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The role of rivalry: Public goods versus common-pool resources

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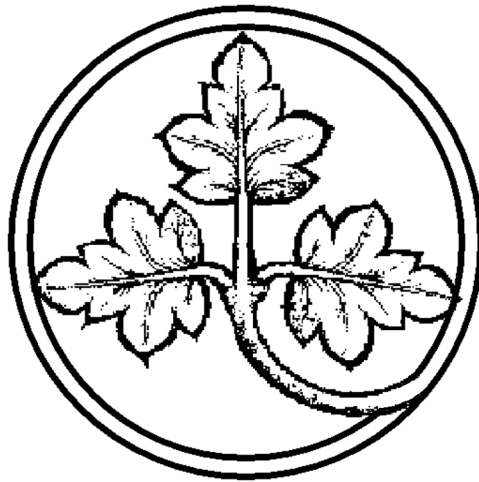
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Public Goods versus Common-Pool Resources

Frank P. Maier-Rigaud / Jose Apesteguia

THE ROLE OF RIVALRY

Public Goods versus Common-Pool Resources

by

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Abstract

Despite a large theoretical and empirical literature on public goods and common-pool resources, a systematic comparison of these two types of social dilemmas is lacking. In fact, there is some confusion about these two types of dilemma situations. As a result, they are often treated alike. In line with the theoretical literature, we argue that the degree of rivalry is the fundamental difference between the two games. Furthermore, we experimentally study behavior in a quadratic public good and a quadratic common-pool resource game with identical Pareto optimum but divergent interior Nash equilibria. The results show that participants clearly perceive the differences in rivalry. Aggregate behavior in both games starts relatively close to Pareto efficiency and converges quickly to the respective Nash equilibrium.

Keywords: Public Goods, Common-Pool Resources, Social Dilemmas, Rivalry, Experiment.

JEL-Classification: C72, C91, H4, Q2.

1.- INTRODUCTION

Despite the seminal papers by Musgrave (1959, 1969) and Samuelson (1954) and a large theoretical and empirical literature on social dilemmas in general, and public goods and common-pool resources in particular, it appears *not* to be generally accepted in the experimental/behavioral literature that both types of games are distinct. A typical example of a public good is national defense, while a typical example of a common-pool resource is a fishery. Clearly, while it is not possible to restrict the enjoyment of the former, the fish caught by one individual is not available to other users anymore.¹ This distinction has lead many authors to propose a categorization of goods on the basis of excludability and rivalry.² According to the latter, a public good has two essential attributes: non-excludability and non-rivalry in consumption. A common-pool resource, however, is non-excludable but rival. The possibility of non-rival consumption by multiple consumers is the major feature distinguishing public goods from common-pool resources. Non-excludability, that is, the difficulty of excluding non-paying consumers from consumption, is a feature that both types of goods share.

Non-excludability, together with the fact that public goods and common-pool resources can be reduced to a prisoner's dilemma game³ (Ledyard 1995, Ostrom 1990, Gintis 2000,

¹ There exist many empirical applications of the two concepts that demonstrate that the distinction is crucial for policy and institutional design (see for example Ostrom 1990, Seabright 1993, Ostrom, Gardner, and Walker 1994 or Cornes and Sandler 1996). Gaspart and Seki (2003) provide a good example for the two types of games describing a fishery. Typically fisheries are common-pool resources but the local fishery analyzed by them institutionally transforms this common-pool resource into a public good by equally distributing the catch among villagers after each day of fishing.

² Samuelson (1954) introduced the polar definition of private versus public goods based on their non-rivalry in consumption and Musgrave (1959, 1969) suggested the criterion of exclusion in addition to rivalry adding common-pool resources and club goods to the definition. See also Samuelson (1955) and Musgrave (1983) as well as for example Taylor (1987), Cornes and Sandler (1996), and Bowles (2003).

³ Consider a game that belongs to the broad class of symmetric games with a symmetric Nash equilibrium, Pareto dominated by a different symmetric action profile that is not equilibrium. If one reduces such a game to a 2×2 game where the symmetric Nash equilibrium is Pareto dominated by the alternative symmetric action profile, the latter not being a Nash equilibrium, then it is obvious that one gets the structure of a prisoner's

Camerer 2003, Sandler and Arce 2003), have led many authors to treat both social dilemma games as equivalent. Among these authors are some that claim that both games are strategically equivalent (see e.g. Ledyard 1995, Gintis 2000, 257 and Camerer 2003, 45-46). Based on this belief the difference between public goods and common-pool resources has often been reduced to frames or different representations of one and the same game. From that perspective commons, resource or common-pool dilemmas are considered to be take-some frames of public good games, whereas the term public good is reserved for a give-some frame of the same game⁴ (see e.g. Brewer and Kramer 1986, Fleishman 1988, van Dijk and Wilke 1995, McCusker and Carnevale 1995, Sell and Son 1997, Elliot and Hayward 1998, van Dijk, Wilke, Wilke and Metmann 1999, and van Dijk and Wilke 2000). In summary, there is a literature that claims that common-pool resources and public goods are the same, and consequently uses the label “common-pool resource” for a particular type of framed public good game.⁵

An explicit example of this is provided by Gintis (2000, 257-258), who writes: “While common pool resource and public goods games are equivalent for *Homo Oeconomicus*, people treat them quite differently in practice. This is because the status quo in the public goods game is the individual keeping all the money in the private account, while the status quo in the common pool resource game is that the resource is not being used at all. This is a good example of a *framing effect*, since people measure movements from the status quo and

dilemma game. Clearly, symmetric common-pool resource games and public good games belong to the above mentioned class of games. Note also that symmetric Cournot games, and Bertrand games also belong to this class of games.

