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Deviant or Wrong? The Effects of Norm Information on the Efficacy of Punishment

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Abstract

A stream of research examining the effect of punishment on conformity indicates that punishment can backfire and lead to suboptimal social outcomes. We examine whether this effect is due to a lack of perceived legitimacy of rule enforcement, enabling agents to justify selfish behavior. We address the question of punishment legitimacy by shedding light upon the importance of social norms and their interplay with punishment. People are often presented with incomplete norm information: either about what most others do (empirical) or what most others deem appropriate (normative). We show that in isolation, neither punishment nor empirical/normative information increase prosocial behavior. In turn, we find that prosociality significantly increases when normative information and punishment are combined, but only when compliance is relatively cheap. When compliance is more expensive, we find that the combination of punishment and empirical information about others' conformity can have detrimental effects. In additional experiments, we explain how this negative effect is due, at least for some individuals, to punishment not being perceived as justified. Our results have important implications for researchers and practitioners alike.

Keywords: Conformity, Punishment, Social Norms, Trust

JEL: C91, D03, D73, H26

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1. Introduction

To encourage prosocial behavior, policy interventions have commonly used punishment, with mixed success. Since severe punishment usually requires costly monitoring and can have undesirable side effects, punishment is often weak (Tyler, 2006; Balafoutas et al., 2016), which means that the cost of punishment is lower than the cost of compliance. Yet weak punishment — often in the form of small fees — can have the opposite effect of promoting deviations (Gneezy and Rustichini, 2000). Norm information has also been used in policy interventions (Bicchieri and Dimant, 2019). Interventions that have been used to curb electricity or water use (Schultz et al., 2007; Allcott and Mullainathan, 2010; Ferraro et al., 2011) differ in their success depending upon the nature of the message (what others do versus what is good to do) as well as its content (e.g., average or majority usage).

Our paper investigates whether the combination of (weak) punishment and norm information has an advantage in inducing prosocial behavior as opposed to independently implementing each policy instrument. Our hypothesis is that punishment will be more effective if it points to a shared agreement, indicating that non-conformity is commonly thought to be wrong and blameworthy. In this case, we expect that complementing punishment with norm information will induce more prosocial behavior. We report results from three experiments – one behavioral experiment and two follow-up belief elicitation experiments – to better understand when the combination of punishment and norm information achieves the desired result, and the reasons why it sometimes does not.

Note that norm information may take different forms, since social norms have both an empirical and a normative component (Bicchieri, 2006).[1] They tell us what is commonly done (empirical) as well as what is commonly approved of (normative). Empirical information alone may indirectly suggest the underlying normative appropriateness of a behavior. Normative information instead provides a direct and explicit signal about whether an action is appropriate, although it does not necessarily imply that most people behave accordingly (Bicchieri et al., 2019b). As we often have access to only one type of norm information, it is important to investigate their potentially different effects on behavior,

[1] In social psychology, a distinction is made between descriptive and injunctive norms (Cialdini et al., 1990). Empirical information points to a descriptive norm, whereas normative information points to an injunctive one. Our definition of social norms (Bicchieri, 2006, 2016) includes both kinds of information. For a recent discussion in the context of experimental research see Bicchieri and Dimant (2019).

especially when accompanied by punishment. Adding normative information about an enforced behavior points out that people (usually in the form of a majority) view non-compliance as wrong. However, when an enforced behavior is only supported by empirical information and non-compliance is presented as a deviation from what is commonly done, norm-signaling punishment may be weakened and even lead to transgressions (Bicchieri et al., 2019a, for a recent discussion see Bicchieri and Dimant, 2019). Why this happens needs to be better understood. Our main hypothesis is that punishment is more effective when the enforced behavior is presented as the right course of action rather than what is commonly done in the same situation. This consideration is also consistent with the observation that punishment in naturally occurring environments is usually associated with what is wrong and what should be done, rather than what a majority does (Bicchieri, 2016; Dimant and Gesche, 2020). Moreover, messages about common behavior may present an additional hurdle, as they may not be fully trusted by recipients either because the messenger is perceived as having a vested interest in inducing a specific behavior, or just because experience and observation point in a different direction.

We first conducted a laboratory experiment to examine how providing the information that an enforced behavior is consistent with a shared norm influences the effectiveness of punishment and subsequent behavior. We only focus on weak punishment (i.e., the cost of punishment is not higher than the cost of compliance and thus monetary incentives are not the dominant driver of decisions). As a result, the punishment is not equilibrium shifting, which sets our study apart from much of the existing research (Ensminger and Henrich, 2014, for an overview of the literature see Xiao, 2018).

To investigate the effects of combining (weak) punishment and norm information, we introduced a Baseline control (a standard Trust Game) and a total of five variations (treatments), in which norm information and punishment are systematically varied. Each treatment consisted of multiple rounds of play and random re-matching of pairs after each period. We introduced combinations of (weak) punishment, normative information, and empirical information at the beginning of each treatment. Participants were assigned either to the role of investor or trustee for the duration of their session and restricted to only one treatment variation (between-subjects design). All treatments were variations of the Baseline condition, in which the investor's decision space regarding how much to transfer to the trustee was limited to three choices (either none, half, or all of her initial endowment) and the decision whether to accompany a non-zero transfer with a return-request

message.[2] Any amount given by the investor was then tripled and transferred to the trustee who then decided how much, if anything, to return to the investor. An important design feature of our experiment is that the investor learned the actual return behavior of all trustees that she encountered throughout all periods only *after* the experiment concluded. By withholding the provision of trustee behavior information – and communicating this design choice to all investors and trustees at the beginning of the experiment – our main dependent variable of choice (trustee's behavior) remains comparable across periods and treatments. Note that since the amount transferred varied based on the investor's decision in each round, the trustee's cost of conforming to the return request also varied. We provide an additional level of analysis to capture this heterogeneity by splitting trustees in high (low) stakes groups if trustees received all (half) of the investor's endowment.

The three treatments with punishment varied on whether the request message was accompanied by empirical information (Pun_EmpInfo), normative information (Pun_NormInfo), or was not accompanied with information (Pun_NoInfo).[3] In these treatments, the investor's request message was binding. If the trustee returned less than 50%, she would receive a fixed monetary penalty. Since we were only interested in weak punishment, the penalty was designed to always be smaller than the 50% return, giving the trustee a monetary incentive to transgress. The empirical information let players know – based on data collected before the experimental session – that in a previous session, most trustees *returned* at least 50%, and normative information stated that most participants in a previous session thought that trustees **should** return at least 50%. To control for the effect of information alone, we included two more treatments where punishment was absent and only empirical information (NoPun_EmpInfo) or normative information (NoPun_NormInfo) was provided.

This design allows us to study the effects of each type of information, especially when paired with punishment. Our results help to better understand recent research with con-

[2] In line with existing literature, we employed a fixed-form message that asked the trustee to return at least half of the received amount (Houser et al., 2008; Bracht and Feltovich, 2009). A request was non-binding in conditions where punishment was not included. Where punishment was included, ignoring a request led to the automatic enforcement of punishment.

[3] To ensure the truthfulness of the information, the empirical and normative information used was borrowed from the behavior and beliefs of other participants from a previous study. This approach is commonly adopted in experimental social norms research (Bicchieri and Xiao, 2009; Krupka and Weber, 2013).

flicting findings about separately manipulated normative or empirical information.[4] We find that only the joint effect of normative information and punishment significantly increases conformity, while the separate enforcement mechanisms of punishment alone and normative information alone do not achieve this result. Interestingly, we find that the combination of punishment and empirical information can have detrimental effects on conformity. Our results raise concerns about linking punishment and empirical information, which is commonly done in the recent wave of social norm nudging (e.g., Hallsworth et al., 2017; Dimant and Gesche, 2020). We further explore this combination to explain its negative outcome by two different experiments. In the first experiment, we elicit third parties' assessment of whether a social norm of reciprocity is in place in either the low- or the high-stakes condition of the game. We follow Bicchieri and Chavez (2010) and Bicchieri and Xiao (2009) and elicit personal normative beliefs, normative expectations, and empirical expectations. In both conditions, we find that a basic norm of reciprocity – i.e., return at least what was sent by the investor – was endorsed. In the second experiment, we assess how people perceive the normative or empirical information provided in the trust game experiment. Since the combination of empirical information and punishment backfires in the high-stakes condition, we speculate that players will not think the empirical message about returning half of the amount applies to the high-stakes condition. Indeed, this is what happens. If the threat of punishment is accompanied by information that is perceived as not applicable, it is not surprising that the reaction may be negative.

Our work contributes to the understanding of how punishment impacts prosocial behavior. This is particularly important from a policy perspective with regards to designing effective and sustainable behavioral interventions. The effect of punishment can be enhanced when it is accompanied by norm-relevant information. However, we show that the information must be both specific and credible to obtain the desired result.

2. Experiment Design and Procedures

We recruited a total of 418 participants (in 34 sessions ranging from 10-16 participants) across six treatments at the University of Pennsylvania.[5] Our experiment utilizes a variant

[4] See for example Bicchieri, 2006; Goldstein et al., 2008; Ferraro et al., 2011; Keane and Nickerson, 2015; Hallsworth et al., 2017; Bicchieri et al., 2019b; Bursztyn et al., 2018; Bolton et al., 2019; Bott et al., 2019; Bursztyn et al., 2019; Dimant et al., 2019.

[5] In light of our surprising results that mainly occurred in the EmpInfo conditions, we over-proportionally collected data in those conditions to ensure the robustness of our findings.

of a Trust Game (Berg et al., 1995) as introduced in recent related literature (Fehr and Rockenbach, 2003; Houser et al., 2008). Per experiment session, each participant was randomly assigned the role of an investor or a trustee and remained in that role throughout the experiment. Each participant played the game for 10 rounds. At the beginning of each round, each participant received an endowment of 8 Experiment Currency Units (ECU; 2 ECUs = \$1) and was randomly matched with another participant of a different role.

Treatments varied by punishment (absent, present), norm information (absent, a normative message about what ought to be done, an empirical message about what other participants did), and combinations thereof. As in Bicchieri and Xiao (2009), all data from which the truthful messages were generated were based on a pilot trust game. On average, the majority of participants returned at least 50% of the tripled amount and the majority also indicated that Player 2 should indeed return at least half of the tripled amount.

Treatments	*No Punishment*	*Punishment*
No Information	Baseline (60)	Pun_NoInfo (68)
Normative Information	NoPun_NormInfo (58)	Pun_NormInfo (62)
Empirical Information	NoPun_EmpInfo (94)	Pun_EmpInfo (76)

Table 1: Treatment overview and number of participants (in parentheses).

2.1. Treatments

Figure 1 outlines the game played in each round in each treatment.

2.1.1. Baseline

At the beginning of each round, the investor had to decide how much to transfer to the trustee. The transfer (T) could be either 0 ECU, 4 ECU, or 8 ECU. We limited the action space of the investor to allow differentiation between low- and high-stakes across all treatment specifications (explained in more detail below). It was disclosed that the transferred amount was multiplied by a factor of 3 by an experimenter. When deciding how much to transfer, the investor also had to decide whether to send a costless request message to the trustee, indicating whether he/she wanted the trustee to return 50% of the transfer. The message was in a fixed form, with two quantitative components adjusted

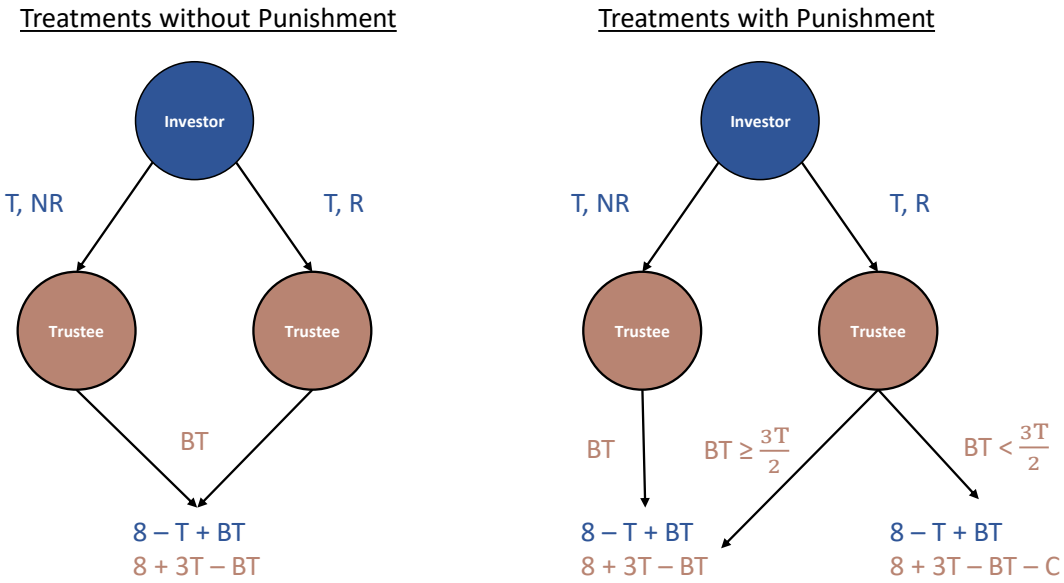

Figure 1: Sequence of actions and payoff structure in treatments with and without punishment. T: Investor's transfer to trustee. (N)R: Investor's decision to (not) send a return request message to the trustee. BT: Trustee's back-transfer to the Investor. C: Trustee's payoff cut (punishment)

correspondingly to the investor's selected transfer; for example, "I'd like you to transfer back to me at least half of the 12 ECU (i.e., at least 6 ECU)." All participants knew that the investor chose whether to send the return request message or not.

Next, the trustee saw the transferred amount and whether the investor sent a request message. Then, the trustee decided how much to transfer back to the investor. The back transfer amount (BT) is represented by any integer in the range of [0, 3T].

To provide clean evidence for the effect of punishment on the trustees' return decisions (see below), the investors did not know the trustees' return amount in each round until all ten rounds were completed. Specifically, all participants were shown a summary of the decisions and outcomes of each round only at the end of the experiment. Thus, our design avoids the possibility that trustees' return behavior in each round might influence investors' transfer decisions in the next round, which might in turn influence the trustees' behavior. One round was randomly chosen as the payoff round and participants were paid the amounts they earned in that round.

