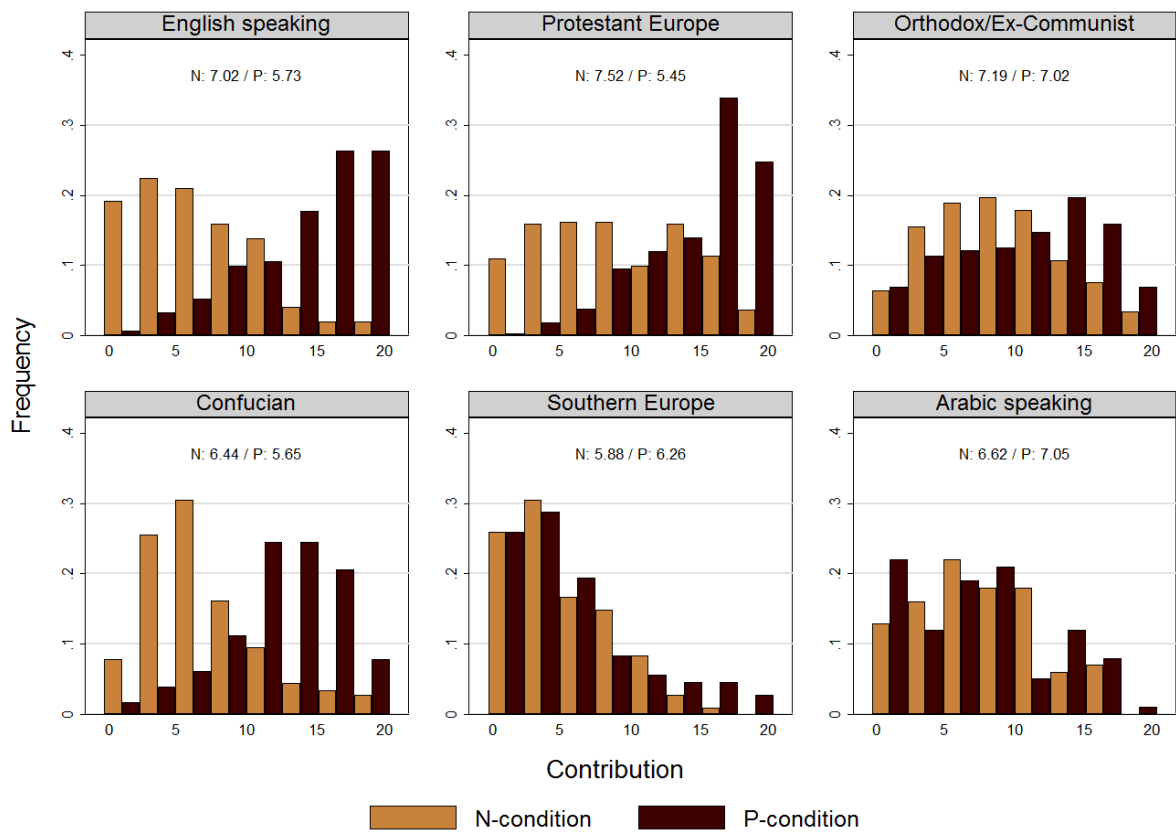


Figure 3: Histograms of individual average contributions in the N- and P-condition for each culture. The numbers in each panel indicate the standard deviation of the contributions in a culture in the two conditions. To measure the standard deviation of contributions independently of the time trend we calculate a standard deviation for each of the ten periods and report the average standard deviation across the ten periods.