⁴ A give-some frame presents the dilemma situation as one in which individually owned resources have to be contributed to a common undertaking, whereas in a take-some frame the dilemma consists in leaving resources in the common undertaking. For an experimental analysis of give-some and take-some framing effects in a public good environment see Andreoni (1995a), Sonnemans, Schram and Offerman (1998), Willinger and Ziegelmeyer (1999), or Park (2000).

⁵ Note that different labels may not be problematic as long as authors are aware of the difference and explicitly state that identical labels are used for different games.

hence tend to undercontribute in the public goods game and overcontribute (underexploit) in the common pool resource game, compared to the social optimum.”

In this paper we first establish theoretically that public good and common-pool resource games as used in the experimental literature are two distinct types of social dilemmas. We show that the distinguishing feature of these two types of games lies in the distributional factor that determines whether the good is rival or non-rival. This difference gives rise to two distinct strategic environments. Based on these theoretical differences we devise an experiment that tests whether the theoretical differences have an impact on behavior in the two games. That is, our aim is to assess whether the theoretical difference between the two types of goods also has behavioral implications. For that purpose, we contrast a quadratic public good game with interior Nash equilibrium (see, e.g., Chan, Mestelman, Moir and Muller 1996, Sefton and Steinberg 1996, Isaac and Walker 1998 and Laury, Walker, and Williams 1999), with a standard common-pool resource game (see, e.g., Ostrom, Gardner, and Walker 1994, Keser and Gardner 1999, Beckenkamp 2002, and Casari and Plott 2003). We chose parameters in which the differences between the two types of games are reduced to a minimum. First, to guarantee that the structural differences between the two games cannot be attributed to framing, both games are framed as give-some games. Second, the Pareto solutions in both games are identical in terms of actions and payoffs, third, the symmetric interior Nash predictions are located at symmetric points from the extremes of the individual action space and involve the same payoffs. The experimental results clearly show that starting from cooperative levels, aggregate behavior in both games tends to the respective Nash equilibrium. This clearly indicates that the differences in rivalry affect behavior, strengthening the importance of differentiating between the two types of goods.

The paper is organized as follows. The first subsection of section two introduces the typical public good and common-pool resource games found in the experimental literature. The second subsection discusses the role of rivalry as the distinguishing feature between public goods and common-pool resource games *in a general setting*. Section 3 discusses the experimental design. In section 4 the experimental findings are presented, and section 5 concludes with a discussion and summary.

2.- PUBLIC GOODS AND COMMON-POOL RESOURCE GAMES

2.1.- THE EXPERIMENTAL GAMES

In this section we introduce two particular games that represent a public good and a common-pool resource game. These games are taken from the experimental literature, and are the games that we will subsequently analyze experimentally. We also introduce a first theoretical comparison of the two games, showing that the distinguishing feature between both games is the degree of rivalry.

A Public Good Game

In the following we introduce a quadratic public good game with an interior symmetric Nash equilibrium. We concentrate on such a class of public good games because common-pool resource games are typically characterized by an interior Nash equilibrium. Since we are interested in the role of rivalry as the critical difference between the two types of games, we keep the differences between the two games as minimal as possible.

The following formulation draws from Isaac and Walker (1998).⁶ There are n identical players, $N = \{1, \dots, n\}$, each one with an endowment of $e \in \mathfrak{R}_{++}$. Each player i must decide how much to invest in the public good y , $x_i \in [0, e]$. The level of the public good is determined according to the technology

⁶ For other formulations of quadratic public good games with interior Nash equilibria see Sefton and Steinberg (1996) (in their NE treatment), Chan, Mestelman, Moir and Muller (1996) and Laury, Walker and Williams (1999). Keser (1996), Sefton and Steinberg (1996) (in their DE treatment), Willinger and Zieglmeyer (1999, 2001) and Falkinger, Fehr, Gächter and Winter-Ebmer (2000) study public good games with a unique interior dominant strategy equilibrium by making the private account quadratic. Although this manipulation resulted in a quadratic payoff function, the underlying public good remained linear. Quadratic public good games without interior Nash equilibrium have been analyzed by Issac and Walker (1991) and Isaac, McCue and Plott (1985).

$$y = g(x) = [a\sum_{h \in N} x_h - b(\sum_{h \in N} x_h)^2](1/n) \quad (1)$$

where $x \in [0, e]^n$. All resources not invested in the public good are allocated to a private account with a constant marginal return c . Hence, individual i 's payoff function is given by

$$u_i(x) = [a\sum_{h \in N} x_h - b(\sum_{h \in N} x_h)^2](1/n) + c(e - x_i) \quad (2)$$

Individual i 's best-reply function is

$$x_i^{PG}(x_{-i}) = \max \{0, [(a-cn)/2b] - \sum_{h \neq i} x_h\} \quad (3)$$

where $x_{-i} = (x_1, \dots, x_{i-1}, x_{i+1}, \dots, x_n)$. Solving (3) under symmetry, one gets the unique symmetric Nash equilibrium

$$x_i^{*PG} = (a-cn)/2bn \quad \text{for all } i \in N \quad (4)$$

It is well known that applying the logic of backward induction to the finite repetition of the public good game results in (4) being also the unique symmetric subgame perfect equilibrium of the finitely repeated public good game.