2.1.2. Punishment Treatments

In the three treatments with the punishment opportunity (Pun_NoInfo, Pun_NormInfo, and Pun_EmpInfo), participants were told that if the investor sends a return request message, the trustee would receive a payoff cut of 5 ECU if his/her back transfer amount was less than 50% of the tripled transfer amount. This amount would then go back to the experimenter. Thus, the mechanism through which the investor obtains money is limited to reciprocation from the trustee. If the investor does not send the return request message, the trustee does not receive a payoff cut regardless of the amount of the back transfer.

2.1.3. Norm Information Treatments (Normative or Empirical)

We adopted the design of Bicchieri and Xiao (2009) in the four treatments with normative or empirical information (Pun_NormInfo, Pun_EmpInfo, NoPun_NormInfo, and NoPun_EmpInfo). In the treatments with normative information, the instructions read: *"In a previous survey, most participants said that Player 2 should return at least half of the tripled transferred amount."* In treatments with empirical information, the instructions read: *"In a previous survey, most participants in the role of Player 2 returned at least half of the tripled transferred amount to Player 1."*[6]

To summarize, in the Baseline condition, subjects played a trust game and the investor could send a non-binding request message asking the trustee to return at least 50% of the transferred amount. In the Pun_NoInfo treatment, when the investor chose to send the request message, the trustee would receive a penalty if he/she returned less than 50%. In the Pun_NoInfo treatment, participants did not receive any statistics, whereas those in the Pun_NormInfo (Pun_EmpInfo) treatment learned that most players in a previous game thought trustees should (did) return at least 50%. Finally, the NoPun_NormInfo and NoPun_EmpInfo treatments differed from the Pun_NormInfo and Pun_EmpInfo treatments only in that the return request message was not accompanied by punishment if the trustee did not return enough money. These last two treatments let us examine whether any difference between the Pun_NormInfo (Pun_EmpInfo) and the Baseline treatments can be

[6]Since our main focus is to study the relation between norm information and punishment and to retain comparability within and across treatments, we used general empirical/normative messages throughout the experiment. That is, following existing literature we did not specify whether the truthfully-obtained message was the result of behavior/beliefs in low- or high-stakes situations. In our design, introducing this separation would have created comparability problems and potential information asymmetries. Hence, while the source of the information was transparent and unambiguous (i.e., taken from a previous survey), the exact content of this information remained unspecified. We return to this point in our discussion section.

attributed to the normative (empirical) information alone.

2.2. Procedure

The experiment sessions were conducted at the Behavioral Ethics Lab at the University of Pennsylvania using participants recruited through an institutional human-subjects research platform, Experiments@Penn. The average duration of a session, which included the game and a post-experiment questionnaire, was 45 minutes. The average hourly compensation was $18, which included a $10 show-up fee. The experiment was programmed using z-Tree (Fischbacher, 2007). Across all treatments, the average age of the participants was 22.2 years old, and 62.7% of them were female.

3. Theoretical Analysis and Hypotheses

Our main question is whether punishment is more effective when combined with normative or empirical information. Presenting empirical or normative information may make the (reciprocity) norm more salient. Non-conformity (i.e., in the form of returning zero) in this situation might increase the psychological cost due to the disutility of norm violation.

We argue that punishment accompanied by norm information makes salient that the punished behavior violates the respective norm. And, depending on one's sensitivity to the specific norm, this salience increases the psychological cost of violation. As a result, punishment can change behavior even when the monetary cost alone cannot sufficiently enforce conformity. To formalize this, we adopt the norm-based utility function framework introduced in Bicchieri (2006): the disutility from norm violations depends on (1) the difference between the payoff from a chosen action and the payoff from following the norm, and (2) the individual's sensitivity to the relevant norm.

Let $k \geq 0$ be Player 2's sensitivity toward the norm (denoted as r^0) then Player 2's disutility of deviating can be defined as:

$$k \times max\{[m - r - (m - r^0)], 0\} \tag{1}$$

where m is the transferred amount. Player 2 decides how much to return (r) to:

$$\max_r U = m - r - k \times max\{[m - r - (m - r^0)], 0\} \tag{2}$$

Below we discuss the predictions in each treatment and stakes separately: low-stakes (LS) when half of the money and high-stakes (HS) when all of the money was sent to Player 2.

Baseline

It is straightforward that in this setting, a utility-maximizing trustee would not give more than $r^0_{Baseline}$. Previous studies have shown the average return rate in a trust game is often less than 50% (Camerer, 2011). Thus, we may assume that in the Baseline, a trustee thinks the acceptable return amount can be equal or less than 50% and no less than the investment amount (4 or 8 ECU). This is also why we design the request to be 50% so we can examine the effect of explicit norm information.

Thus, in the low-stakes case, $4 \leq r^0_{Baseline\_L} \leq 6$. Conversely, in the high-stakes case, one obtains $8 \leq r^0_{Baseline\_H} \leq 12$. It is straightforward to see that:

Case 1: Low-Stakes

$$\begin{cases} \mathrm{r}^*_{Baseline\_L} = r^0_{Baseline\_L} \leq 6, & \text{if } k > 1 \\ \mathrm{r}^*_{Baseline\_L} = 0, & \text{if } k < 1 \end{cases}$$

Case 2: High-Stakes

$$\begin{cases} \mathrm{r}^*_{Baseline\_H} = r^0_{Baseline\_H} \leq 12, & \text{if } k > 1 \\ \mathrm{r}^*_{Baseline\_H} = 0, & \text{if } k < 1 \end{cases}$$

Thus, in the Baseline, the norm-sensitive agents (k>1) will comply with the norm and return r^0. Meanwhile, norm-insensitive agents (k<1) will return 0.[7]

Pun_NoInfo Treatment

Recall that punishment imposes a cost of 5 ECU if the trustee returns less than 50% of the tripled amount. It is straightforward that a utility-maximizing trustee would not give more than the amount that is enforced by the punishment. Similar to the Baseline, we assume that a trustee thinks the acceptable return amount is less than 50% and no less than the investment amount (4 or 8 ECU). Thus, in the low-stakes case, $4 \leq r^0_{\mathrm{PunNoInfo\_L}} \leq 6$. Conversely, in the high-stakes case one obtains $8 \leq r^0_{PunNoInfo\_H} \leq 12$. With this, we can derive different predictions for low- and high-stakes scenarios:

[7] For the special case of k=1, it is easy to see that an individual is indifferent.

Case 1: Low-Stakes

If the trustee complies with the punishment (r=6) then: U=12-r-0=6. However, if the trustee does not comply with the punishment and returns less than 6 (again, the trustee will not return more than r^0), the trustee solves the following maximization problem:

$$\max_r U = 12-r-5-k\times[12-r-(12-r^0_{PunNoInfo\_L})] = 12-5-r\times(1-k)-k\times r^0_{PunNoInfo\_L} \tag{3}$$

We get:

$$\begin{cases} \mathrm{r}^* = 0, & \text{if } k < 1 \\ \mathrm{r}^* = r^0_{PunNoInfo\_L}, & \text{if } k > 1 \end{cases}$$

By comparing the utility of compliance and non-compliance, we find:

$$\begin{cases} \mathrm{r}^*_{PunNoInfo\_L} = 6, & \text{if } k > \frac{1}{r^*_{PunNoInfo\_L}} \\ \mathrm{r}^*_{PunNoInfo\_L} = 0, & \text{if } k < \frac{1}{r^*_{PunNoInfo\_L}} \end{cases}$$

Case 2: High-Stakes

If the trustee complies with the punishment (r=12) then: U=24-r-0=12. However, if the trustee does not comply with the punishment and returns less than 12 (again, the trustee will not return more than r^0), the trustee solves the following maximization problem:

$$\max_r U = 24-r-5-k\times[24-r-(24-r^0_{PunNoInfo\_H})] = 24-5-r\times(1-k)-k\times r^0_{PunNoInfo\_H} \tag{4}$$

We get:

$$\begin{cases} \mathrm{r}^* = 0, & \text{if } k < 1 \\ \mathrm{r}^* = r^0_{PunNoInfo\_H}, & \text{if } k > 1 \end{cases}$$

By comparing the utility of compliance and non-compliance, we find:

$$\begin{cases} \mathrm{r}^*_{PunNoInfo\_H} = 12, & \text{if } k > \frac{7}{r^*_{PunNoInfo\_H}} \\ \mathrm{r}^*_{PunNoInfo\_H} = 0, & \text{if } k < \frac{7}{r^*_{PunNoInfo\_H}} \end{cases}$$

Comparing the Pun_NoInfo and Baseline conditions, we would expect punishment to enforce cooperation as long as there is a significant number of k> $\frac{1}{r^0_{PunNoInfo\_L}}$ in the low-stakes condition or k> $\frac{7}{r^0_{PunNoInfo\_H}}$ in the high-stakes one, respectively. Previous studies suggest that punishment alone can be detrimental. One reason proposed in the literature is that punishment changes people's perception of the decision environment from norm-based to profit-maximizing (i.e., one would pay to transgress, see Gneezy and Rustichini, 2000). This means in our framework, $r^0_{PunNoInfo} = 0$. If so, then $r^*_{PunNoInfo} = 0$

Two Pun_Info (Pun_NormInfo and the Pun_EmpInfo) Treatments

When the normative/empirical information is received, the trustee will believe that $r^0_{PunNoInfo\_L} = 6$ in the low-stakes case and $r^0_{PunNoInfo\_H} = 12$ in the high conformity case. The trustee would not give more than $r^0_{PunInfo}$. The punishment imposes a cost of 5 ECU when the trustee returns less than requested. We obtain the following findings:

Case 1: Low-Stakes

$$\begin{cases} \mathrm{r}^*_{PunInfo\_L} = 6, & \text{if } k > \frac{1}{6} \\ \mathrm{r}^*_{PunInfo\_L} = 0, & \text{if } k < \frac{1}{6} \end{cases}$$

Case 2: High-Stakes

$$\begin{cases} \mathrm{r}^*_{PunInfo\_H} = 12, & \text{if } k > \frac{7}{12} \\ \mathrm{r}^*_{PunInfo\_H} = 0, & \text{if } k < \frac{7}{12} \end{cases}$$

Two NoPun_Info (NoPun_NormInfo and the NoPun_EmpInfo) Treatments

In these two treatments, participants receive only the normative/empirical information. As in the Pun_NormInfo and Pun_EmpInfo treatments, the trustees will believe that $r^0_{NoPunInfo\_L} = 6$ when the enforced amount is 6 and $r^0_{NoPunInfo\_H} = 12$ when the enforced amount is 12. However, unlike the above two punishment treatments, there is no monetary cost of returning less than 6. It is straightforward to find that in these two treatments:

Case 1: Low-Stakes

$$\begin{cases} \text{r}^*_{NoPunInfo\_L} = 6, & \text{if } k > 1 \\ \text{r}^*_{NoPunInfo\_L} = 0, & \text{if } k < 1 \end{cases}$$

Case 2: High-Stakes

$$\begin{cases} \text{r}^*_{NoPunInfo\_H} = 12, & \text{if } k > 1 \\ \text{r}^*_{NoPunInfo\_H} = 0, & \text{if } k < 1 \end{cases}$$

Hypotheses

Taking all these together, we summarize below the conditions for each treatment to achieve a higher return than the Baseline condition:

Case 1: Low-Stakes

$$\begin{cases} \text{r}^*_{PunNoInfo\_L} > r^*_{Baseline\_L}, & \text{if there is a significant number of individuals whose k}>\frac{1}{r^0_{PunNoInfo\_L}} \\ \text{r}^*_{PunInfo\_L} > r^*_{Baseline\_L}, & \text{if there is a significant number of individuals whose k}>\frac{1}{6} \\ \text{r}^*_{PunInfo\_L} > r^*_{PunNoInfo\_L}, & \text{if there is a significant number of individuals whose } \frac{1}{6}<\text{k}<\frac{1}{r^0_{PunNoInfo\_L}} \\ \text{r}^*_{NoPunInfo\_L} > r^*_{Baseline\_L}, & \text{if there is a significant number of individuals whose k}>1 \end{cases}$$

Note when $\text{k}<\frac{1}{6}$ then $r^*_{PunInfo\_L} = r^*_{PunNoInfo\_L} = r^*_{Baseline\_L} = 0$.

Case 2: High-Stakes

$$\begin{cases} \text{r}^*_{PunNoInfo\_H} > r^*_{Baseline\_H}, & \text{if there is a significant number of individuals whose k}>\frac{7}{r^0_{PunNoInfo\_H}} \\ \text{r}^*_{PunInfo\_H} > r^*_{Baseline\_H}, & \text{if there is a significant number of individuals whose k}>\frac{7}{12} \\ \text{r}^*_{PunInfo\_H} > r^*_{PunNoInfo\_H}, & \text{if there is a significant number of individuals whose } \frac{7}{12}<\text{k}<\frac{7}{r^0_{PunNoInfo\_H}} \\ \text{r}^*_{NoPunInfo\_H} > r^*_{Baseline\_H}, & \text{if there is a significant number of individuals whose k}>1 \end{cases}$$

Note when $\text{k}<\frac{7}{12}$ then $r^*_{PunInfo\_H} = r^*_{PunNoInfo\_H} = r^*_{Baseline\_H} = 0$.

In both cases, the potential positive effect of punishment may be significantly diminished if there is a crowding out effect as shown in previous studies. Comparing the conditions of each treatment to achieve a higher return than the Baseline, we derive our main hypothesis:

Hypothesis 1: Pun_EmpInfo and Pun_NormInfo are always more effective than the NoPun_EmpInfo and NoPun_NormInfo and the Pun_NoInfo treatments.

Furthermore, we note that the conditions for the two PunInfo treatments to achieve a higher return than the Baseline is stricter when the stakes are high than when they are low. Thus, our second hypothesis is:

Hypothesis 2: It is more likely to observe the PunInfo effect in the low-stakes than the high-stakes condition.