Figure 4

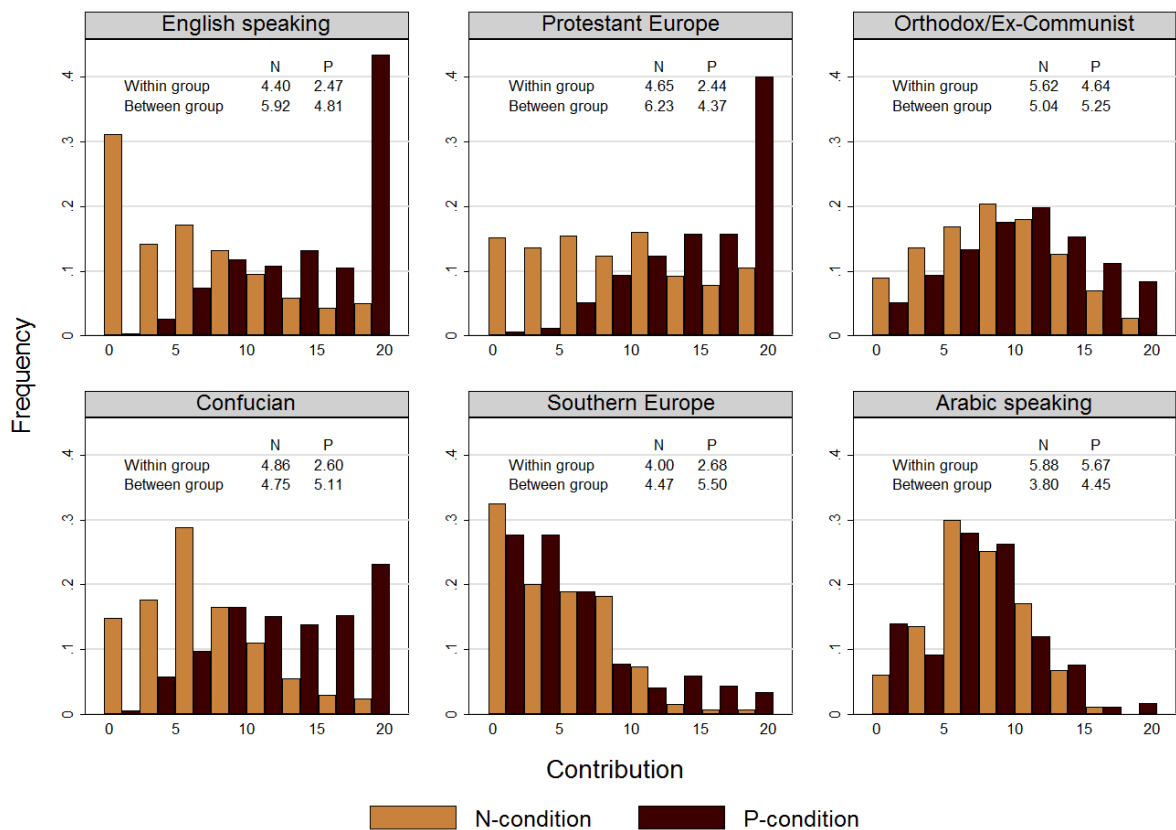


Figure 4: Histograms of average group contributions per period in the N- and P-condition for each culture. The numbers indicate standard deviations of the contributions within a group and between groups. For the within group standard deviations we calculate the standard deviations of the four contributions in a group in each period and average over all periods and groups within a culture. For the between group measure we calculate the standard deviation of all group averages within a culture and a period. The numbers show the average over the ten periods for the N- and the P-condition.

Figure 5

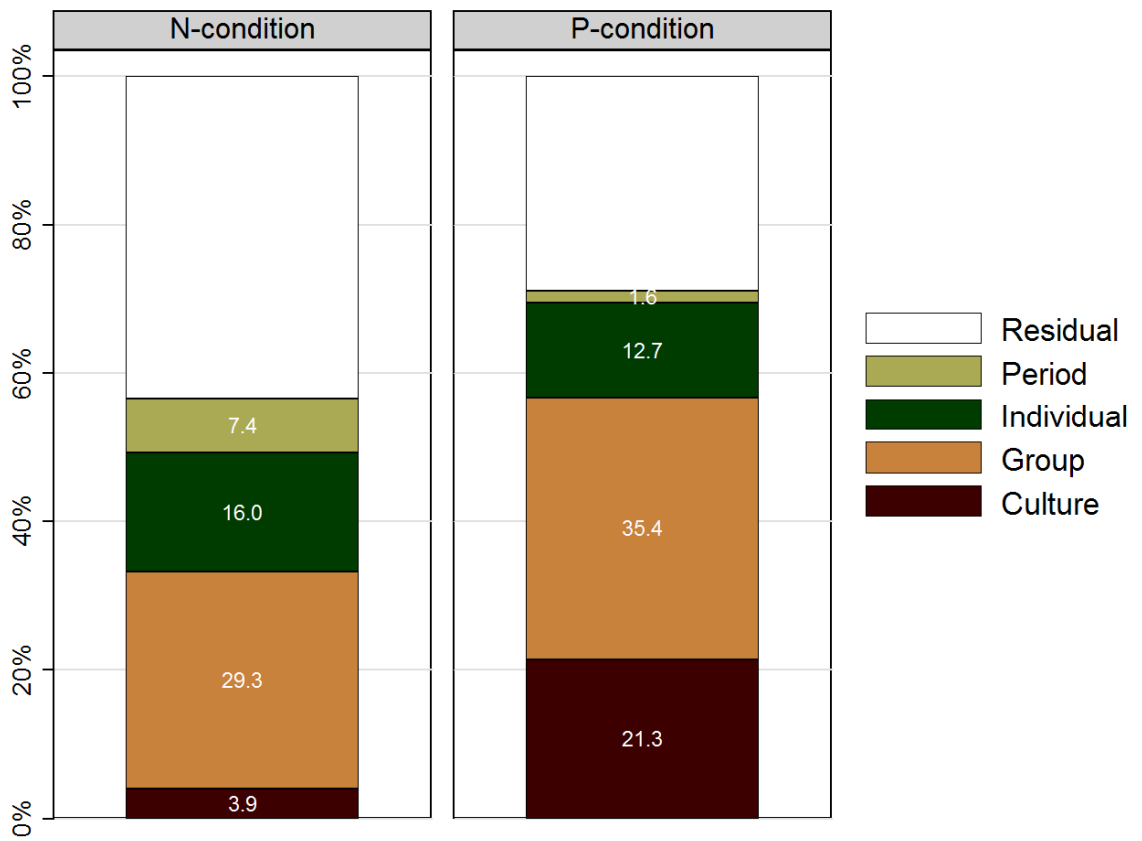


Figure 5: Decomposition of the coefficient of determination for contributions in the two treatment conditions.