The unique symmetric Pareto solution of the public good game is obtained by optimizing $\sum_{h \in N} u_h(x)$ over $\sum_{h \in N} x_h$

$$x_i^{PG-P} = (a-c)/2bn \quad \text{for all } i \in N \quad (5)$$

A Common-Pool Resource Game

The following is a standard formulation of a common-pool resource game that draws from Walker, Gardner and Ostrom (1990).⁷ Denote by $i \in N = \{1, \dots, n\}$ the i -th player in the CPR game that is endowed with $e \in \mathfrak{R}_{+++}$, and has to decide how much of his or her endowment to allocate to the common-pool resource $x_i \in [0, e]$. Player i 's payoff for the resources allocated to the common-pool are represented by

$$h(x)(x_i/\sum_{h \in N} x_h) = [a\sum_{h \in N} x_h - b(\sum_{h \in N} x_h)^2](x_i/\sum_{h \in N} x_h) \quad (6)$$

As in the case of the public good game, all resources not invested in the common-pool are allocated to a private account with a marginal return of c . Hence, player i 's total payoff function is

$$v_i(x) = [a\sum_{h \in N} x_h - b(\sum_{h \in N} x_h)^2](x_i/\sum_{h \in N} x_h) + c(e - x_i) \quad (7)$$

Individual i 's best reply function, the unique symmetric Nash equilibrium, and the unique symmetric Pareto solution in the common-pool resource game are respectively

$$x_i^{CP}(x_{-i}) = \max \{0, (1/2)[[(a-c)/b] - \sum_{h \neq i} x_h]\} \quad (8)$$

⁷ For other formulations of quadratic common-pool resource games see Clark (1980), Walker and Gardner (1992), Ostrom, Gardner, and Walker (1994), Herr, Gardner, and Walker (1997), Beckenkamp and Ostmann (1999), Keser and Gardner (1999), Walker, Gardner, Herr, and Ostrom (2000), Beckenkamp (2002), Casari and Plott (2003), Margreiter, Sutter and Dietrich (2005) and Apesteguia (forthcoming). In the psychological literature common-pool resource games are generally implemented as linear threshold CPRs alternatively known as Nash demand games. See for example Suleiman and Rapoport (1988), Budescu, Rapoport and Suleiman (1995), Budescu and Au (2002). There also exist experimental CPR studies in non-strategic, decision-theoretic environments (see e.g. Hey, Neugebauer and Sadrieh 2004).

$$x_i^{*CP} = (a-c)/b(n+1) \quad \text{for all } i \in N \quad (9)$$

$$x_i^{CP-P} = (a-c)/2bn \quad \text{for all } i \in N \quad (10)$$

Note that the symmetric Pareto solution is the same in both games. Table 1 gives the theoretical predictions for the public good and common-pool resource games for the parameters used in the experimental study.

Table1: Experimental parameters and theoretical benchmarks*

	Nash equilibrium		Pareto solution	
	x_i	Individual Payoffs	x_i	Individual Payoffs
public good	20	180	50	225
common-pool resource	80	180	50	225

* The parameters used in the experimental study are: $n = 4$, $a = 6$, $b = .0125$, $c = 1$, $e = 100$

The values of the parameters were chosen so that: (i) all predictions are in integer numbers, (ii) payoffs from playing the symmetric Nash equilibria are the same in both games, and, since the symmetric Pareto solution is the same for both games, the gain in efficiency associated with a switch from Nash equilibrium to the Pareto solution is also the same in both games (an increase in payoffs of 20%), and (iii) the symmetric Nash predictions in the public good and common-pool resource games are located at symmetric points from the extremes of the individual strategy space.

Figure 1: Best Response Functions

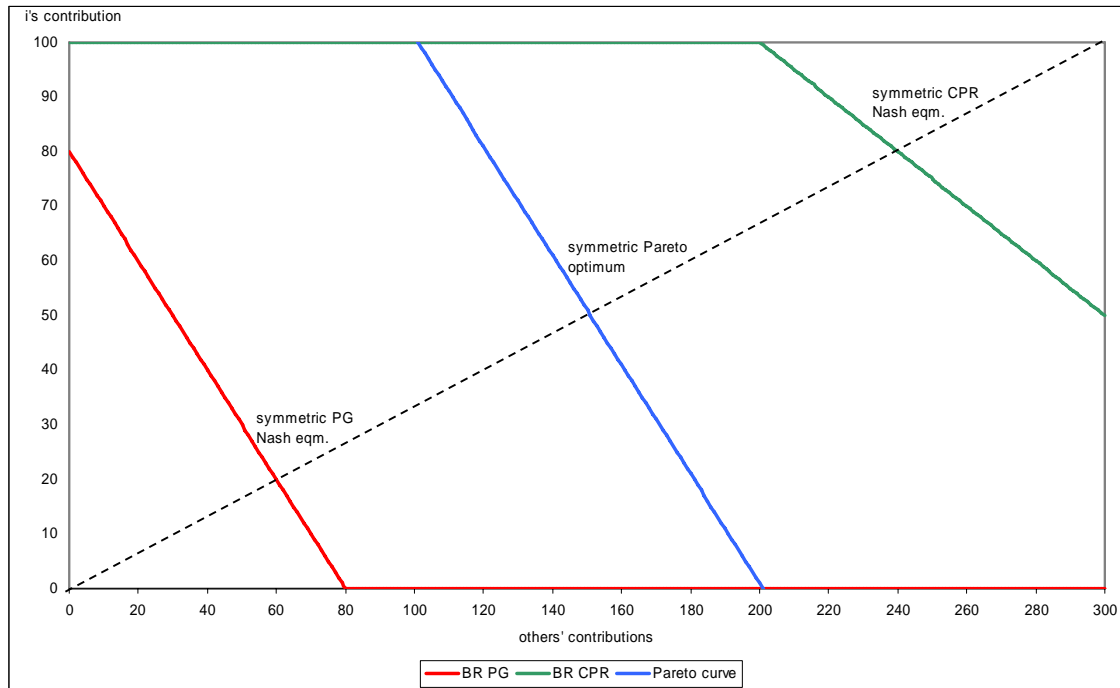


Figure 1 draws the best reply functions in both games, together with the Pareto reply function, common to both games. It displays the unique symmetric Nash equilibrium in the CPR game, as well as the unique symmetric Nash equilibrium in the PG game at the intersections of the respective best reply functions with the symmetry line. In addition the figure shows the symmetric Pareto efficient allocation for both games at the intersection of the symmetry line with the individual Pareto reply function.