Our hypotheses are based on assumptions that the norm information provided in treatments will lead subjects to update their belief that returning at least 50% is the right thing to do. As mentioned earlier, if the empirical message is less effective in convincing people about the wrongness of returning less than 50% compared to the direct normative message, we expect the information to be less effective in the Empirical information treatments.

4. Results

We investigate the return behavior of trustees in different treatments varying punishment, norms, and combinations thereof.[8] In the subsequent sections, we focus on the trustees' average return behavior.[9] Note again that we reference the case of 8-ECU transfer as the High-Stakes (HS) condition, which requires trustees to return 12 ECU, and the case of 4-ECU transfer as the Low-Stakes (LS) condition, which requires trustees to return 6 ECU. Pursuing the same analytical strategy as Houser et al. (2008), we first examine the data both in pooled form as well as separately by its stakes (HS and LS).

[8] In line with our motivation, we limit our attention to the role of punishment and norm information on trustee behavior and control for investor behavior in our regression analyses.

[9] All investors sent a return request message at least once (overall, 93% of the time), with no significant differences across treatments. To allow for comparability across treatments, our analysis includes only the cases where a return request message was sent. An examination of open responses given by the trustees in the post-experiment survey reveals that most found the investors' requests appropriate. Our regression analyses as presented in Section 4.4 are robust to the inclusion of the absent-request cases.

In the spirit of a repeated strategic game situation (such as in the Trust Game and Prisoner's Dilemma Game, see, e.g., Anderhub et al. 2002; Dal Bó and Fréchette 2011) without rematch or feedback between rounds, we follow related literature (see, e.g., Huck et al., 2012) in our analysis and treat each of the investor's decisions as independent (for a discussion see Camerer, 1997; Binmore and Shaked, 2010; Charness et al., 2012). To account for this, we will use the bootstrap approach as proposed by Moffatt (2015) for our mean comparisons of investors' return behavior.[10]

We find that punishment alone does not successfully improve return rates, especially in HS. Neither empirical nor normative information alone induces a return rate higher than that of the Baseline treatment. The combination of punishment and normative information produces substantial positive behavioral change but only in LS. These results are consistent with our hypotheses 1 and 2. Interestingly, the combination of punishment and empirical information is not only ineffective when the compliance cost is low, but is in fact detrimental when the compliance cost is high. This detrimental effect suggests that a self-serving bias may arise when empirical information is ambiguous and can be interpreted in multiple ways, as we shall discuss later (Bicchieri et al., 2019b; Bolton et al., 2019).

4.1. Effect of Punishment Alone

Figure 2 reports the average return (in percentage) for the Baseline and punishment treatments. Punishment does not significantly increase the return levels by trustees, with or without an examination along HS versus LS. For the pooled results, introduction of punishment yields a non-significant increase from 32.4% to 35.6% (BSM, p=0.19). The same is both for LS and HS separately (p=0.10 and p=0.91, respectively).

Next, we classify the behavior of trustees into three types (for a related approach, see Houser et al., 2008): Complete Violation of trust if returned amount (r) equals 0%; Incomplete Conformity if $0\% < r < 50\%$; Complete Conformity if $r \geq 50\%$.[11]

Figure 3 plots the distribution of the three types in each of the four conditions. Kolmogorov-

[10] We employ the bootstrap two-sample t-test method (BSM; see Moffatt 2015) with 9999 replications. BSM (significant at $p < 0.05$) retains the rich cardinal information in the data without making any assumptions about the distribution. Controlling for covariates, trends, and clustering of standard errors yield results that are coherent with our econometric approach here (see Section 4.4).

[11] For an analysis of types, we calculate three ratios for high- and low-stakes per participant, each of which indicates the fraction of complete violation, incomplete conformity, or complete conformity at the individual level across all rounds. In so doing, we account for behavioral changes across all rounds and the fact that under different stakes, decisions could be impacted by the transferred amount.

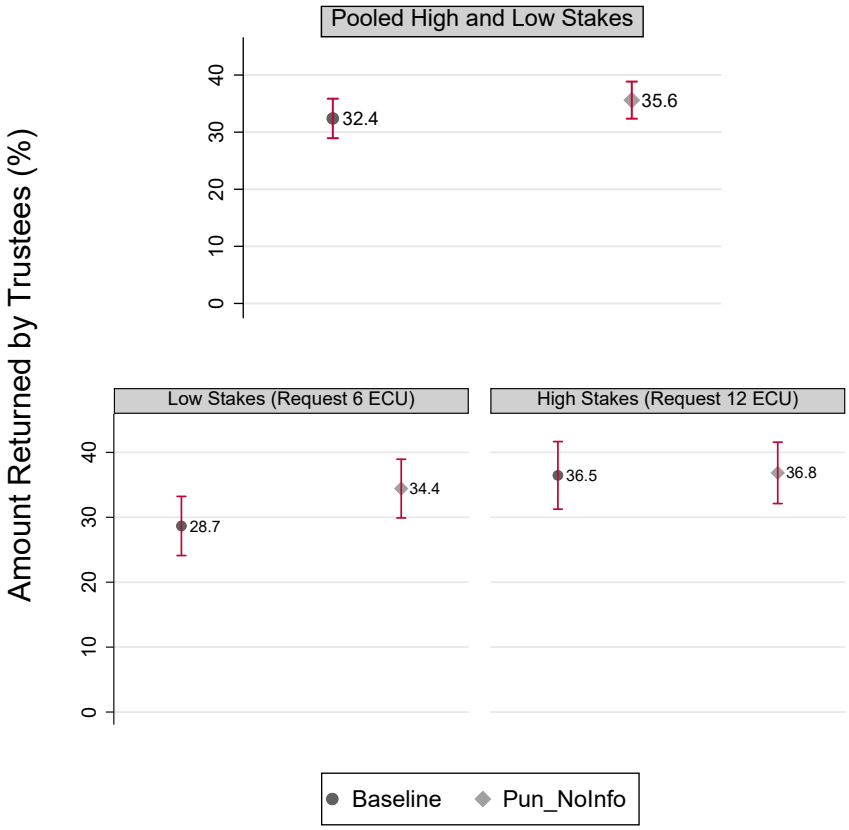

Figure 2: returned by trustees as percentage of amounts received from investors; upper part indicates pooled amounts; lower part indicates amounts per LS vs. HS; Baseline: no punishment or norm information; Pun_NoInfo: punishment (5 ECU) without norm information. None of the comparisons are significant at the conventional levels. Whiskers represent 95% CIs.

Smirnov (K-S) tests suggest that the distributions in the Low Cost condition are significantly different between the Baseline and punishment treatments ($p<0.01$).

Consistent with Houser et al. (2008), we observe a bimodal return pattern under the punishment conditions and a significant decrease in the proportion of Incomplete Conformity (0% vs. 25.0%, BSM, $p<0.01$). While the proportion of Complete Violation changes non-signficantly (33.6% vs. 35.0, BSM, $p=0.94$), punishment significantly increases the proportion of Complete Conformity (40% vs. 66.4%, BSM, $p=0.04$). The positive shift does not translate into a significant change in average return behavior, partly because many of the Incomplete Conformity types in the Baseline were right below the 50% cut-off.

In contrast, in HS the difference between the punishment condition and the Baseline

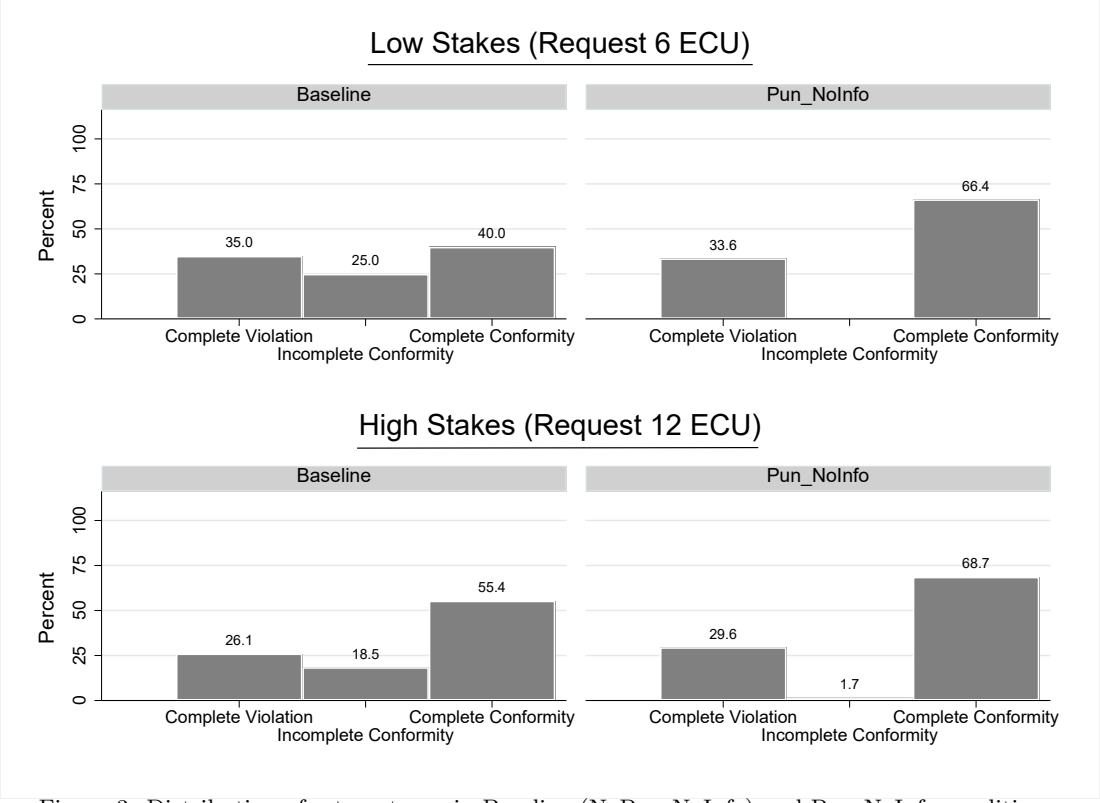

Figure 3: Distribution of return types in Baseline (NoPun_NoInfo) and Pun_NoInfo conditions.

is relatively small and non-significant (K-S, p=0.33). While we observe significantly less Incomplete Conformity types in the punishment than in the Baseline condition (1.7% vs. 18.5%, BSM, p<0.01), the effect of Pun_NoInfo on the other two types is not statistically significant (Complete Violation: 29.6% vs. 26.1%, BSM, p=0.41; Complete Conformity: 68.7% vs. 55.4%, BSM, p=0.52). Overall, as in Houser et al. (2008), we observe that in the presence of punishment, investors achieve either a return they aimed for or nothing at all. Unlike Houser et al. (2008), who found that punishment increased the rate of Complete Violation when the requested return was more than double the penalty amount, we did not find such a detrimental effect of punishment in HS. In addition to individual differences, this discrepancy may exist because Houser et al. (2008) allowed return requests much higher than 50%, which led to lower levels of compliance.

4.2. Effect of Norm Information Alone

Our results in Figure 4 indicate that norm information in isolation does not affect behavior, which aligns with, e.g., Dimant et al. (2019). This null finding holds for both

pooled data and for LS and HS separately. In particular, for LS and HS, the differences in average return between the Baseline and both NoPun_NormInfo and NoPun_EmpInfo are not statistically significant (LS: 28.7% vs. 23.7%, BSM, p=0.17; 28.7% vs. 23.3%, BSM, p=0.11; HS: 36.5% vs. 30.5%, BSM, p=0.11; 36.5% vs. 30.9%, BSM, p=0.11).

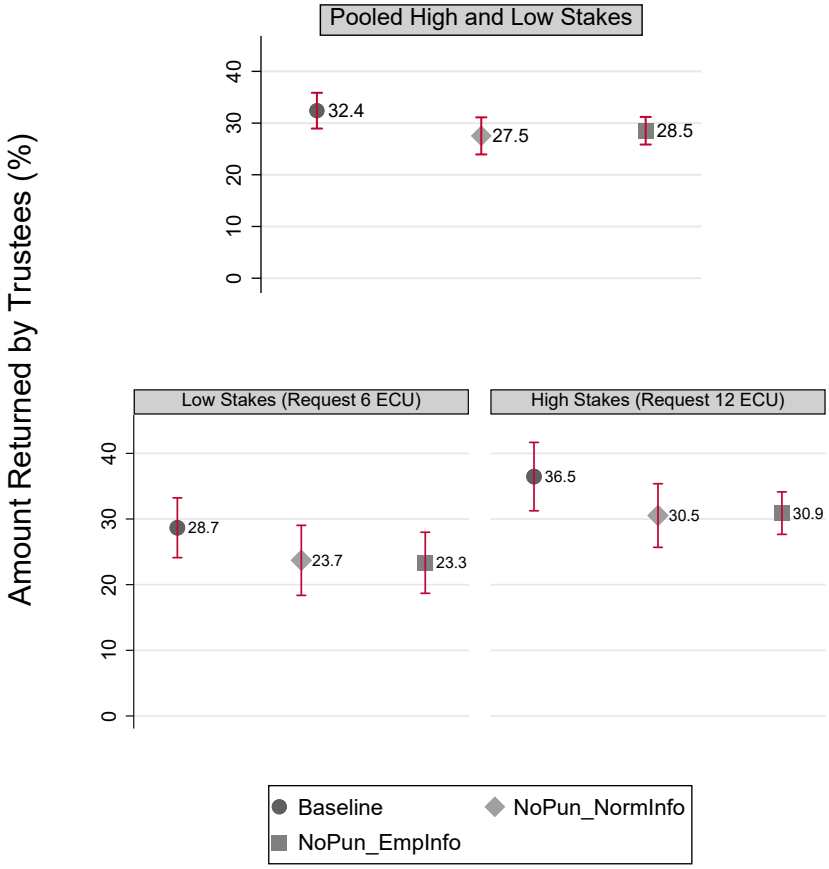

Figure 4: Amounts returned by trustees as percentages of amount received from investors; upper part indicates pooled amounts; lower part indicates amounts per LS vs. HS; Baseline: no punishment or norm information; NoPun_NormInfo: no punishment, with normative information. NoPun_EmpInfo: no punishment, with empirical information. None of the comparisons are significant at the conventional levels. Whiskers represent 95% CIs.