ENDNOTES

¹ Gächter *et al.* (2004); and Thöni *et al.* (2009) show that, on the individual level and within a given culture, there is a connection between questionnaire items as used in the World Values Survey and cooperation in public goods games. Such a relationship has also been established in trust games, which also contain an element of cooperation (Fehr *et al.* (2002a); Bellemare & Kröger (2007); Ermisch *et al.* (2009)).

² See Friedman & Sunder (1994) for an introduction to methods in experimental economics; Guala (2005), Bardsley *et al.* (2010), Falk & Heckman (2009), Croson & Gächter (2010) and Smith (2010) for a discussion of the methodology of experimental economics. Gächter & Herrmann (2009) provide an overview of experiments on cooperation and punishment.

³ The most important experimental tool in these studies is the ultimatum game (Güth *et al.* (1982)). For a comprehensive analysis and cross-cultural comparison of ultimatum bargaining games see Oosterbeek *et al.* (2004).

⁴ Gächter & Herrmann (2009) applied this methodology to one-shot experiments conducted with students ($n=606$) in two Swiss subject pools and two Russian subject pools. According to several measures, Russia and Switzerland are culturally very distinct societies. The results show within-cultural similarity but strong between-cultural differences.

⁵ In general the ANOVA does not allow for an unambiguous disaggregation of the coefficient of determination. In our analysis this is possible because all exogenous variables are orthogonal and our sample is balanced.

⁶ The simulation ($n=100$) for *Group* yields mean=2.42%, sd=.197; for *Individual* mean=7.51%, sd=.330. Period: mean=.082%, sd=.039.

REFERENCES

- Axelrod, R. 1984 *The evolution of cooperation*. New York: Basic Books.
- Bardsley, N., Cubitt, R., Loomes, G., Moffatt, P., Starmer, C. & Sugden, R. 2010 *Experimental Economics: Rethinking the Rules*. Princeton: Princeton University Press.
- Bardsley, N. & Moffatt, P. G. 2007 The experimetrics of public goods: Inferring motivations from contributions. *Theory and Decision* **62**, 161-193.
- Bednar, J. & Page, S. 2007 Can game(s) theory explain culture?: The emergence of cultural behavior within multiple Games. *Rationality and Society* **19**, 65-97.
- Bellemare, C. & Kröger, S. 2007 On representative social capital. *European Economic Review* **51**, 183-202.
- Bergmuller et al, this volume
- Bohnet, I., Greig, F., Herrmann, B. & Zeckhauser, R. 2008 Betrayal aversion. Evidence from Brazil, China, Oman, Switzerland, Turkey, and the United States. *American Economic Review* **98**, 294-310.
- Bohnet, I., Herrmann, B. & Zeckhauser, R. 2010 Trust and reference points for trustworthiness in Gulf and Western countries *Quarterly Journal of Economics* **125**.
- Bowles, S. 1998 Endogenous preferences: The cultural consequences of markets and other economic institutions. *Journal of Economic Literature* **36**, 75-111.
- Boyd, R. & Richerson, P. J. 2005 *The Origin and Evolution of Cultures*. Evolution and Cognitions. Oxford: Oxford University Press.
- Buchan, N., Croson, R. & Dawes, R. M. 2002 Swift neighbors and persistent strangers: A cross-cultural investigation of trust and reciprocity in social exchange. *American Sociological Review* **108**, 168-206.
- Buchan, N. R., Grimalda, G., Wilson, R. K., Brewer, M., Fatas, E. & Foddy, M. 2009 Globalization and human cooperation. *Proceedings of the National Academy of Sciences of the United States of America* **106**, 4138-4142.
- Camerer, C. F. & Fehr, E. 2006 When does "economic man" dominate social behavior? *Science* **311**, 47-52.
- Chuah, S.-h., Hoffmann, R., Jones, M. & Williams, G. 2007 Do cultures clash? Evidence from cross-national ultimatum game experiments. *Journal of Economic Behavior & Organization* **64**, 35-48.