Public Good versus Common-Pool Resource Games

The only difference between the two games is reflected in equations (1) and (6). Equation (1), the individual payoff function from allocations to the public good, reflects the non-rivalry property of public goods. The payoffs derived from the public good on the part of a player do

not reduce the payoffs derived from the other players. In other words, for any $x \in [0, e]^n$, all $i \in N$ have exactly the same payoff from the public good.

On the other hand, equation (6), the individual payoff function from allocations to the common-pool, captures the rivalry property by introducing an *individual distributional factor* $(x_i / \sum_{h \in N} x_h)$.⁸ In this case $x_i / \sum_{h \in N} x_h$ represents a proportional distribution. The higher x_i in relation to $\sum_{h \in N} x_h$, the higher the appropriation of i from the common-pool resource.

Therefore, in the case of the common-pool, the returns from the contributions of all players $[a \sum_{h \in N} x_h - b(\sum_{h \in N} x_h)^2]$ are fully distributed to the individual players on the basis of the individual distributional factor $(x_i / \sum_{h \in N} x_h)$. That is, the units from the common-pool consumed by player i are not available anymore to any other player $j \neq i$.

2.2- The Role of Rivalry

Section 2.1 introduced two particular games, a quadratic public good game and a common-pool resource game that we will subsequently study experimentally. The preceding section also pointed to the differences between the two types of social dilemmas. In the following we introduce *general* definitions of public good and common-pool resource games. In these general definitions we do not impose any restriction on symmetry, nor on the production functions from the public good, the common-pool, and the private accounts. The only assumption we make concerns the individual distributional factor from the common-pool. We will assume a *proportional* distributional factor, although we do not restrict it to a *symmetric* distributional factor. Of course, other distributional factors could be (and in fact sometimes

⁸ The term distributional factor is used to distinguish it clearly from institutional arrangements designed to manage a particular resource. From that perspective terms such as appropriation rule or sharing rule, often found in the literature, may be a misleading term to describe properties of the good.

are) used.⁹ Then, by restricting the classes of possible public good and the common-pool resource games we show that these two types of games cannot be taken in general to be equal, and hence they are fundamentally different.

We introduce the following notation. The set $N = \{1, \dots, n\}$, $n \geq 2$, is the set of players, indexed by i , $X_i = [0, e_i]$ is player i 's strategy space, $e_i \in \mathfrak{R}_{++}$, $x_i \in X_i$, $X = X_1 \times \dots \times X_n$, and $x = (x_1, \dots, x_n) \in X$.

Definition 1 (Public Good Game): Denote by $\Gamma_1 = (N, X, U)$ the public good game where the sets N and X are defined as above, and $U = U_1 \times \dots \times U_n$, where $U_i : X \rightarrow \mathfrak{R}$ is the payoff function of player i that is decomposed into functions $G : X \rightarrow \mathfrak{R}$ (the public good production function) and $C_i : X_i \rightarrow \mathfrak{R}$ (the private account payoff function), according to $U_i(x) = G(x) + C_i(x_i)$.

Definition 2 (Common-Pool Resource Game): Denote by $\Gamma_2 = (N, X, V)$ the common-pool resource game where the sets N and X are defined as above, and $V = V_1 \times \dots \times V_n$, where $V_i : X \rightarrow \mathfrak{R}$ is player i 's payoff function that is decomposed into functions $H : X \rightarrow \mathfrak{R}$ (the aggregated common-pool production function) and $D_i : X_i \rightarrow \mathfrak{R}$ (the private account payoff function), according to $V_i(x) = H(x)(\alpha_i x_i / \sum_{h \in N} \alpha_h x_h) + D_i(x_i)$, $\sum_i \alpha_i = 1$, and $\alpha_i \geq 0$ for all $i \in N$.

Proposition 1: There is no configuration of functions G , C_i , H , and D_i , such that $\Gamma_1 \equiv \Gamma_2$.

⁹ For a detailed discussion of different distributional factors and their consequences for the type of game, see Beckenkamp (forthcoming) and Rapoport and Amaldoss (1999). Gunnthorsdottir and Rapoport (forthcoming) conducted an experimental study of a proportional and an egalitarian distributional factor in an inter-group competition game based on a linear public good.

Proof: To show that in general $\Gamma_1 \equiv \Gamma_2$ does not hold, we only need to find a domain where such identity cannot hold. For simplicity, we do this by restricting ourselves to the classes of CPR and PG games where the private accounts are linear, the aggregated common-pool production function is strictly concave in $\sum_{h \in N} x_h$, and $\alpha_i = \alpha_j$ for every $i, j \in N$. Now, assume, by way of contradiction, that there exist $G(x)$, $C_i(x_i)$, $H(x)$, and $D_i(x_i)$ such that $U_i(x) \equiv V_i(x)$ for all $i \in N$, and for all $x \in X$. Then, take any $x \in X$ and $i, j \in N$, $i \neq j$ with $x_i \neq x_j$. Hence, $U_i(x) \equiv V_i(x)$ and $U_j(x) \equiv V_j(x)$ for all $x \in X$ imply that

$$G(x) = H(x)(x_i/\sum_{h \in N} x_h) + [D_i(x_i) - C_i(x_i)] \quad (11)$$

$$G(x) = H(x)(x_j/\sum_{h \in N} x_h) + [D_j(x_j) - C_j(x_j)] \quad (12)$$

Setting (11) and (12) equal and solving for $H(x)$, one gets

$$H(x)((x_i - x_j)/\sum_{h \in N} x_h) = [D_j(x_j) - D_i(x_i)] - [C_j(x_j) - C_i(x_i)] \quad (13)$$

Now, since D_h and C_h are assumed to be linear, let $D_h(x_h) = a + bx_h$ and $C_h(x_h) = c + dx_h$, where a, b, c , and d are real value parameters. Hence, (13) implies that

$$H(x) = (d-b) \sum_{h \in N} x_h$$

which contradicts our initial assumption on the strict concavity of the aggregated common-pool production function.