Figure 5 reports distributions of the three return types for the two information only and Baseline treatments. None of the pairwise distribution comparisons between the two information only and the Baseline treatments reach statistical significance.

In sum, combining these results with the ones we previously obtained, we do not observe

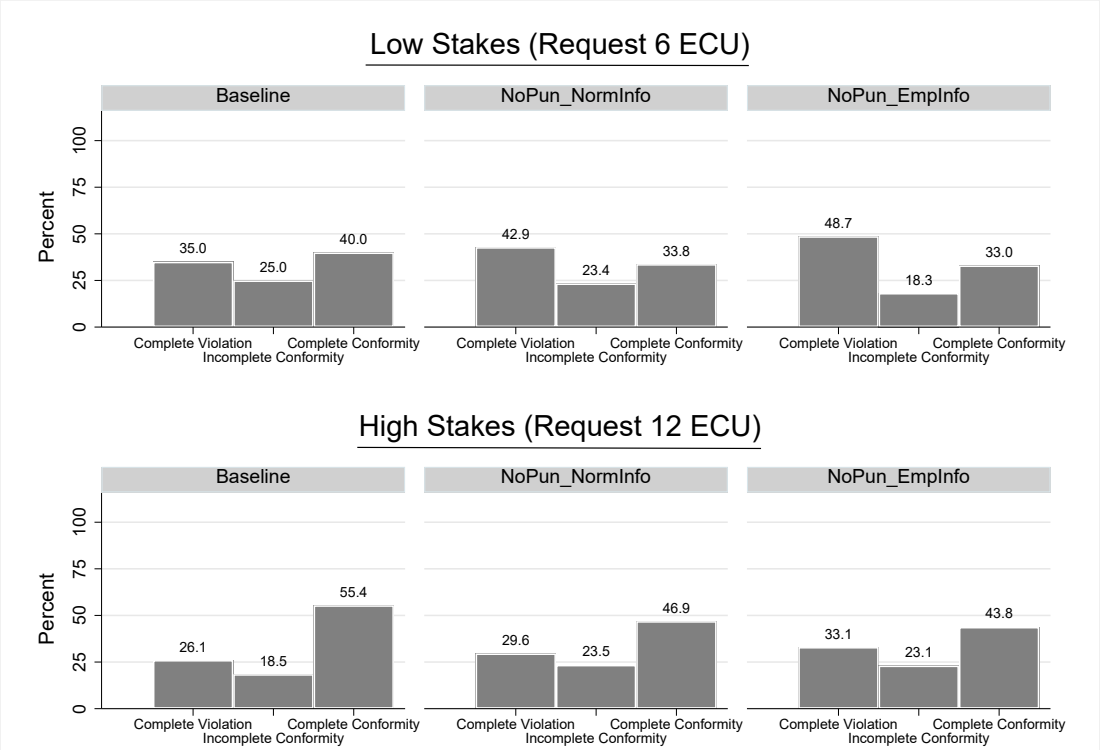

Figure 5: Distribution of return types in the Baseline (NoPun_NoInfo), NoPun_NormInfo, and NoPun_EmpInfo treatments.

an effect of punishment or norm information in isolation. In the next section, we will examine this effect in more detail when norm information is combined with punishment, rendering the rule and the cost of compliance even more salient. As will be shown, the combination of both is vital to behavioral change.

4.3. Effect of Punishment and Norm Information Combined

Figure 6 plots the average return in the Baseline, Pun_NoInfo, Pun_NormInfo and Pun_EmpInfo treatments. When pooling the two stakes situations, we observe a significant decrease in the trustees' return in the Pun_EmpInfo condition as compared to that in the Pun_NoInfo and Pun_NormInfo treatments (BSM, both $p<0.01$).

The combination of punishment and normative information leads to a significant increase in trustees' return behavior in LS over the Baseline (42.7% vs. 28.7%, BSM, $p<0.01$) —- well above the insignificant 5.7% increase in the Pun_NoInfo compared to the Base-

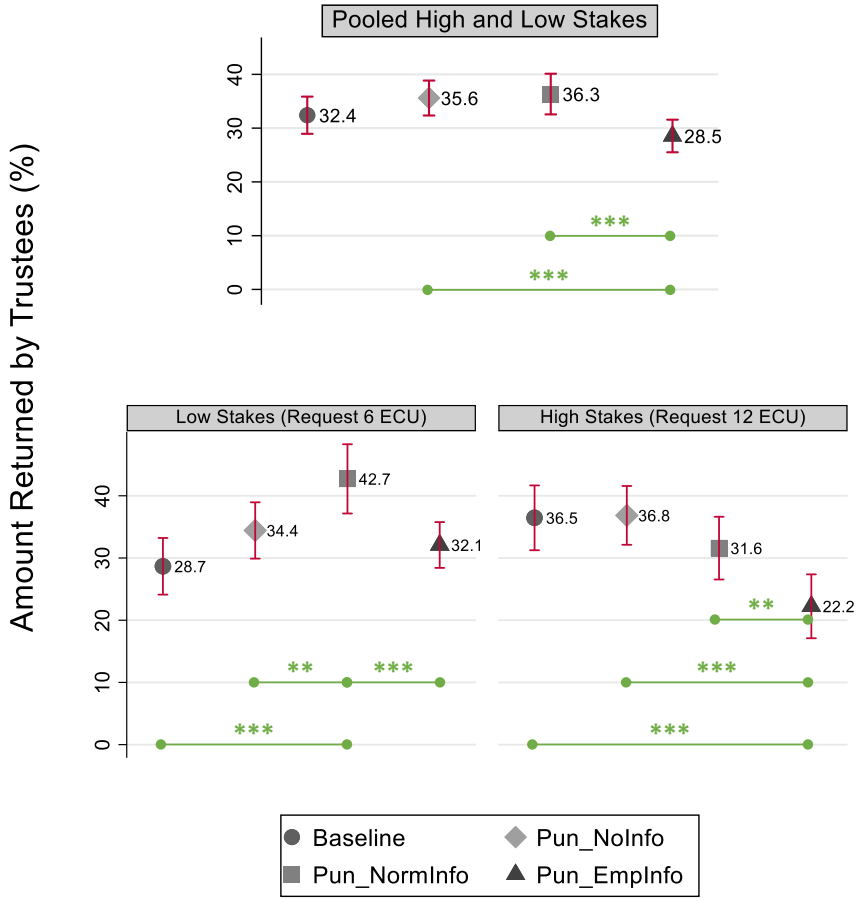

Figure 6: Amounts returned by trustees as percentages of amount received from investors; upper part indicates pooled amounts; lower part indicates amounts per LS vs. HS; Baseline: no punishment or norm information; Pun_NoInfo: punishment (5 ECU) without norm information; Pun_NormInfo: punishment (5 ECU) and normative information; Pun_EmpInfo: punishment (5 ECU) and empirical information. Only significant differences are indicated at the conventional levels of *p<0.1, **p<0.05, ***p<0.01. Whiskers represent 95% CIs.

line condition. The return rate is also significantly higher than that in the Pun_NoInfo treatment (42.7% vs. 34.4%, BSM, p=0.02). In the Pun_EmpInfo treatment, we did not observe a similar difference from the Baseline condition (32.1% vs. 28.7%, BSM, p=0.25). The return rate in the Pun_EmpInfo treatment is also significantly lower than in the Pun_NormInfo treatment (32.1% vs. 42.7%, BSM, p<0.01).[12] These results support

[12]It should also be noted that the return rate in the Pun_EmpInfo is very close to that in the Punishment-

Prediction 1: punishment is more effective when combined with normative information (about a socially disapproved behavior) than enforced alone or with empirical information (about a behavior deviating from the majority).

Of particular interest, normative information plays only a negligible role in HS: the return rate in the Pun_NormInfo treatment is not significantly different from that in the Baseline and Pun_NoInfo treatments (31.6% vs. 36.5%, BSM, p=0.18; 31.6% vs. 36.8%, BSM, p=0.18). Moreover, adding empirical information statistically significantly decreases return rates as compared to those in the Baseline and Pun_NoInfo treatments (22.2% vs. 36.5%, BSM, p=0.01; 22.2% vs. 36.8%, BSM, p=0.01).

Here we highlight the results related to Hypothesis 1, which suggests the observed effects of punishment combined with normative or empirical information are not due to the normative or empirical information alone, but to their combination with punishment.[13] Compared to Pun_NormInfo, NoPun_NormInfo commands lower conformity rates when pooled across stakes (27.5% vs. 36.3%, BSM, p<0.01). Consistent with the discussion of Hypothesis 2, the difference is mainly driven by the LS condition (23.7% vs. 42.7%, BSM, p<0.01). The difference in the HS condition is not significant. (30.5% vs. 31.6%, BSM, p=0.77). These results suggest that the significant effect of Pun_NormInfo on return cannot be attributed to the normative information alone. When comparing the Pun_EmpInfo with the NoPun_EmpInfo treatments, we observe a significant increase in conformity for the former when LS is in effect (23.3% vs. 32.1%, BSM, p<0.01). As we reported above, the positive effect of Pun_EmpInfo cannot be mostly attributed to punishment alone. On the other hand, empirical information with punishment backfires in HS — specifically, we observe a significant decrease in the conformity rate (30.9% vs. 22.2%, BSM, p<0.01). As a result, there is no significant difference between the two treatments when data are pooled (28.5% vs. 28.5%, BSM, p=0.95).[14] These results suggest that the stakes, which directly affect the cost of conformity, and the kind of norm information (empirical or normative) influence the benefit of combining punishment with a norm. Consistent with our hypothesis, normative information is helpful and its supplemental effect is subject to

NoInfo condition (32.1% vs. 34.4%, BSM, p=0.43).

[13] For brevity, the full comparisons of the average return in all the six treatments are illustrated in Figure A.1 in the Appendix.

[14] Further support for our results is illustrated in Figure A.2 in the Appendix in which we plot return behavior across treatments over all 10 periods. We can observe that – compared to the Baseline – the direction of the result for Pun_NormInfo in LS and the result for Pun_EmpInfo in HS persist.

the stakes. When the cost is high, neither normative nor empirical information improve the efficacy of punishment. Surprisingly, empirical information alone proves counterproductive when the cost is high (e.g, it decreases return rates).

To further understand these results, we plot the return distribution in Figure 7. The return patterns in the LS condition reveal significant dissimilarities between the Baseline and the Pun_NormInfo and Pun_EmpInfo treatments (K-S, $p<0.01$), the latter of which uncover distinctive bimodal distributions with a significant decrease in Incomplete Conformity (25.0% vs. 2.3%, BSM, $p<0.01$; 25% vs. 2.9%, BSM, $p<0.01$). Compared with those in the Baseline treatment, the Pun_NormInfo treatment sees a significant increase of Complete Conformity (40.0% vs. 77.0%, BSM, $p<0.01$) and a substantial decrease of Complete Violation (35.0% vs. 20.7%, BSM, $p<0.01$). Such a significant shift in Pun_NormInfo cannot be attributed to punishment alone: if we compare the Pun_NormInfo and Pun_NoInfo treatments, we observe that the former exhibits a higher rate of Complete Conformity (77% vs. 66.4%, BSM, $p=0.03$) and a lower rate of Complete Violation (20.7% vs. 33.6%, BSM, $p<0.01$). These results show that normative information enhances the effectiveness of punishment by increasing the rate of complete conformity while reducing complete violation rates. Such an enhancement does not occur with empirical information.

Continuing with the analysis of LS, while Pun_EmpInfo offers significant increases in Complete Conformity (62.1% vs. 40.0%, BSM, $p<0.01$) over the Baseline treatment, such development is very close to what we observe in the Pun_NoInfo treatment (62.1% vs. 66.4, BSM, $p=0.48$). This implies that the main effect results from punishment, which is corroborated by the substantially smaller number of complete conformity in NoPun_EmpInfo (48.7%) as indicated in Figure 5 . We find no significant change in Complete Violation in Pun_EmpInfo compared to the Baseline treatments (35.1% vs 35.0%, BSM, $p=0.74$); or in Pun_EmpInfo compared to the Pun_NoInfo treatment (35.1% vs. 33.6%, BSM, $p=0.66$).

In summary, when the stakes are low, the return patterns across treatments are consistent with Hypothesis 1. Punishment can more effectively promote reciprocity by making salient the fact that returning less than the requested amount is socially disapproved of. The interaction of information and punishment is particularly effective when the former is normative. We will return to this finding in the discussion section. As seen from the average return data, when the stakes are high, the benefit of both types of information is much less evident and empirical information is even detrimental. This implies that Hypothesis 1 holds only for LS, but not HS.

Figure 7 further reveals that the detrimental effect observed in the Pun_EmpInfo treat-

Figure 7: Distribution of return types in Baseline (NoPun_NoInfo), Pun_NoInfo, Pun_NormInfo, and Pun_EmpInfo treatments.

ment in the HS condition is mainly driven by the significant increase in Complete Violation over the Baseline (52.0% vs. 26.1%, BSM, $p<0.01$). At the same time, we only observe a marginally significant increase in Complete Violation in the Pun_NormInfo compared to the Baseline treatment (38.5% vs. 26.1%, BSM, $p=0.06$). Additionally, Complete Conformity is marginally less frequent in the Pun_EmpInfo than in the Baseline treatment (41.8% vs. 55.4%, BSM, $p=0.06$), whilst such a negative shift does not occur in Pun_NormInfo-Baseline (Complete Conformity: 57.3% vs. 55.4%, BSM, $p=0.58$). We reported in Section 3.1 and observe again in Figure 7 that there is no significant negative shift in Complete Conformity when comparing the Baseline and the Pun_NoInfo treatment.