-
- Chuah, S.-H., Hoffmann, R., Jones, M. & Williams, G. 2009 An economic anatomy of culture: Attitudes and behaviour in inter- and intra-national ultimatum game experiments. *Journal of Economic Psychology* **30**, 732-744.
- Cohen, D. 2001 Cultural variation: Considerations and implications. *Psychological Bulletin* **127**, 451-471.
- Croson, R. 2007 Theories of commitment, altruism and reciprocity: evidence from linear public goods games. *Economic Inquiry* **45**, 199-216.
- Croson, R. & Gächter, S. 2010 The science of experimental economics. *Journal of Economic Behavior & Organization*.
- Dufwenberg, M., Gächter, S. & Hennig-Schmidt, H. 2006 The framing of games and the psychology of strategic choice. CeDEx Discussion Paper 2006-20, University of Nottingham.
- Ermisch, J., Gambetta, D., Laurie, H., Siedler, T. & Noah Uhrig, S. C. 2009 Measuring people's trust. *Journal of the Royal Statistical Society: Series A (Statistics in Society)* **172**, 749-769.
- Falk, A. & Heckman, J. J. 2009 Lab experiments are a major source of knowledge in the social sciences. *Science* **326**, 535-538.
- Fehr, E. & Fischbacher, U. 2004 Social norms and human cooperation. *TRENDS in Cognitive Sciences* **8**, 185-190.
- Fehr, E., Fischbacher, U., von Rosenblatt, B., Schupp, J. & Wagner, G. G. 2002a A Nationwide Laboratory. Examining trust and trustworthiness by integrating behavioral experiments into representative surveys. *Schmoller's Jahrbuch* **122**, 519-542.
- Fehr, E. & Gächter, S. 2000 Cooperation and punishment in public goods experiments. *American Economic Review* **90**, 980-994.
- Fehr, E. & Gächter, S. 2002 Altruistic punishment in humans. *Nature* **415**, 137-140.
- Fehr, E., Gächter, S. & Fischbacher, U. 2002b Strong reciprocity, human cooperation, and the enforcement of social norms. *Human Nature* **13**, 1-25.
- Fehr, E. & Schmidt, K. M. 2006 The Economics of Fairness, Reciprocity and Altruism - Experimental Evidence and New Theories. In *Handbook of the Economics of Giving, Altruism and Reciprocity*, vol. 1 (ed. S.-C. Kolm & J. M. Ythier), pp. 615-691. Amsterdam: Elsevier B.V.
- Fernández, R. 2007 Women, work, and culture. *Journal of the European Economic Association* **5**, 305-332.
- Fernández, R. 2008 Culture and economics. In *The New Palgrave Dictionary of Economics Online*. . Basingstoke: Palgrave Macmillan
<[Hhttp://www.dictionaryofeconomics.com/article?id=pde2008_E000282H](http://www.dictionaryofeconomics.com/article?id=pde2008_E000282H)>
doi:10.1057/9780230226203.0346.
- Fischbacher, U. & Gächter, S. 2010 Social preferences, beliefs, and the dynamics of free riding in public good experiments. *American Economic Review* **100**, 541-556.
- Fischbacher, U., Gächter, S. & Fehr, E. 2001 Are people conditionally cooperative? Evidence from a public goods experiment. *Economics Letters* **71**, 397-404.
- Friedman, D. & Sunder, S. 1994 *Experimental methods. A primer for economists*. Cambridge: Cambridge University Press.
- Fudenberg, D. & Maskin, E. 1986 The Folk Theorem in Repeated Games with Discounting or with Incomplete Information. *Econometrica* **54**, 533-556.
- Gächter, S. 2007 Conditional cooperation: Behavioral regularities from the lab and the field and their policy implications. In *Psychology and Economics: A Promising New Cross-Disciplinary Field (CESifo Seminar Series)* (ed. B. S. Frey & A. Stutzer), pp. 19-50. Cambridge: The MIT Press.