Q.E.D.

The proof of Proposition 1 shows that public good and common-pool resource games cannot be taken in general as identical social dilemma games by restricting the production function of the CPR game to be concave, and the private accounts to be linear. Clearly, such classes of public good and the common-pool resource games are considerably broad since they encompass the class of experimental games studied in this paper, the standard and intensively studied linear public good games, and the standard CPR experimental games.

3.- EXPERIMENTAL DESIGN

The experiments were conducted at the Experimental Economics Laboratory at the University of Bonn using the z-Tree software developed by Fischbacher (1999). At the beginning of each session participants were randomly assigned to one of the 16 computer terminals. Before the session started, participants first had to read the instructions. In order to check if participants understood the instructions, three test questions were given.¹⁰ The values used in the test questions were publicly drawn by randomly chosen participants from two urns¹¹ and announced. The experiment was started only once all participants had correctly answered all test questions.

We ran two sessions for each game, for a total of 8 independent observations respectively. In each session 16 participants were randomly divided into groups of 4 to play a give-some frame of either the CPR or the PG game for 20 periods.¹² Participants knew that they would remain in the same group for 20 periods but they did not know with whom they were playing. At the end of each turn, participants received information on their decision, aggregate decisions of all other players, the payoffs from Account 1 (the common-pool or public good account) and 2 (the private account), the sum of the payoffs from both accounts in that period, and their total payoff so far. The parameterization of the PG game based on the payoff function (2) was:

$$u_i(x) = [6\sum_{h \in N} x_h - (1/80)(\sum_{h \in N} x_h)^2](1/4) + (100 - x_i) \quad (14)$$

¹⁰ Both the instructions and the test questions are available at <http://www.yale.edu/unsy/jcr/jcrdata.htm>.

¹¹ One urn contained all entries of the Y column of the total payoff table and the other contained all values of the X row. Even though participants were equipped with calculators, the numbers were chosen such that the test questions could be answered based on the entries in the tables provided.

¹² The non-random matching protocol, where group membership remains fixed across periods, was chosen although potential repeated game effects may interact with the inherent strategic differences of the two games, in

The parameterization of the CPR game based on the payoff function (7) was:

$$v_i(x) = [6\sum_{h \in N} x_h - (1/80)(\sum_{h \in N} x_h)^2](x_i/\sum_{h \in N} x_h) + (100 - x_i) \quad (15)$$

Communication was not allowed throughout the experiment.

order to have a sufficient number of independent observations. See section 4.2. for an analysis of sequential dependencies.

4.- RESULTS

We begin by addressing the main question investigated in this paper, namely, whether the investment level in PG games significantly differs from the investment level in CPR games. Table 2 reports summary statistics on average investments for the entire experiment, as well as for the first and the second half. Also, the average payoffs, the standard deviations of the average allocations in the eight groups, and the average of the standard deviations at the individual level, are reported in the table.

Table 2: Summary statistics

	PG	CPR
Average allocation (periods 1 to 20)	21.4	74.8
Average allocation (periods 1 to 10)	23.3	72.2
Average allocation (periods 11 to 20)	19.5	77.4
Average payoffs	179.4	189.3
Standard deviation of average allocations	4.0	3.6
Average of standard deviation of individual behavior	21.7	20.4

Result 1: Aggregate investment in the PG game is statistically different from investment in the CPR game.

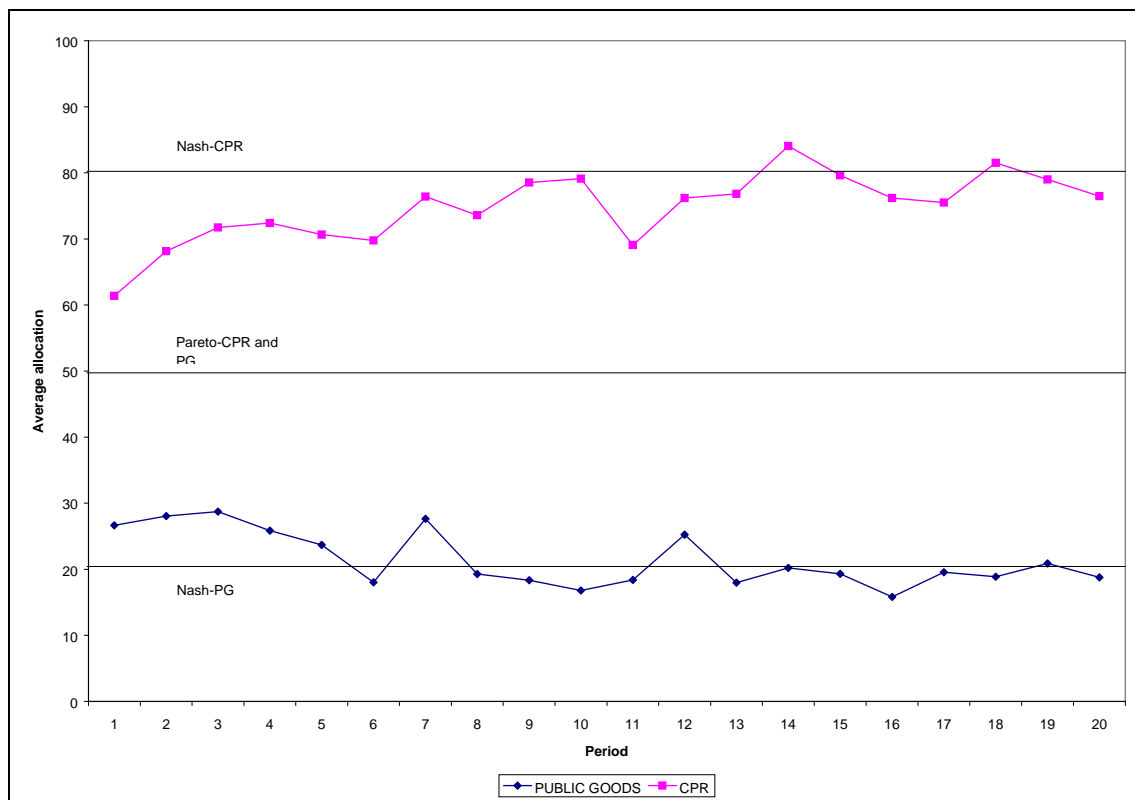
Support to Result 1: The permutation test on the basis of the average allocations per group yields a significance of 0.01% (two-sided).¹³ Further, consider Figure 2 where the time series

¹³ See Siegel and Castellan (1988) for a reference on the statistical tests used in this paper.

of average allocations per treatment are shown, and Figure 3 where the histogram of all individual decisions by treatment are reported.