These results suggest that the detrimental effect in HS of the Pun_EmpInfo condition is mainly due to the addition of empirical information rather than the punishment itself. Note that, in HS, punishment alone hardly affects conformity, whereas adding norm information decreases conformity and significantly so if the information is empirical. Since compliance is relatively more costly in HS than in LS, compliance creates a tension between selfish

behavior and obedience. To solve the tension one may use some wiggle room, for example, forming a self-serving belief in the empirical information case ("only individuals in the low-stakes condition followed the rule"). When conformity is cheap (LS) we do not see this effect. Existing experimental evidence indicates that empirical information, but not normative information, gives rise to (self-serving) belief distortion to justify non-compliance (e.g., Bicchieri et al. 2019b). Moreover, studies show that the Investor's intentions play a role in the decision to reciprocate (see Toussaert, 2017; Orhun, 2018). People may feel justified to purse self interest when threatened by punishment combined with empirical information that is perceived as not applicable. We explore more in Section 5.

4.4. Regression Results

We analyze our data through different variants of multivariate regressions that examine the robustness of our results. In all cases, we employ random effects panel regressions with standard errors clustered at the participant level.[15] As Table 2 indicates, the examination of average return behavior across treatments yields three main results indicating that our previous findings are robust to the inclusion of various controls.[16] The results are as follows:

Result 1: Neither punishment nor norm information alone significantly affects return behavior. This remains statistically supported across the stakes faced by trustees.

Result 2: The combination of punishment and normative information successfully increases return rates, but only when compliance is cheap. The increase is substantial and about 13% higher than the Baseline.

Result 3: The combination of punishment and empirical information triggers a substantial backlash in return behavior, but only when conformity is very costly. The reduction amounts to 10% to 12% relative to the Baseline specification.

The insignificant coefficient for previous round's investor behavior indicates that the possibility of learning is limited at best, which supports our methodological choice of random partner-rematch across rounds. In conclusion, our regression results support the robustness of our previous analyses.

[15] In that we follow the previously motivated literature. A small number of sessions does not allow us to cluster standard errors at the session level. Other challenges with alternative clustering methods (and on session level in particular) are discussed by Cameron et al. 2008; Fréchette 2012; Abadie et al. 2017.

[16] Note that all results are robust even after the inclusion of the 7% of data in which investors did not send a return request message (see Table A1 in the Appendix). We provide a more detailed analysis of the drivers of trustee behavior across treatments in Table A2 in the Appendix.

DV: Amount Returned by Trustee (%)	**Low Stakes**		**High Stakes**	
	(1)	(2)	(3)	(4)
Treatment				
(Base Level: Baseline)				
Pun_NoInfo	6.108	5.191	-2.154	-3.151
	(5.388)	(5.853)	(5.685)	(5.940)
NoPun_NormInfo	-8.938	-9.543	-7.592	-7.727
	(5.750)	(6.182)	(5.948)	(5.961)
Pun_NormInfo	13.071**	13.537**	1.327	0.711
	(5.664)	(6.054)	(6.477)	(6.640)
NoPun_EmpInfo	-6.793	-7.640	-3.504	-4.388
	(5.193)	(5.586)	(5.374)	(5.472)
Pun_ EmpInfo	1.520	2.404	-10.299*	-12.308**
	(5.051)	(5.432)	(5.712)	(5.870)
Round	-0.636***	-0.486*	-0.340*	0.022
	(0.237)	(0.248)	(0.203)	(0.205)
Gender	-0.443	0.450	3.674	3.899
	(3.289)	(3.434)	(3.676)	(3.762)
Self-Control	3.886**	4.331***	4.051**	4.062**
	(1.612)	(1.677)	(1.829)	(1.868)
Risk	0.321	0.241	0.113	0.196
	(0.694)	(0.731)	(0.808)	(0.833)
L1.Amount Received from Investor		0.004		0.041
		(0.075)		(0.041)
Constant	32.599***	31.607***	34.050***	31.236***
	(5.543)	(6.200)	(6.352)	(6.484)
Observations	675	567	771	694

Table 2: Random effects model with robust standard errors (in parentheses) clustered on the participant level. Estimations only for periods in which return request message was sent. Control variables include stakes (1 = high), Round (1-10), Gender (1 = male), Self-Control (higher number indicates more self-control, standardized measure), Risk (higher number indicates more risk-seeking, standardized measure). L1.Amount Received from Investor (% amount received from an investor in previous round, which indicates whether trustee faced a high- or low-stakes situation). Significance levels: *p<0.10, **p<0.05, ***p<0.01.

5. Understanding the Mechanisms: Two Follow-Up Experiments

In a final step, we try to understand *why* the Pun_Info treatments do not achieve a higher return than the Baseline in the high-stakes condition and why the Pun_EmpInfo treatment even backfires. In the theoretical analysis, we derive the conditions for the Pun_Info treatments to increase the return based on the assumptions that in the Baseline the trustees think the acceptable return amount is less than 50%. We check if this assumption holds in a follow up experiment where we elicit the normative and empirical expectations.

We also note that in the original Trust game, players received information about average

behavior, without low- and high-stakes distinction. We speculate that the uncertainty about the relevant reference network may lead the trustees to interpret the information differently in the two conditions. In particular, given the high cost of returning 50% when the investor transferred all the endowment, trustees may think the empirical information about 50% return is mostly driven by the behaviour in the low-stakes case. In a second follow up experiment, we elicit the belief of the extent to which the information message applies to the low-stakes and the high-stakes, respectively.

Consequently, we ran two follow-up experiments (total n = 475) with separate groups of participants: a) a norm elicitation experiment and b) an information credibility experiment.

In our first experiment, we follow Bicchieri and Xiao (2009) and Bicchieri and Chavez (2010) to measure the existence of a social norm and examine whether individuals hold sufficiently high and consistent expectations about what other people do (empirical expectations) and what other people think one ought to do (normative expectations) in the context of our Trust Game, separately for low- and high-stakes. We drew participants from the same participant pool as in our original experiment and collected data from 178 University of Pennsylvania students, none of whom have previously participated in our main experiment.[17] For each participant, the experiment consisted of three parts (the order of parts (ii) and (iii) was randomized):

(i) Description of the original Trust game laboratory experiment

(ii) Elicitation of three beliefs for low-stakes behavior

(iii) Elicitation of three beliefs for high-stakes behavior

After being explained the original Baseline version of the experiment (no inclusion of punishment or norm-based information), participants were placed in the role of Player 2 (the trustee) and were asked to express three sets of beliefs each for parts (ii) and (iii) - thus 6 beliefs in total.[18] Within each part, the three sets of beliefs consisted of:[19]

1. **Personal normative beliefs:** "Please chose the option corresponding to what you think one should do in the role of Player 2."

[17] Participants received a show-up fee of $2 and received up to $4 in additional bonus payments. The average duration of participation was 10 minutes, yielding an average hourly pay of about $21.

[18] In the original repeated game, players experienced both high- and low-stakes conditions. Like in the present experiment, players knew both conditions could occur.

[19] Incentivization of empirical expectations were based on actual behavior of participants in the main experiment. Incentivization of normative expectations was based on the stated personal normative beliefs of the other participants in this experiment.

2. **Empirical Expectations:** "Please guess what you believe the most frequent choice Player 2s made in the experiment."
3. **Normative Expectations:** "We have asked all participants in this survey what they believe Player 2 should do. Please guess what you believe is the most frequent answer other participants gave about what they believe Player 2 should do."

For each of the questions, participants had four discrete choices that mirrored our previous analyses: returning nothing, returning a non-zero amount but less than what Player 1 sent, returning at least what Player 1 sent but less than half of the tripled amount, returning at least half of the tripled amount. We present the results in Figure 8 below.

It is interesting to observe how normative expectations are lower in the low-stakes than in the high-stakes condition. In low-stakes, few people seem to think that Player 2 should give back at least half of the tripled amount, probably considering that the investor did not show excessive trust towards the recipient to begin with. On the contrary, in the high-stakes condition, both normative expectation and personal normative beliefs are much higher, indicating that since the investor gave all, s/he deserves to receive at least half of the tripled amount. If we also consider the relationship between empirical and normative expectations, we notice that they are highly consistent in the low-stakes condition, not so in the high-stakes. Here the normative conviction that it is appropriate to give half or more of the tripled amount is at odds with what is in fact expected to occur.

We now use the norm elicitation results presented in Figure 8 to shed additional light on the previous results form the Trust Game, in particular those presented in Figure 2, Figure 4 and Figure 6. As we already noted, the beliefs of low-stakes and high-stakes participants are quite different. In the low-stakes condition, all three beliefs point to a social norm of returning at least the received amount but less than half of the tripled amount (the majority of participants chose that option across all three belief elicitations). These beliefs are consistent with the assumptions we made in the the theoretical analysis. This, however, is not the case for the high-stakes conditions: here, both personal normative beliefs and normative expectations signal that the majority of participants believe that one should return at least half of the tripled amount.[20] Yet this is not what participants believe other participants would actually do, which – in light of our behavioral results – is the correct

[20] A high normative expectation in the Baseline is probably the reason why we did not observe a positive effect of Pun_NormInfo in the high-stakes. If trustees already hold the belief that one should return more than 50% in the Baseline, adding a message that is consistent with the belief should not have any impact.

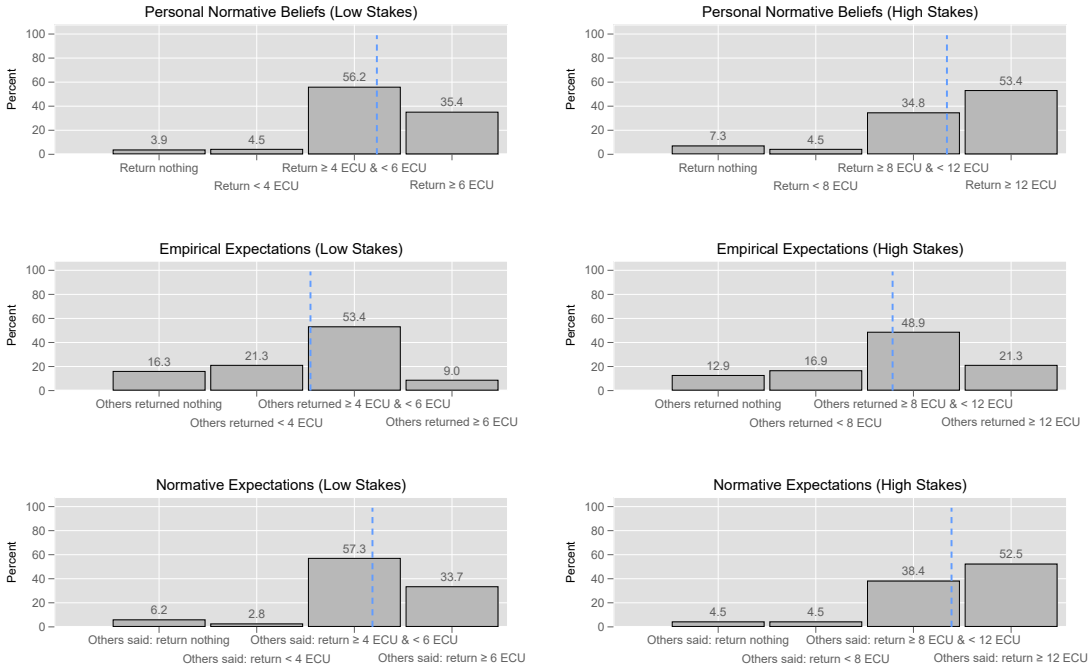

Figure 8: Distribution of personal normative beliefs, empirical expectations, and normative expectations across low-stakes and high-stakes conditions. Vertical blue lines represent averages.

expectation. Such inconsistency in expectations suggest that a social norm exists (high and consistent normative expectations) but is not expected to be followed under high-stakes.[21] This is not uncommon, as a social norm may exist but not be followed at a given time. This phenomenon happens because, as opposed to moral norms, social norms involve *conditional preferences*,i.e., the preference for compliance depends upon having sufficiently high (and consistent) empirical *and* normative expectations. When one of these expectations is low, we are justified in not following the norm Bicchieri (2006).[22]

Since the players in the norm-elicitation experiment are drawn from the same student population of the original Trust game, we can assume that players' expectations in the original game were similar to participants' elicited expectations in the new experiments.

[21] When comparing the differences between low-stakes and high-stakes, the results from Wilcoxon matched-pairs signed-ranks test suggest that there are significant differences at the 1% level for all three beliefs.

[22] There are two cases in which the disutility from norm deviation disappears: either we are not focused on the norm (Cialdini et al., 1990), or the norm is suspended, as when we do not expect people to conform.

We may conclude from that experiment that most low-stakes players in the original game held a strong norm of minimal reciprocity (returning 4, but less than 6), consistent with the assumption in our theoretical analysis. Providing normative information of returning at least 50%, according to our theoretical analysis, can potentially have a positive effect on behaviour. Such an effect is most likely to be observed when the normative message is combined with punishment. This combination may lead players to update their original normative expectations. The null effect of the empirical message in the low-stakes condition indicates that empirical information is not as effective in changing people's normative expectations. In the high-stakes condition, normative expectations indicate that players believe s/he deserves to get at least half of the tripled amount since the investor gave all of the money (8 ECU). This suggest that, inconsistent with the assumption in the theoretically analysis, players have already held normative expectations in the Baseline that are consistent with the normative message. Therefore, the combination of punishment and normative information did not result in behavior change (Figure 6), as there was no reason to update normative expectations.

The puzzling result is that when empirical information is combined with punishment in the high-stakes condition, there is a significant decline in returns. Note that as in the low-stakes condition, the empirical expectation in the high-stakes condition is also to return less than 50%. According to our theoretical analysis, the empirical information may not effectively update the player's normative expectations, but we did not predict a backfire effect. We speculate that the high cost of returning 50% in the high-stakes condition may motivate players to process the information in a self-serving manner. For example, a trustee can discount the empirical information as irrelevant to their situation, rendering punishment unjustied. As the message does not make it clear whether the 50% return occurs in both low- and high-stakes conditions or just one of them, we suspect that trustees may interpret the information as mostly relevant to the low-stakes condition. When punishment is combined with a message that is viewed as irrelevant to the decision context, punishment may be perceived as unjustied and thus backres. This speculation would be in line with existing research showing that trust in messages and their effectiveness in changing behavior are closely connected (e.g., Gifford et al., 2018).