-
- Gächter, S. & Herrmann, B. 2009 Reciprocity, culture, and human cooperation: previous insights and a new cross-cultural experiment. *Philosophical Transactions of the Royal Society B – Biological Sciences* **364**, 791-806.
- Gächter, S. & Herrmann, B. forthcoming The limits of self-governance when cooperators get punished - Experimental evidence from urban and rural Russia. *European Economic Review*.
- Gächter, S., Herrmann, B. & Thöni, C. 2004 Trust, voluntary cooperation, and socio-economic background: survey and experimental evidence. *Journal of Economic Behavior & Organization* **55**, 505-531.
- Gächter, S., Herrmann, B. & Thöni, C. 2005 Cross-cultural differences in norm enforcement. *Behavioral and Brain Sciences* **28**, 822-+.
- Gächter, S. & Thöni, C. 2005 Social learning and voluntary cooperation among like-minded people. *Journal of the European Economic Association* **3**, 303-314.
- Gächter, S. & Thöni, C. 2010 Micromotives, microstructure and macrobehavior: The case of voluntary cooperation. Manuscript, University of Nottingham.
- Gintis, H. forthcoming Gene-culture coevolution and the nature of human sociality. *Philosophical Transactions of the Royal Society B: Biological Sciences*.
- Gintis, H., Bowles, S., Boyd, R. & Fehr, E. (ed.) 2005 *Moral sentiments and material interests. The foundations of cooperation in economic life*. Cambridge: MIT Press.
- Greif, A. 1994 Cultural beliefs and the organization of society: A historical reflection on collectivist and individualist societies. *Journal of Political Economy* **102**, 912-950.
- Guala, F. 2005 *The methodology of experimental economics*. Cambridge: Cambridge University Press.
- Guiso, L., Sapienza, P. & Zingales, L. 2006 Does culture affect economic outcomes? *Journal of Economic Perspectives* **20**, 23-48.
- Guiso, L., Sapienza, P. & Zingales, L. 2008 Social capital as good culture. *Journal of the European Economic Association* **6**, 295-320.
- Gunthorsdottir, A., Houser, D. & McCabe, K. 2007 Disposition, history and contributions in public goods experiments. *Journal of Behavior and Organization* **62**, 304-315.
- Güth, W., Schmittberger, R. & Schwarze, B. 1982 An Experimental Analysis of Ultimatum Bargaining. *Journal of Economic Behavior and Organization* **3**, 367-88.
- Hayashi, N., Ostrom, E., Walker, J. & Yamagishi, T. 1999 Reciprocity, trust, and the sense of control - A cross-societal study. *Rationality and Society* **11**, 27-46.
- Heine, S. J. & Buchtel, E. E. 2009 Personality: The universal and the culturally specific. *Annual Review of Psychology* **60**, 369-94.
- Heine, S. J. & Ruby, M. B. 2010 Cultural psychology. *Wiley Interdisciplinary Reviews: Cognitive Science* **1**, 254-266.
- Henrich, J. 2004 Cultural group selection, coevolutionary processes and large-scale cooperation. *Journal of Economic Behavior & Organization* **53**, 3-35.
- Henrich, J., Boyd, R., Bowles, S., Camerer, C. F., Fehr, E., Gintis, H. & McElreath, R. 2001 In search of Homo economicus: Behavioral experiments in 15 small-scale societies. *American Economic Review* **91**, 73-78.
- Henrich, J., Boyd, R., Bowles, S., Camerer, C. F., Fehr, E., Gintis, H., McElreath, R., Alvard, M., Barr, A., Ensminger, J., Henrich, N., Hill, K., Gil-White, F., Gurven, M., Marlowe, F. W., Patton, J. Q. & Tracer, D. 2005 "Economic man" in cross-cultural perspective: Behavioral experiments in 15 small-scale societies. *Behavioral and Brain Sciences* **28**, 795-855.
- Henrich, J., Ensminger, J., McElreath, R., Barr, A., Barrett, C., Bolyanatz, A., Cardenas, J. C., Gurven, M., Gwako, E., Henrich, N., Lesorogol, C., Marlowe, F., Tracer, D. & Ziker, J. 2010 Markets, Religion, Community Size, and the Evolution of Fairness and Punishment. *Science* **327**, 1480-1484.

-
- Henrich, J., Heine, S. J. & Noranyazan, A. forthcoming The weirdest people in the world? *Behavioral and Brain Sciences*.
- Henrich, J. & Henrich, N. 2007 *Why humans cooperate: A cultural and evolutionary explanation*. Evolution and Cognition Series. Oxford: Oxford University Press.
- Henrich, J., McElreath, R., Barr, A., Ensminger, J., Barrett, C., Bolyanatz, A., Cardenas, J.-C., Gurven, M., Gwako, E., Henrich, N., Lesorogol, C., Marlowe, F., David, T. & Ziker, J. 2006 Costly punishment across human societies. *Science* **312**, 1767-1770.
- Herrmann, B. & Thöni, C. 2009 Measuring conditional cooperation: a replication study in Russia. *Experimental Economics* **12**, 87-92.
- Herrmann, B., Thöni, C. & Gächter, S. 2008a Antisocial punishment across societies. *Science* **319**, 1362-1367.
- Herrmann, B., Thöni, C. & Gächter, S. 2008b Supporting Online Material for Antisocial Punishment Across Societies. *Science* **319**, available at [Hhttp://www.sciencemag.org/cgi/data/319/5868/1362/DC1/1H](http://www.sciencemag.org/cgi/data/319/5868/1362/DC1/1H).
- Herrmann, E., Call, J., Hernandez-Lloreda, M. V., Hare, B. & Tomasello, M. 2007 Humans have evolved specialized skills of social cognition: The cultural intelligence hypothesis. *Science* **317**, 1360-1366.
- Hoff, K., Kshetramade, M. & Fehr, E. 2009 Caste and Punishment: The Legacy of Caste Culture in Norm Enforcement. IZA Discussion Paper No. 4350, Institute for the Future of Labor, Bonn.
- Hofstede, G. 2001 *Culture's consequences: Comparing values, behaviors, institutions, and organizations across nations*. Thousand Oaks, CA: Sage.
- Holm, H. J. & Danielson, A. 2005 Tropic trust versus Nordic trust: Experimental evidence from Tanzania and Sweden. *Economic Journal* **115**, 105-132.
- Hong, K. & Bohnet, I. 2007 Status and distrust: The relevance of inequality and betrayal aversion. *Journal of Economic Psychology* **28**, 197-213.
- Inglehart, R. 1997 *Modernization and Postmodernization: Cultural, Economic and Political Change in 43 Societies*. Princeton, NJ: Princeton University Press.
- Inglehart, R. & Baker, W. E. 2000 Modernization, cultural change, and the persistence of traditional values. *American Sociological Review* **65**, 19-51.
- Jensen, this volume
- Kachelmeier, S. J. & Shehata, M. 1997 Internal auditing and voluntary cooperation in firms: A cross-cultural experiment. *Accounting Review* **72**, 407-431.
- Kocher, M., Martinsson, P. & Visser, M. 2009 Social background, cooperative behavior, and norm enforcement. Working Papers In Economics No. 385, University of Gothenburg.
- Kocher, M. G., Cherry, T., Kroll, S., Netzer, R. J. & Sutter, M. 2008 Conditional cooperation on three continents. *Economics Letters* **101**, 175-178.
- Kurzban, R. & Houser, D. 2005 Experiments investigating cooperative types in humans: A complement to evolutionary theory and simulations. *Proceedings of the National Academy of Sciences of the United States of America* **102**, 1803-1807.
- Markus, H. & Kitayama, S. 1991 Culture and the self. Implications for cognition, emotion, and motivation. *Psychological Review* **98**, 224-253.
- McNamara & Leimar this volume
- Muller, L., Sefton, M., Steinberg, R. & Vesterlund, L. 2008 Strategic behavior and learning in repeated voluntary-contribution experiments. *Journal of Economic Behavior & Organization* **67**, 782-793.
- Nettle, D. 2009 Beyond nature versus culture: cultural variation as an evolved characteristic. *Journal of the Royal Anthropological Institute* **15**, 223-240.
- Neugebauer, T., Perote, J., Schmidt, U. & Loos, M. 2009 Self-biased conditional cooperation: On the decline of cooperation in repeated public goods experiments. *Journal of Economic Psychology* **30**, 52-60.