Clearly, investment decisions in both games sharply differ. This indicates that players are sensitive to the different incentive structures determined by the distributional factor.

Figure 2: Time series of average allocations per treatment

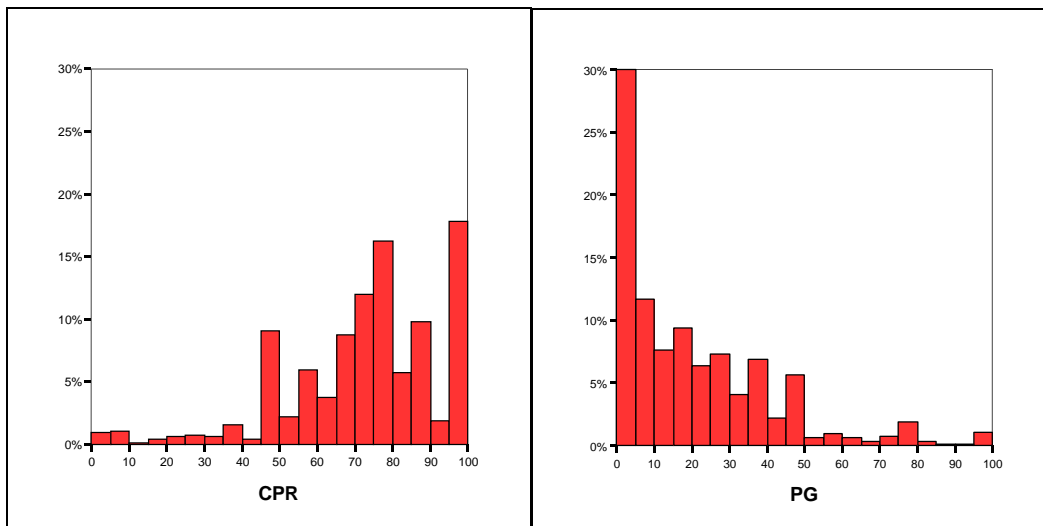


Having shown that *investment decisions* differ between games, it remains to be shown whether the *pattern of behavior* exhibited by players also differs between games. The distinction between investment levels (investment decisions) and the pattern of behavior is important. Even though investment levels clearly differ, behavioral strategies may still be the same.

Result 2: The pattern of behavior in both games is qualitatively similar.

Support to Result 2: Figure 2 shows that aggregate allocations in both, PG and CPR games, start at levels in between the symmetric Pareto solution and the respective Nash equilibria, and tend to converge to the respective Nash equilibria. In fact, with respect to the tendency, average investment per group in the first half of the PG experiments are higher than those in the second half, while in the CPR experiments the relation is the opposite. The Wilcoxon signed-ranks test yields significance on the 0.0386 level for the PG case and on the 0.0039 level for the CPR case (both one-sided). Furthermore, in both games, the null hypotheses of no difference between average allocations in the second half of the experiment at the group level with respect to the respective Nash equilibrium cannot be rejected at a 5% significance level.

Figure 3: Histograms of individual investments in the PG and CPR experiments



It is illuminating that average payoffs in the CPR experiment do not significantly differ from those in the PG game. The permutation test does not reject at a 5% significance level the null hypothesis of equal average payoffs between the PG and CPR experiments.

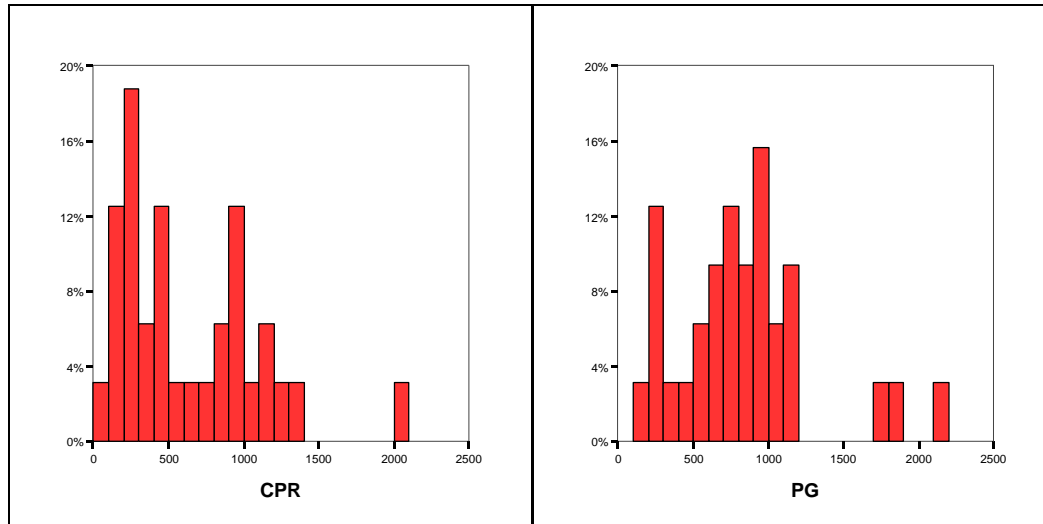
However, this does not imply that behavior in CPR experiments is the mirror image of behavior in PG experiments. In fact, when contrasting the distribution of individual decisions between the PG experiments and the truncated distribution of the CPR experiments (that is, we take values y_i , where $y_i = 100 - x_i$) the Kolmogorov-Smirnov two-sample test yields a significance on the .01 level.