In our second follow-up experiment (n=297 collected from Amazon Mechanical Turk),we find evidence consistent with this possibility.[23] After explaining the original game to the

[23]We turned to data collection on MTurk due to the inability to use physical labs during the COVID-19

participants, we gave them either the original empirical or normative information (between-design), after which we elicited their beliefs about how credible they found this information, on a scale from 0-10. We asked this question for low-stakes and high-stakes (within-design, random order). The results from this experiment show that there is a significant difference in the credibility of the empirical information in the high-stakes condition compared to the low-stakes condition (Wilcoxon matched-pairs signed-ranks test $p<0.01$; McNemar's chi-squared $p=0.025$), whereas the credibility of the normative information remained unchanged ($p=0.95$; McNemar's chi-squared $p=0.99$).[24] The high cost of compliance can be a reason for the low credibility assessment in the empirical information condition.

6. Conclusion

There is mounting interest in applying social norm methods to enhance nudge interventions (OECD, 2015; Miller and Prentice, 2016; Reijula et al., 2018). Our findings suggest that norm-based interventions can lead to significant improvements but can also backfire, even if the norm is embodied in a cooperative context and is clearly stated (as opposed to when the state of the world is left uncertain, as is the case in Bicchieri et al. 2019b). We find two main effects of combining different types of norm information with punishment, depending on the stakes. With low-stakes, the combination of normative information and punishment significantly raises the rate of return compared to the Baseline (no punishment and no norm information), punishment alone, and normative information alone. When empirical information is combined with punishment, behavior is not significantly different from the Baseline. With high-stakes, however, we find no significant effect of the combination of normative information and punishment. Interestingly, we find that the combination of empirical information and punishment can have a detrimental effect by significantly decreasing the rate of return compared to Baseline and punishment alone.

As we discussed in the previous section, a reason for the negative effect of the combination of punishment and empirical information in the high-stakes group is the belief that punishment is unjustified, since trustees may believe that, given the information does

pandemic. Reassuringly, recent literature indicates the robustness, generalizability, and reproducibility of laboratory findings on MTurk (Coppock et al., 2018; Snowberg and Yariv, 2018).

[24] Note that the average credibility score across all conditions was very high to begin with: around 7 on a scale from 0-10. This emphasizes that the participants had no doubt about the truthfulness of the norm information in general, but were simply less convinced in the high-stakes empirical information condition.

not differentiate between reference groups, compliance may be limited to the low-stakes condition where it is cheaper than in the high-stakes condition.

In sum, our experiment shows that providing normative information about socially disapproved behavior enhances the efficacy of punishment as long as compliance is not too costly. An important insight for policy-makers is to avoid sending empirical information that is inconsistent with what people already believe to be true and accompany this information with negative sanctions. Weak punishment may not just be insufficient to enforce positive behavior, it may even backfire as our results show. For weak punishment to work, it is critical to highlight the social desirability of the enforced behavior (Xiao, 2018).

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Appendix

A. Robustness Checks and Additional Figures for Trustee Behavior

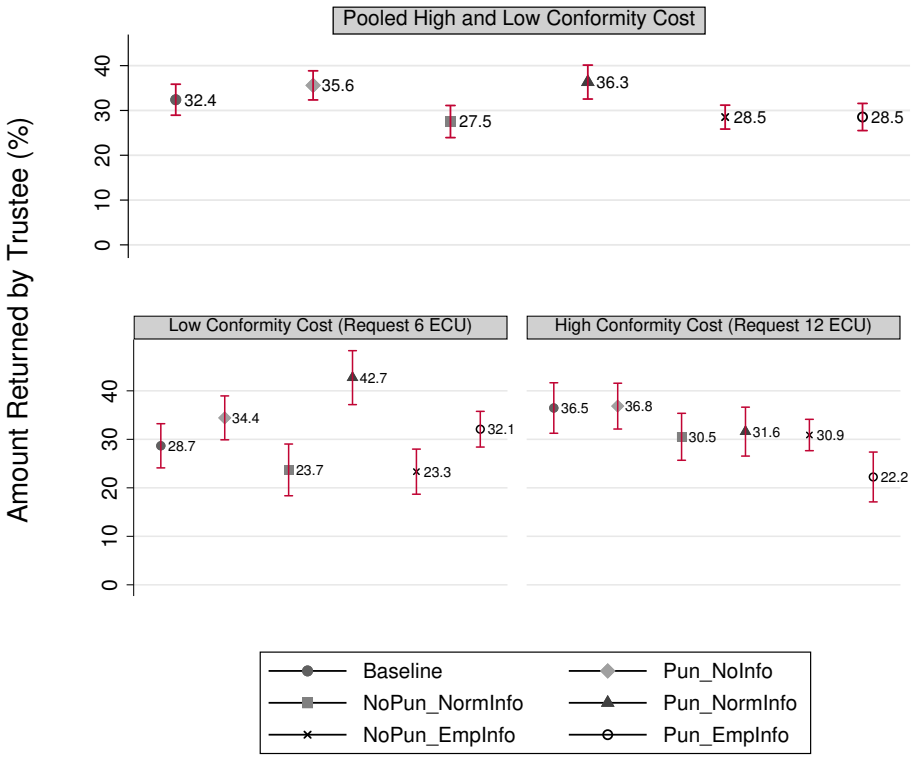


Figure A.1: Amounts returned by trustees as percentages of amount received from investors; upper part indicates pooled amounts; lower part indicates amounts per LS vs. HS; Baseline: no punishment or norm information; Pun_NoInfo: punishment (5 ECU) without norm information; NoPun_NormInfo: no punishment with normative information; Pun_NormInfo: punishment (5 ECU) and normative information; NoPun_EmpInfo: no punishment with empirical information; Pun_EmpInfo: punishment (5 ECU) and empirical information. Whiskers represent 95% CIs.

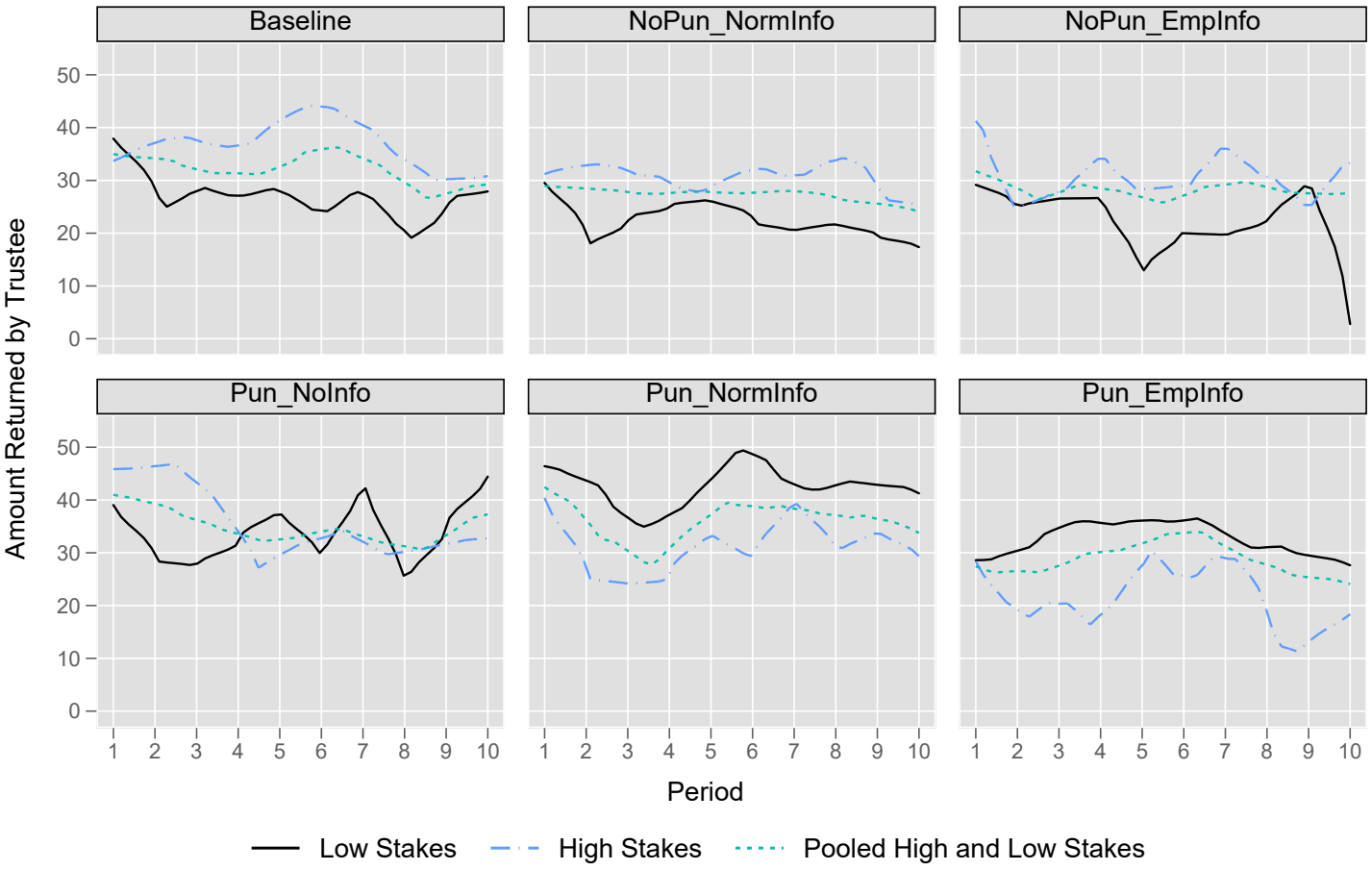


Figure A.2: Amounts returned by trustees as percentages of amount received from investors over all periods.

DV: Amount Returned by Trustee (%)	**Low Stakes**		**High Stakes**	
	(1)	(2)	(3)	(4)
Treatment				
(Base Level: Baseline)				
Pun_NoInfo	6.036	5.711	-2.908	-3.931
	(5.363)	(5.767)	(5.664)	(5.898)
NoPun_NormInfo	-8.678	-8.696	-8.511	-8.579
	(5.748)	(6.110)	(5.846)	(5.843)
Pun_NormInfo	12.760**	13.841**	0.332	0.108
	(5.688)	(6.048)	(6.397)	(6.561)
NoPun_EmpInfo	-6.643	-7.771	-3.824	-4.477
	(5.187)	(5.492)	(5.363)	(5.445)
Pun_ EmpInfo	1.784	3.231	-10.145*	-12.066**
	(5.035)	(5.367)	(5.688)	(5.820)
Round	-0.597***	-0.382	-0.429**	-0.092
	(0.227)	(0.240)	(0.191)	(0.187)
Gender	-0.631	-0.131	3.324	3.410
	(3.286)	(3.405)	(3.650)	(3.728)
Self-Control	3.942**	4.261**	4.067**	4.015**
	(1.620)	(1.674)	(1.818)	(1.847)
Risk	0.338	0.257	0.102	0.167
	(0.699)	(0.733)	(0.809)	(0.831)
L1.Amount Received from Investor		0.049		0.027
		(0.072)		(0.039)
Constant	32.062***	29.648***	34.394***	31.889***
	(5.574)	(6.133)	(6.351)	(6.420)
Observations	711	599	844	763

Table A1: Random effects model with robust standard errors (in parentheses) clustered on the participant level. Estimations for all periods, including those in which no return request message was sent. Control variables include stakes (1 = high), Round (1-10), Gender (1 = male), Self-Control (higher number indicates more self-control, standardized measure), Risk (higher number indicates more risk-seeking, standardized measure). L1.Amount Received from Investor (% amount received from an investor in previous round, which indicates whether trustee faced a high- or low-stakes situation). Significance levels: *p<0.10, **p<0.05, ***p<0.01.

DV: Amount Returned by Trustees (%)	(1)	(2)
Punishment	1.672	1.389
	(5.202)	(4.894)
Normative Information	-8.328	-8.889
	(5.667)	(5.444)
Empirical Information	-5.457	-5.246
	(5.112)	(5.027)
Stakes	1.681	2.000
	(1.496)	(1.476)
Punishment × Normative Information	16.232**	19.343***
	(7.740)	(7.478)
Punishment × Empirical Information	3.467	3.654
	(7.070)	(6.889)
Punishment × Normative Information × Stakes	-10.785***	-10.636***
	(3.912)	(3.906)
Punishment × Empirical Information × Stakes	-8.940**	-9.543**
	(3.796)	(3.837)
Period		-0.525***
		(0.164)
Gender		2.651
		(3.143)
Self-Control		4.043**
		(1.570)
Risk		0.153
		(0.684)
Constant	32.643***	33.270***
	(3.888)	(5.511)
Observations	1446	1446

Table A2: Random effects model with robust standard errors (in parentheses) clustered on the participant level. Punishment (1 = punishment implemented), Normative Information (1 = normative information implemented), Empirical Information (1 = empirical information implemented), stakes (1 = high), Remaining coding of control variables the same as in previous tables. Significance levels: * p<0.10, ** p<0.05, *** p<0.01.

B. Experimental Instructions

Subsequently, we present the instructions exemplary for Pun_EmpInfo (Punishment + Empirical Information). Differences with our other treatments are highlighted in the text. More specifically, the part highlighted red was presented only in this treatment and in NoPun_EmpInfo (No Punishment + Empirical Information) to the participants. In NoPun_NormInfo (No Punishment + Normative Information) and Pun_NormInfo (Punishment + Normative Information), the sentence was replaced with: "*In a previous survey, most participants said that Player 2 should return at least half of the tripled transfer amount.*" The part highlighted in green was only included in treatments that involved punishment.

Instructions

Thank you for coming! You have earned $10 for showing up on time. The following instructions explain how you can potentially earn more money by making a number of decisions. To maximize your chances to earn more money, please read these instructions carefully! If you have a question at any time, please raise your hand, and an experimenter will assist you.