-
- Nisbett, R. 2003 *The Geography of Thought: How Asians and Westerners Think Differently and Why*. New York: The Free Press.
- Nisbett, R. & Cohen, D. 1996 *Culture of honor: The psychology of violence in the South*. Boulder, CO: Westview Press.
- Nowak, M. A. 2006 Five rules for the evolution of cooperation. *Science* **314**, 1560-1563.
- Ockenfels, A. & Weimann, J. 1999 Types and patterns: an experimental East-West-German comparison of cooperation and solidarity. *Journal of Public Economics* **71**, 275-287.
- Oosterbeek, H., Sloof, R. & van de Kuilen, G. 2004 Cultural differences in ultimatum game experiments: Evidence from a meta-analysis. *Experimental Economics* **7**, 171-188.
- Ostrom, E., Walker, J. M. & Gardner, R. 1992 Covenants with and without a sword - Self-governance is possible. *American Political Science Review* **86**, 404-417.
- Rendell, L., Boyd, R., Cownden, D., Enquist, M., Eriksson, K., Feldman, M. W., Fogarty, L., Ghirlanda, S., Lillicrap, T. & Laland, K. N. 2010 Why copy others? Insights from the social learning strategies tournament. *Science* **328**, 208-213.
- Richerson, P. J. & Boyd, R. 1999 Complex societies - The evolutionary origins of a crude superorganism. *Human Nature* **10**, 253-289.
- Roth, A. E., Prasnikar, V., Okuno-Fujiwara, M. & Zamir, S. 1991 Bargaining and market behavior in Jerusalem, Ljubljana, Pittsburgh, and Tokyo: an experimental study. *American Economic Review* **81**, 1068-95.
- Sigmund, K. 2010 *The calculus of selfishness*. Princeton: Princeton University Press.
- Smith, V. L. 2010 Theory and experiment: What are the questions? *Journal of Economic Behavior & Organization* **73**, 3-15.
- Sober, E. & Wilson, D. S. 1998 *Unto others. The evolution and psychology of unselfish behavior*. Cambridge: Harvard University Press.
- Tabellini, G. 2008a Institutions and Culture. *Journal of the European Economic Association* **6**, 255-294.
- Tabellini, G. 2008b The scope of cooperation: Values and incentives. *Quarterly Journal of Economics* **123**, 905-950.
- Thöni, C., Tyran, J.-R. & Wengström, E. 2009 Microfoundations of social capital. Discussion Paper No. 09-24, Department of Economics, University of Copenhagen.
- Tomasello, M. 2009 *Why we cooperate*. Cambridge: The MIT Press.
- Tomasello, M., Carpenter, M., Call, J., Behne, T. & Moll, H. 2005 Understanding and sharing intentions: The origins of cultural cognition. *Behavioral and Brain Sciences* **28**, 675-+.
- Wu, J. J., Zhang, B. Y., Zhou, Z. X., He, Q. Q., Zheng, X. D., Cressman, R. & Tao, Y. 2009 Costly punishment does not always increase cooperation. *Proceedings of the National Academy of Sciences of the United States of America* **106**, 17448-17451.
- Yamagishi, T. 1988 The provision of a sanctioning system in the United-States and Japan. *Social Psychology Quarterly* **51**, 265-271.
- Yamagishi, T., Cook, K. S. & Watabe, M. 1998 Uncertainty, trust, and commitment formation in the United States and Japan. *American Journal of Sociology* **104**, 165-194.
- Yamagishi, T. & Yamagishi, M. 1994 Trust and commitment in the United-States and Japan. *Motivation and Emotion* **18**, 129-166.