We conclude that participants in the experiments were sensitive to the unique difference between the two games: the degree of rivalry as captured by the distributional factor. Hence, it appears that not only that both types of games are theoretically and conceptually different, but that these differences are also reflected in different investment levels. Nevertheless, the pattern of behavior seems to be qualitatively similar when the Pareto solution and the Nash equilibrium are taken as reference points.

4.1.- A LOOK AT INDIVIDUAL DIFFERENCES

So far the analysis was based on group level data. In this subsection we turn to individual behavior. It has consistently been shown that behavior at the individual level is very heterogeneous in dilemma experiments. To check for this regularity found in the literature, we compute for the respective game (equations (3) and (8)) the average of the squared differences between the observed data and the individual best-reply functions over all periods at the individual level. Figure 4 reports the distribution of the individual average squared differences.

Figure 4: Histograms of individual average squared differences between observed data and best-reply predictions in the PG and CPR experiments



The range in Figure 4 goes from 0 to a maximum of 2500,¹⁴ with 25 intervals of length 100. Note that the distributions in Figure 4 are quite dispersed. The mean deviation in the CPR (PG) experiments is 635.3 (839.5) with standard deviation 455.4 (462.1).

Classifying individuals as best-repliers if they deviate 15% or less from the best reply in action space, about 20% of participants in the CPR experiments, and about 10% of participants in the PG experiments fall in that category. However, if we were to take players as exhibiting behavior substantially deviating from the best-reply when they deviate by 30% or more in action space¹⁵ from the best-reply prediction, about 18% of the players in the CPR experiments, and about 25% in the PG experiments are characterized that way. Consequently, it appears that, consistent with previous findings, individual behavior in our experiments is quite diverse.

¹⁴ Note that if we take the individual decision and the best-reply prediction as uniform random variables, the difference in expectation of the order statistics is $100/3$, implying a squared difference of about 1,110.

4.2.- SEQUENTIAL DEPENDENCIES

Our experimental games were conducted in partner design, that is, the same group of individuals interacted throughout the entire experiment. By doing so we adhered to the early experimental practice in both PG and CPR experiments, allowing us to gain a relatively high number of independent observations for the statistical analysis. A natural alternative to our design choice is to use random matching. Random matching has very important advantages since it minimizes reputation effects and other sequential dependencies. As a result, it is interesting to analyze to what extent sequential dependencies were present in our data. Of course, the ultimate test for such a question encompasses the comparison of experiments with and without random matching. Such a comparison is out of the scope of the present paper, but we can, nevertheless, make some tests in this respect.¹⁶

Individuals received feedback on the behavior of the opponents, in form of aggregate contributions in the group, throughout the experiment. In Figure 1 we showed that according to best-reply a negative relation between others' allocations and one's allocation should hold. On the other hand, a positive relation could indicate some kind of sequential dependency; for example a taste for conformity with the behavior of others.

We measure such (first-order) dependencies by computing the Spearman rank-order correlation coefficient for each individual between the individual allocation decisions and the last observed sum of allocations of the opponents. Of the 32 individual coefficients in the PG

¹⁵ See the previous footnote.

(CPR) experiments 12 (19) were negative. A binomial test yields no difference at standard significance levels between the number of positive and negative coefficients in both experiments. That there is not a predominantly negative relation is not surprising given the remarkable deviations from best-reply that we could observe at the individual level in Figure 3. Further, the no significance result suggests that (first-order) sequential dependencies between individuals seem not to be significantly present in our data.

4.3.- RELATED LITERATURE

Our experimental findings in the quadratic PG and the quadratic CPR game are generally in line with previous experimental evidence.

The literature on quadratic public good games reports similar investment patterns to those observed here: behavior starts around the Pareto solution and then declines towards the Nash equilibrium with repetition. Interestingly, both (i) experimental studies of quadratic public good games where the interior Nash equilibrium is in dominant strategies (see Keser 1996, Falkinger, Fehr, Gächter, and Winter-Ebmer 2000, and Willinger and Ziegelmeyer 1999) and (ii) those without an interior Nash equilibrium in dominant strategies (see Isaac and Walker 1998 and Laury, Walker and Williams 1999)¹⁷, show the mentioned pattern from Pareto to Nash, but at lower rates than those found here. That is, the convergence to Nash that we observe is quicker than the convergence reported in the literature. The determinants of such a

¹⁶ Botelho, Harrison, Costa Pinto, and Rutström (2005) study these sort of questions in the context of public good games.

¹⁷ See Anderson, Goeree and Holt (1998) for a theoretical discussion of these results. Laury and Holt (forthcoming) provide an overview of the PG literature with interior Nash equilibrium. For recent experimental studies of linear public good games see for example Maier-Rigaud, Martinsson and Staffiero (2005), Brandts and

difference are difficult to identify since there are many design differences between our experiments and those mentioned above.¹⁸ However, this is an interesting observation that should be investigated in future research.¹⁹

For the CPR game, there is conflicting evidence on the tendency of aggregate decisions through time. This seems to depend on a variety of issues like the endowment, the group size, etc. Nevertheless, the general pattern of an increase of investment towards the Nash equilibrium has also been observed in the low endowment treatment in Walker, Gardner and Ostrom (1990), Ostrom and Walker (1991), Ostrom, Gardner and Walker (1994) and Apesteguia (forthcoming). Whereas, Keser and Gardner (1999), Gardner, Moore and Walker (1997), Walker, Gardner and Ostrom (1990) in the high endowment treatment, and Casari and Plott (2003), find investments above the Nash equilibrium.