For the purpose of the experiment, it is important that you do not talk or communicate in other ways with the other participants. Please turn off your cell phone and all other electronic devices. You are asked to abide by these rules. If you do not abide, we would have to exclude you from this and future experiments, and you will not receive any compensation for the experiment.

The experiment consists of **a total of 10 rounds**. At the end of the experiment, one round will be chosen at random, and you will be paid privately in cash based on your earnings from that round and your initial earnings for showing up on time. Your decisions remain anonymous to other participants throughout the experiment. No participant will know who has made what decisions. Please do not talk to each other during the experiment.

During the experiment, all amounts will be presented in ECU (Experimental Currency Unit). At the end of the experiment all the ECU you have earned will be converted to Dollars as follows:

2 ECU = 1 Dollar

General Procedure

- There are two types of Players: **Player 1** and **Player 2**.
- Player 1 acts first and Player 2 acts second.
- In each of the 10 rounds, a participant in the role of Player 1 will be **randomly** matched with one participant who is in the role of **Player 2** (and vice versa).
- No one will know the identity of his/her matched participant in any of the 10 rounds.

Endowment

- Each participant (both Player 1 and Player 2) receives an initial endowment of **8 ECU**.

Decisions of Player 1:

1. Transfer Decision

- **Player 1** will have the opportunity to send none, half or all of his/her initial endowment to **Player 2**. In this case, Player 1 can transfer **0 ECU**, **4 ECU**, or **8 ECU** to Player 2.
- Each ECU transferred will be **tripled**. For example, if **Player 1** decides to transfer **4 ECU**, **Player 2** will receive **12 ECU**. If **Player 1** decides to transfer **8 ECU**, **Player 2** will receive **24 ECU**.

2. Request decision

If Player 1 decides to transfer 4 ECU or 8 ECU to Player 2, **Player 2** will then decide how much to transfer back to Player 1 (further detail of Player 2's possible decisions are provided in the following section, 'Decision of Player 2'). ***In a previous survey, most participants in the role of Player 2 returned at least half of the tripled transfer amount to Player 1.***

In addition, Player 1 is given the option to ask Player 2 to transfer back at least half of the tripled transfer amount. For example, if Player 1 transfers 4 ECU to Player 2 (so that Player 2 receives 12 ECU), Player 1 will decide whether to send Player 2 the return request message "I'd like you to transfer back to me at least half of the 12 ECU (i.e. at least 6 ECU)". Alternatively, if Player 1 transfers 8 ECU to Player 2 (so that Player 2 receives 24 ECU), Player 1 will decide whether to send Player 2 the return request message "I'd like you to transfer back to me at least half of the 24 ECU (i.e. at least 12 ECU)".

Decision of Player 2:

After Player 1 has made his/her decision(s), Player 2 will see Player 1's transfer decision. In the case that Player 1 transfers 4 ECU or 8 ECU, Player 2 will also see whether Player 1 asks him/her to transfer back at least half of the tripled amount. Player 2 will then decide how much (if anything) to transfer back to Player 1 as described below.

- If Player 1 transfers 0 ECU, Player 2 will have no decision to make. The final earnings of Player 2 and Player 1 will be their initial endowment of 8 ECU each.
- If Player 1 transfers 4 ECU or 8 ECU, Player 2 will decide how much money to transfer back to Player 1 and how much money to keep to himself/herself. This could be any amount between 0 and the tripled amount of what Player 1 has sent, regardless of whether Player 1 asks Player 2 to transfer back at least half of the tripled amount.
- In addition, conditional on Player 1's decision to ask Player 2 to transfer back at least half of the tripled amount, Player 2 will face a **Payoff-cut** if his/her back-transfer does not meet this request. In particular:

- If Player 1 decided to request Player 2 to transfer back **at least half** of the tripled transfer amount, Player 2's payoff will be reduced by **5 ECU** if his/her actual back-transfer is **less** than the requested amount. However, Player 2 will not face a Payoff-cut if his/her back-transfer amount satisfies the request.
- For example, suppose that Player 1 send 4 ECU (or 8 ECU) to Player 2, so that Player 2 receives 12 ECU (or 24 ECU), and suppose that Player 1 requests a back-transfer of at least half of the tripled amount, at least 6 ECU (or 12 ECU). In this case, if Player 2 decides to transfer some amount less than 6 ECU (or 12 ECU), his/her payoff will be reduced by 5 ECU.
- If Player 1 decides **not** to request that Player 2 transfer back at least half of the tripled transfer amount, then Player 2 will not receive any payoff cut irrespectively of the actual amount he/she sends back.

Payoffs:

Player 1

(8 ECU) − (**potential transfer to Player 2**) + (**potential back-transfer from Player 2**)

Player 2

(**8 ECU**) + (**3 x potential transfer from Player 1**) − (**back-transfer to Player 1**) − (**potential payoff cut**)

Final Remarks:

A new round starts after Player 1 and 2 has made his/her decision. In the beginning of each new round, Player 1 will be randomly matched with another Player 2. No one will know the identity of his/her matched participant. Each round will proceed in the same way.

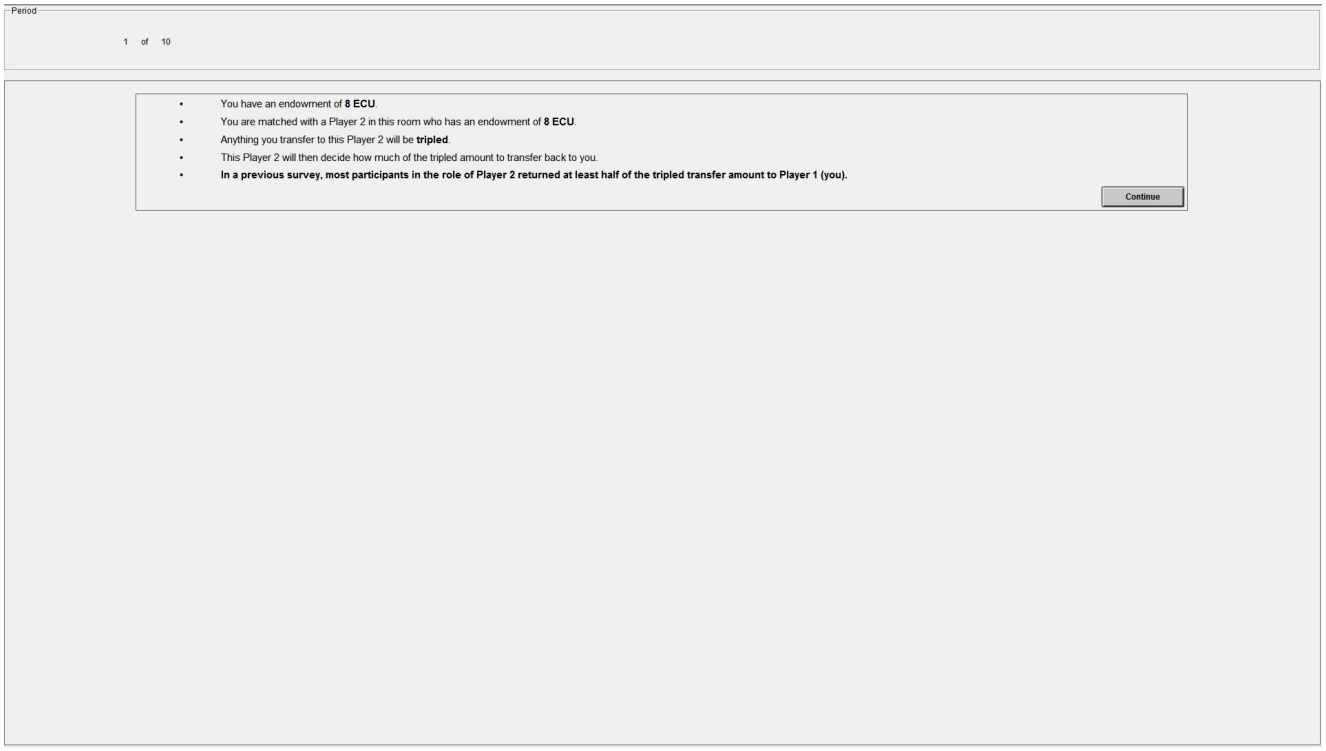
Player 1 will not know the result of each round (i.e. Player 1 will not know Player 2's decision in each round) until all the 10 rounds have finished. After all the 10 rounds have finished, each Player 1 will learn the matched Player 2's decision and the payoff outcomes in each round. Each Player 2 will also see a summary of the decision and payoff outcomes in each round.

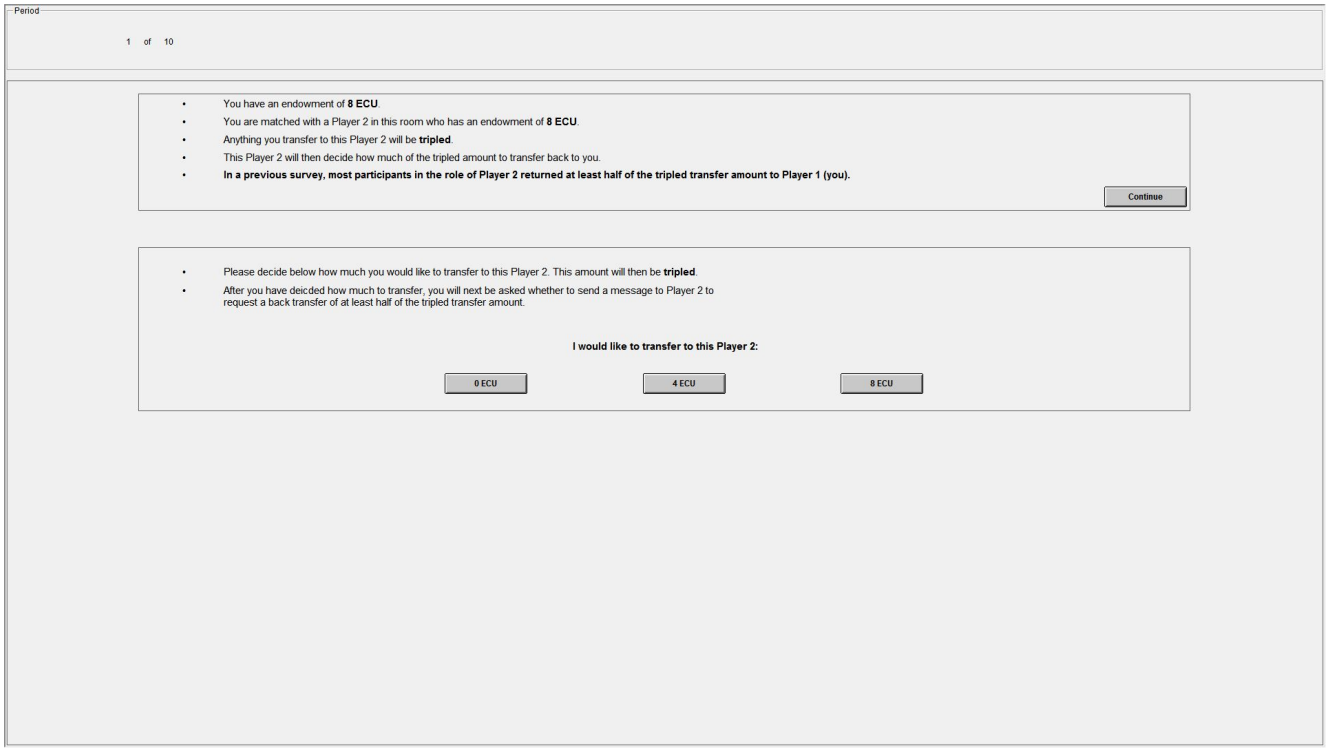
One round will be chosen at random and Player 1 and 2 will be paid according to the outcome of that round.

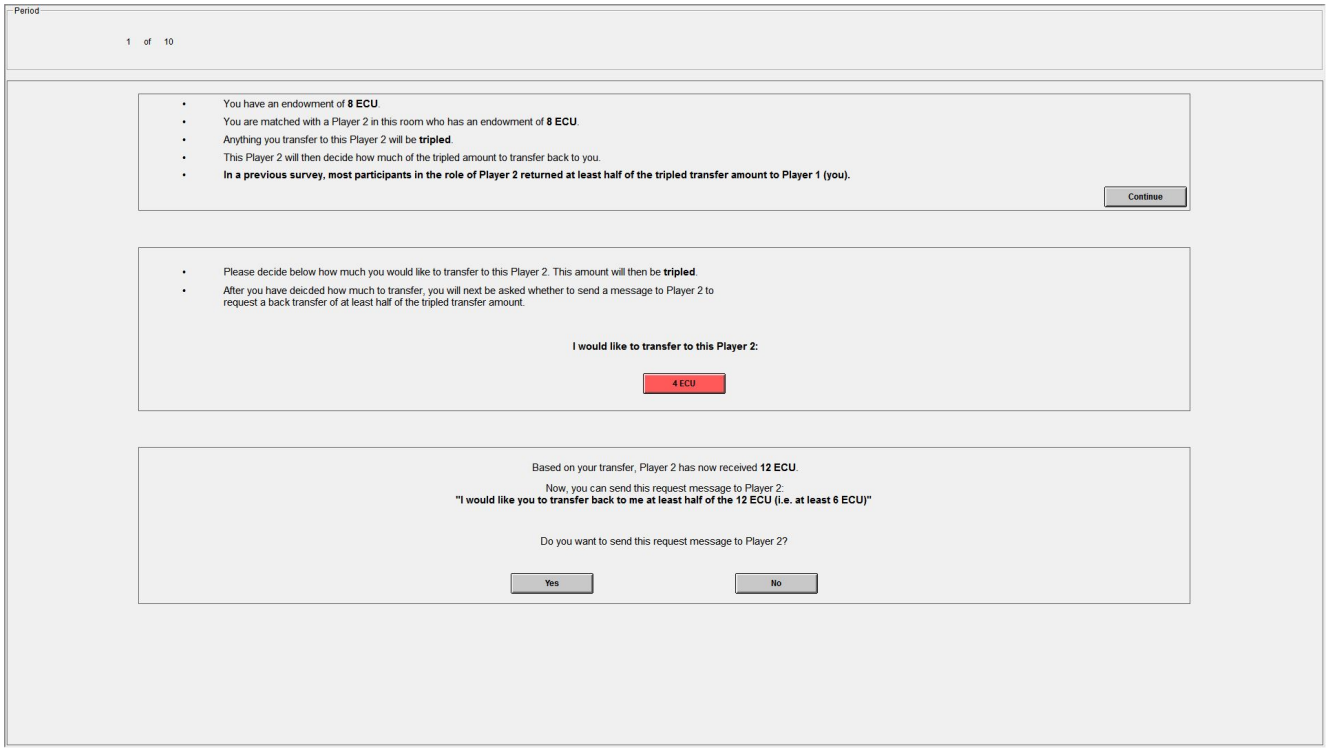
C. Screenshots of Experimental Procedure