CESifo Working Paper Series

for full list see www.cesifo-group.org/wp

(address: Poschingerstr. 5, 81679 Munich, Germany, office@cesifo.de)

- 3005 Jay Pil Choi and Heiko Gerlach, Global Cartels, Leniency Programs and International Antitrust Cooperation, March 2010
- 3006 Aneta Hryckiewicz and Oskar Kowalewski, Why do Foreign Banks Withdraw from other Countries? A Panel Data Analysis, March 2010
- 3007 Eric A. Hanushek and Ludger Woessmann, Sample Selectivity and the Validity of International Student Achievement Tests in Economic Research, March 2010
- 3008 Dennis Novy, International Trade and Monopolistic Competition without CES: Estimating Translog Gravity, April 2010
- 3009 Yin-Wong Cheung, Guonan Ma and Robert N. McCauley, Renminbising China's Foreign Assets, April 2010
- 3010 Michel Beine and Sara Salomone, Migration and Networks: Does Education Matter more than Gender?, April 2010
- 3011 Friedrich Schneider, Tilman Brück and Daniel Meierrieks, The Economics of Terrorism and Counter-Terrorism: A Survey (Part I), April 2010
- 3012 Friedrich Schneider, Tilman Brück and Daniel Meierrieks, The Economics of Terrorism and Counter-Terrorism: A Survey (Part II), April 2010
- 3013 Frederick van der Ploeg and Steven Poelhekke, The Pungent Smell of "Red Herrings": Subsoil Assets, Rents, Volatility and the Resource Curse, April 2010
- 3014 Vjollca Sadiraj, Jan Tuinstra and Frans van Winden, Identification of Voters with Interest Groups Improves the Electoral Chances of the Challenger, April 2010
- 3015 Guglielmo Maria Caporale, Davide Ciferri and Alessandro Girardi, Time-Varying Spot and Futures Oil Price Dynamics, April 2010
- 3016 Scott Alan Carson, Racial Differences in Body-Mass Indices for Men Imprisoned in 19th Century US Prisons: A Multinomial Approach, April 2010
- 3017 Alessandro Fedele, Paolo M. Panteghini and Sergio Vergalli, Optimal Investment and Financial Strategies under Tax Rate Uncertainty, April 2010
- 3018 Laurence Jacquet, Take it or Leave it: Take-up, Optimal Transfer Programs, and Monitoring, April 2010
- 3019 Wilhelm Kohler and Jens Wrona, Offshoring Tasks, yet Creating Jobs?, April 2010
- 3020 Paul De Grauwe, Top-Down versus Bottom-Up Macroeconomics, April 2010

- 3021 Karl Ove Aarbu, Demand Patterns for Treatment Insurance in Norway, April 2010
- 3022 Toke S. Aidt and Jayasri Dutta, Fiscal Federalism and Electoral Accountability, April 2010
- 3023 Bahram Pesaran and M. Hashem Pesaran, Conditional Volatility and Correlations of Weekly Returns and the VaR Analysis of 2008 Stock Market Crash, April 2010
- 3024 Stefan Buehler and Dennis L. Gärtner, Making Sense of Non-Binding Retail-Price Recommendations, April 2010
- 3025 Leonid V. Azarnert, Immigration, Fertility, and Human Capital: A Model of Economic Decline of the West, April 2010
- 3026 Christian Bayer and Klaus Wälde, Matching and Saving in Continuous Time: Theory and 3026-A Matching and Saving in Continuous Time: Proofs, April 2010
- 3027 Coen N. Teulings and Nick Zubanov, Is Economic Recovery a Myth? Robust Estimation of Impulse Responses, April 2010
- 3028 Clara Graziano and Annalisa Luporini, Optimal Delegation when the Large Shareholder has Multiple Tasks, April 2010
- 3029 Erik Snowberg and Justin Wolfers, Explaining the Favorite-Longshot Bias: Is it Risk-Love or Misperceptions?, April 2010
- 3030 Doina Radulescu, The Effects of a Bonus Tax on Manager Compensation and Welfare, April 2010
- 3031 Helmut Lütkepohl, Forecasting Nonlinear Aggregates and Aggregates with Time-varying Weights, April 2010
- 3032 Silvia Rocha-Akis and Ronnie Schöb, Welfare Policy in the Presence of Unionised Labour and Internationally Mobile Firms, April 2010
- 3033 Steven Brakman, Robert Inklaar and Charles van Marrewijk, Structural Change in OECD Comparative Advantage, April 2010
- 3034 Dirk Schindler and Guttorm Schjelderup, Multinationals, Minority Ownership and Tax-Efficient Financing Structures, April 2010
- 3035 Christian Lessmann and Gunther Markwardt, Decentralization and Foreign Aid Effectiveness: Do Aid Modality and Federal Design Matter in Poverty Alleviation?, April 2010
- 3036 Eva Deuchert and Conny Wunsch, Evaluating Nationwide Health Interventions when Standard Before-After Doesn't Work: Malawi's ITN Distribution Program, April 2010
- 3037 Eric A. Hanushek and Ludger Woessmann, The Economics of International Differences in Educational Achievement, April 2010