Inspired by the theoretical results of Rapoport and Amaldoss (1999), Gunnthorsdottir and Rapoport (forthcoming) study the two distributional factors analyzed here in the context of an inter-group competition game. The game within the group was a linear public good game with corner solution that determined the probability of winning a fixed award that afterwards was either split according to a *proportional* or an *egalitarian* distributional factor. The proportional distributional factor corresponds here to the CPR experiment, while the egalitarian distributional factor corresponds to the PG experiment. Although there are many differences in the design of their experiment and ours, their findings for the proportional

Schram (2001), Keser and van Winden (2000), Gächter and Fehr (1999), Palfrey and Prisbrey (1997), Andreoni (1995b), and Laury, Walker and Williams (1995).

¹⁸ Charness, Frechette and Kagel (2004) have shown that payoff tables reduce cooperativeness in the context of gift exchange experiments. Gülerk and Selten (2006) find the opposite effect in the context of oligopoly experiments. In Laury, Walker and Williams (1999) conversion was quicker in the treatments with more detailed information containing payoff tables than in the treatments without. In our experiment conversion is even quicker than in their detailed information treatment.

¹⁹ For an experimental study on the rates of convergence to equilibrium in 3×3 games see Ehrblatt Hyndman, Özbay and Schotter (2005).

distributional factor are similar to the pattern observed in the present CPR game. The main difference concerns the egalitarian distributional factor, where Gunnthorsdottir and Rapoport found significantly higher contributions that only slowly converged to the Nash equilibrium in their experiment.

5.- CONCLUSION

The aim of this study was to shed some light on the commonalities and differences between common-pool resources and public goods. We designed a public good and a CPR game with identical quadratic production function in order to compare both games on a theoretical and experimental level.

We show that, in contradiction to the common belief that CPR and PG games are theoretically identical, the two games are in fact distinct games. We show that this difference is based on rivalry as captured by a proportional distributional factor.

The experimental results clearly support the theoretical result that both games are different. Investment decisions in the public good experiments are statistically different to those in the common-pool resource ones. Given that both games were framed as give-some games, this difference can not be attributed to framing. Hence, the results clearly indicate that participants were sensitive to the rivalry structure of the strategic situation. Despite this difference reflecting the structure of the two games, there appear to be some behavioral similarities. In the CPR game the aggregate Nash equilibrium investment level is above the Pareto efficient one, whereas in the PG game the aggregate Nash equilibrium is below the Pareto efficient level. In both games, aggregate investment approaches the Nash equilibrium over time. At the beginning the Pareto optimum and later the Nash equilibrium appear to be behaviorally relevant. Aggregate behavior in both games is surprisingly similar in the sense that it starts in the neighborhood of the Pareto optimum and moves rather quickly to the respective aggregate Nash equilibrium.

APPENDIX A: THE INSTRUCTIONS

Instructions

[[In both Games]]

Welcome to this experiment! Please read the instructions carefully. Communication with other participants is strictly forbidden throughout the experiment. All participants have exactly the same instructions. You will be matched in groups of four persons. You will not be told who the other three persons in your group are. You will play for 20 periods with the same three persons.

Decisions: In each period you will be provided with an *endowment* of 100 Taler. All other members of your group will also have an endowment of 100 Taler.

In each period you will have to decide how to divide your endowment between *two accounts*.

Account 1: You are allowed to invest in Account 1 any whole number X between 0 and 100.

The payoffs you receive from Account 1 depend not only on the amount you invest in Account 1, but also on the investment decisions of the other 3 members of your group. You will find the payoff formula for Account 1 below.

Account 2: After investing in Account 1, the remaining amount of Taler will automatically be invested in Account 2.

In Account 2 the payoffs you receive depend only on your investment decision. Every Taler that you invest in Account 2 gives you a payoff of 1 Taler. Hence, if you invest X Taler in Account 1, you will invest $(100-X)$ Taler in Account 2, and this will give you a payoff of $(100-X)$ Taler in Account 2.

Total payoffs: Your total payoffs *per period* are the sum of your payoffs in Account 1 plus your payoffs in Account 2.

The following table describes your total payoffs (those of you interested in the payoff formula can find it below).

The second row in the table shows different investment levels in Account 1 (in steps of 5) that **you** can choose (X). The second column shows different **sums of the investment** in Account 1 (in steps of 5) that the other 3 members of your group may choose (Y). The remaining entries show the total payoffs you earn if you choose the row level investment X (where X is the amount you invest into account 1) and the sum of the investment of the others is Y .

In other words, the entry corresponding to column Y and row X indicates your payoffs in case your investment into account 1 is X and the sum of the investment of the others is Y .

[[In both Games]]

Where X is your investment decision in Account 1 and Y is the sum of the investments of the others in Account 1.

Period by period information: You will not get information on the individual decisions of the other members of your group. In each period, after all participants have made their decisions you will get information on: (1) your own decision, (2) the sum of the decisions of the others, (3) your payoffs in Account 1, (4) your payoffs in Account 2, (5) the sum of the payoffs in Account 1 and Account 2, and (6) the cumulated payoffs throughout all the experiment.

Payment: 100 Taler are worth 0.30 Euro. At the end of the experiment all your Taler will be converted to Euro and paid to you in cash.

Please raise your hand if you have any remaining questions

Thank you very much for your participation!

APPENDIX B: THE TEST QUESTIONS

Test Questions

1. If you invest (insert the first value drawn here) Taler into Account 1, how many Taler do you then automatically invest in Account 2?
2. If you invest (insert the second value drawn here) Taler into Account 1, what is your profit from Account 2?
3. If you invest (insert the third value drawn here) Taler into Account 1 and the other three participants invest a total of (insert the fourth value drawn here) Taler into Account 1, what is your total profit?

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