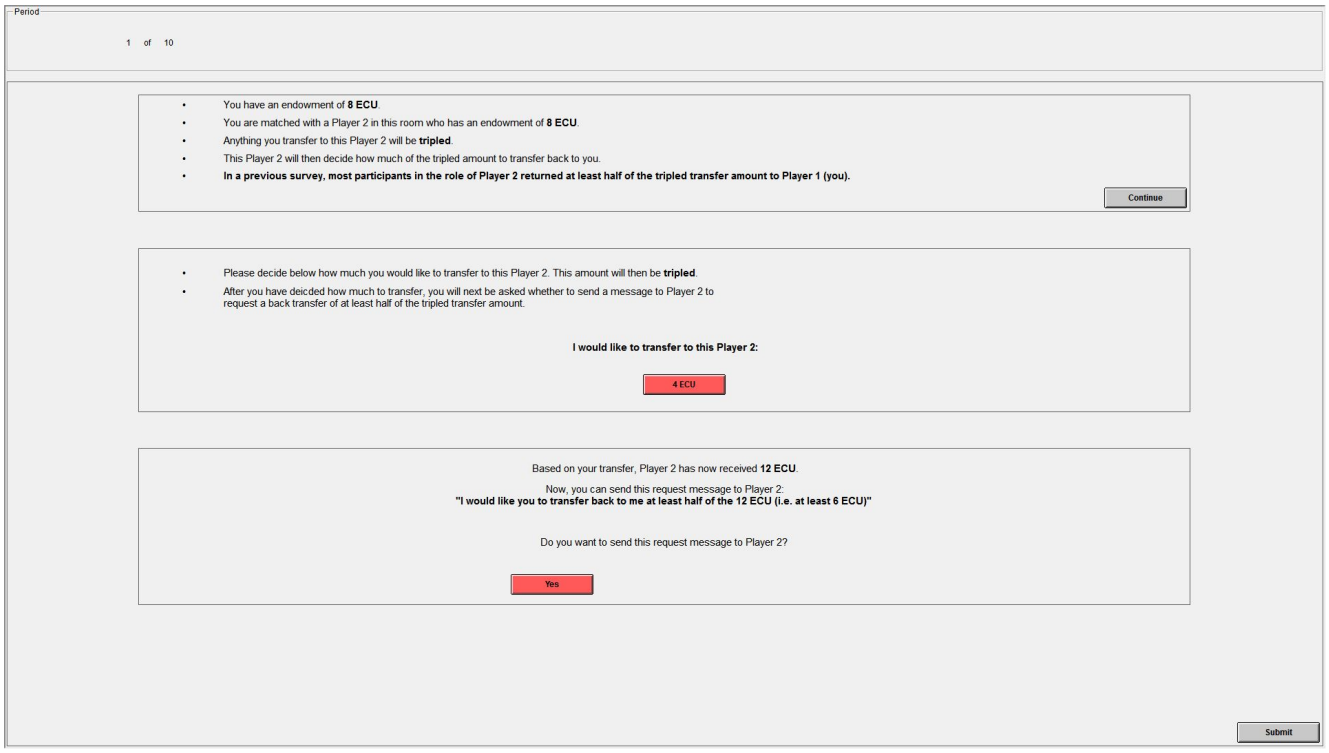
Here, we exemplarily present the screenshots for Treatment 5 (Punishment + Empirical Information). Differences to the other treatments are as previously explained in the experimental instructions. That is, indication of punishment and normative / empirical information was presented where the experimental design dictated. Screenshots are presented in the order in which the decisions occurred during one single round.

Investor

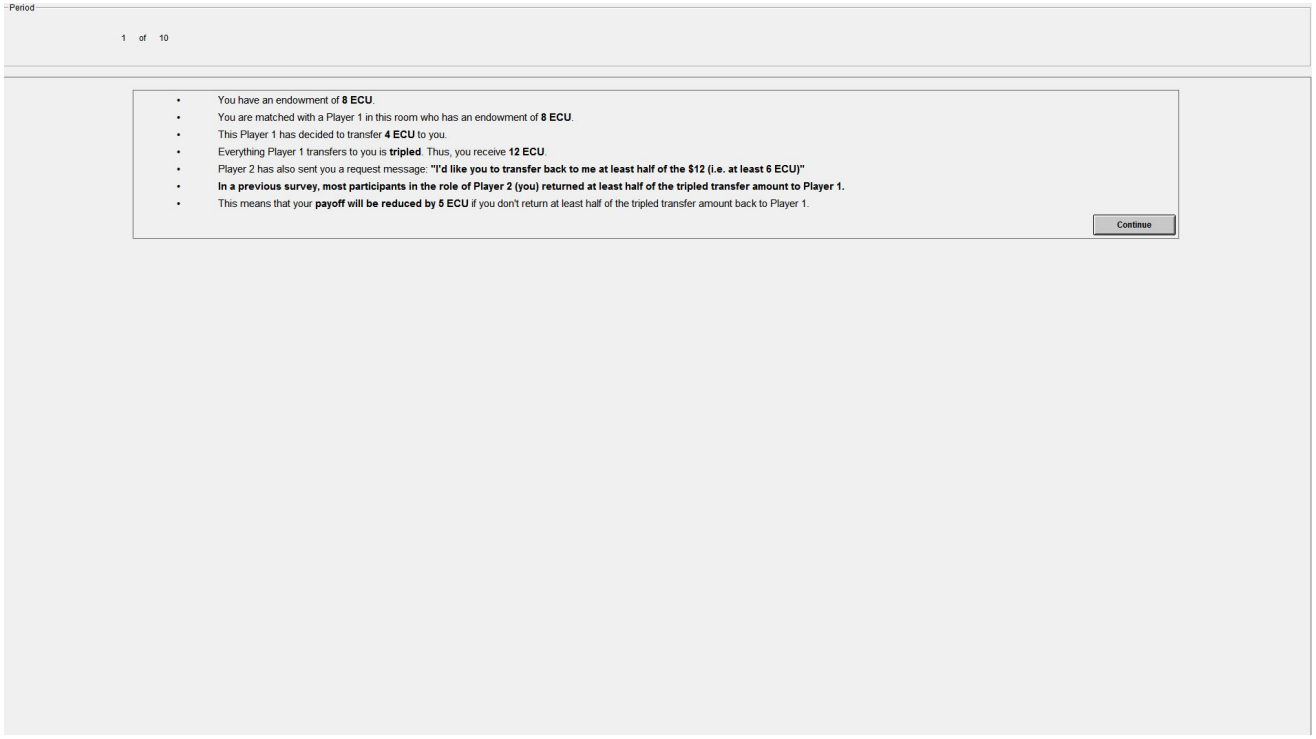


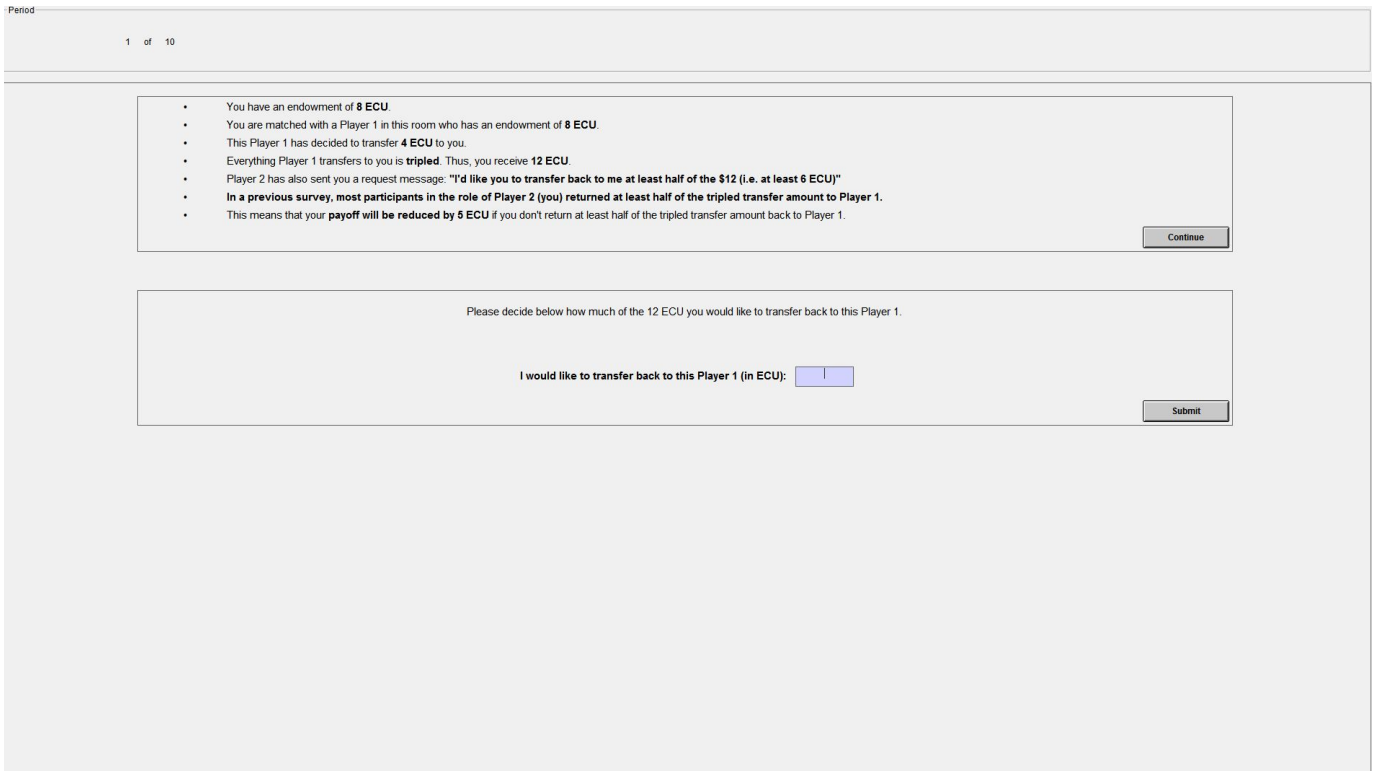

Period
1 of 10
You have an endowment of 8 ECU.
You are matched with a Player 2 in this room who has an endowment of 8 ECU.
Anything you transfer to this Player 2 will be tripled.
This Player 2 will then decide how much of the tripled amount to transfer back to you.
In a previous survey, most participants in the role of Player 2 returned at least half of the tripled transfer amount to Player 1 (you).
Continue
Please decide below how much you would like to transfer to this Player 2. This amount will then be tripled.
After you have deicded how much to transfer, you will next be asked whether to send a message to Player 2 to request a back transfer of at least half of the tripled transfer amount.
I would like to transfer to this Player 2:
0 ECU
4 ECU
8 ECU


Period
1 of 10
You have an endowment of 8 ECU.
You are matched with a Player 2 in this room who has an endowment of 8 ECU.
Anything you transfer to this Player 2 will be tripled.
This Player 2 will then decide how much of the tripled amount to transfer back to you.
In a previous survey, most participants in the role of Player 2 returned at least half of the tripled transfer amount to Player 1 (you).
Continue
Please decide below how much you would like to transfer to this Player 2. This amount will then be tripled.
After you have deicded how much to transfer, you will next be asked whether to send a message to Player 2 to request a back transfer of at least half of the tripled transfer amount.
I would like to transfer to this Player 2:
4 ECU
Based on your transfer, Player 2 has now received 12 ECU.
Now, you can send this request message to Player 2:
"I would like you to transfer back to me at least half of the 12 ECU (i.e. at least 6 ECU)"
Do you want to send this request message to Player 2?
Yes
No


Period
1 of 10
You have an endowment of 8 ECU.
You are matched with a Player 2 in this room who has an endowment of 8 ECU.
Anything you transfer to this Player 2 will be tripled.
This Player 2 will then decide how much of the tripled amount to transfer back to you.
In a previous survey, most participants in the role of Player 2 returned at least half of the tripled transfer amount to Player 1 (you).
Continue
Please decide below how much you would like to transfer to this Player 2. This amount will then be tripled.
After you have deicded how much to transfer, you will next be asked whether to send a message to Player 2 to request a back transfer of at least half of the tripled transfer amount.
I would like to transfer to this Player 2:
4 ECU
Based on your transfer, Player 2 has now received 12 ECU.
Now, you can send this request message to Player 2:
"I would like you to transfer back to me at least half of the 12 ECU (i.e. at least 6 ECU)"
Do you want to send this request message to Player 2?
Yes
Submit

Trustee


Period
1 of 10
You have an endowment of 8 ECU.
You are matched with a Player 1 in this room who has an endowment of 8 ECU.
This Player 1 has decided to transfer 4 ECU to you.
Everything Player 1 transfers to you is tripled. Thus, you receive 12 ECU.
Player 2 has also sent you a request message: "I'd like you to transfer back to me at least half of the $12 (i.e. at least 6 ECU)"
In a previous survey, most participants in the role of Player 2 (you) returned at least half of the tripled transfer amount to Player 1.
This means that your payoff will be reduced by 5 ECU if you don't return at least half of the tripled transfer amount back to Player 1.
Continue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Continue
Please decide below how much of the 12 ECU you would like to transfer back to this Player 1.
I would like to transfer back to this Player 1 (in ECU):
Submit

End of the round screenshot (Investor and Trustee)