- 3038 Frederick van der Ploeg, Aggressive Oil Extraction and Precautionary Saving: Coping with Volatility, April 2010
- 3039 Ainura Uzagalieva, Evžen Kočenda and Antonio Menezes, Technological Imitation and Innovation in New European Union Markets, April 2010
- 3040 Nicolas Sauter, Jan Walliser and Joachim Winter, Tax Incentives, Bequest Motives, and the Demand for Life Insurance: Evidence from two Natural Experiments in Germany, April 2010
- 3041 Matthias Wrede, Multinational Capital Structure and Tax Competition, April 2010
- 3042 Burkhard Heer and Alfred Maussner, A Note on the Computation of the Equity Premium and the Market Value of Firm Equity, April 2010
- 3043 Kristiina Huttunen, Jukka Pirttilä and Roope Uusitalo, The Employment Effects of Low-Wage Subsidies, May 2010
- 3044 Matthias Kalkuhl and Ottmar Edenhofer, Prices vs. Quantities and the Intertemporal Dynamics of the Climate Rent, May 2010
- 3045 Bruno S. Frey and Lasse Steiner, Pay as you Go: A New Proposal for Museum Pricing, May 2010
- 3046 Henning Bohn and Charles Stuart, Population under a Cap on Greenhouse Gas Emissions, May 2010
- 3047 Balázs Égert and Rafal Kierzenkowski, Exports and Property Prices in France: Are they Connected?, May 2010
- 3048 Thomas Eichner and Thorsten Upmann, Tax-Competition with Involuntary Unemployment, May 2010
- 3049 Taiji Furusawa, Kazumi Hori and Ian Wooton, A Race beyond the Bottom: The Nature of Bidding for a Firm, May 2010
- 3050 Xavier Vives, Competition and Stability in Banking, May 2010
- 3051 Thomas Aronsson and Erkki Koskela, Redistributive Income Taxation under Outsourcing and Foreign Direct Investment, May 2010
- 3052 Michael Melvin and Duncan Shand, Active Currency Investing and Performance Benchmarks, May 2010
- 3053 Sören Blomquist and Laurent Simula, Marginal Deadweight Loss when the Income Tax is Nonlinear, May 2010
- 3054 Lukas Menkhoff, Carol L. Osler and Maik Schmeling, Limit-Order Submission Strategies under Asymmetric Information, May 2010

- 3055 M. Hashem Pesaran and Alexander Chudik, Econometric Analysis of High Dimensional VARs Featuring a Dominant Unit, May 2010
- 3056 Rabah Arezki and Frederick van der Ploeg, Do Natural Resources Depress Income Per Capita?, May 2010
- 3057 Joseph Plasmans and Ruslan Lukach, The Patterns of Inter-firm and Inter-industry Knowledge Flows in the Netherlands, May 2010
- 3058 Jenny E. Ligthart and Sebastian E. V. Werner, Has the Euro Affected the Choice of Invoicing Currency?, May 2010
- 3059 Håkan Selin, Marginal Tax Rates and Tax-Favoured Pension Savings of the Self-Employed – Evidence from Sweden, May 2010
- 3060 Richard Cornes, Roger Hartley and Yuji Tamura, A New Approach to Solving Production-Appropriation Games with Many Heterogeneous Players, May 2010
- 3061 Ronald MacDonald and Flávio Vieira, A Panel Data Investigation of Real Exchange Rate Misalignment and Growth, May 2010
- 3062 Thomas Eichner and Rüdiger Pethig, Efficient Management of Insecure Fossil Fuel Imports through Taxing(!) Domestic Green Energy?, May 2010
- 3063 Vít Bubák, Evžen Kočenda and Filip Žikeš, Volatility Transmission in Emerging European Foreign Exchange Markets, May 2010
- 3064 Leonid V. Azarnert, Après nous le Déluge: Fertility and the Intensity of Struggle against Immigration, May 2010
- 3065 William E. Becker, William H. Greene and John J. Siegfried, Do Undergraduate Majors or Ph.D. Students Affect Faculty Size?, May 2010
- 3066 Johannes Becker, Strategic Trade Policy through the Tax System, May 2010
- 3067 Omer Biran and Françoise Forges, Core-stable Rings in Auctions with Independent Private Values, May 2010
- 3068 Torben M. Andersen, Why do Scandinavians Work?, May 2010
- 3069 Andrey Launov and Klaus Wälde, Estimating Incentive and Welfare Effects of Non-Stationary Unemployment Benefits, May 2010
- 3070 Simon Gächter, Benedikt Herrmann and Christian Thöni, Culture and Cooperation, June 2010