

Tutorial 2 Notes Investigating Informal Sanctions*

1. General information

Welcome to Tutorial 2. Hope you are doing very well on this module so far. In this tutorial, we are going to read, discuss and evaluate the second assigned paper together. Please follow the instructions and prepare in advance.

You may notice the questions need to prepare are almost the same as we did in Tutorial 1. You are right. It is because these questions are fundamental ones to evaluate every research work. Therefore, *hints* of how to answer these questions are not repeated in today's guideline, while sub-questions with respect to today's paper are still provided.

2. Today's paper and task

In Topic 6, we saw that – contrary to the prediction of standard economic theory – people use the punishment mechanism introduced into public goods games by Fehr and Gächter (2000). This could possibly be explained by reciprocity or inequality aversion, but the Fehr-Gächter study was not able to conclusively determine what motivates punishment. In this tutorial, we consider a study **specifically designed to answer that question**.

The paper is:

"Driving forces behind informal sanctions", by Armin Falk, Ernst Fehr, and Urs Fischbacher, *Econometrica*, 2005, 73, 2017-30. Henceforth, FFF05. The paper has been uploaded on Moodle or you can download [here](#).

Your tasks are:

Please carefully read the paper, write down replies to the following questions, and come to the tutorial to discuss your replies with classmates.

1. What questions do Falk, Fehr and Fischbacher set out to answer?
2. What are the main features of the experimental design? What functions do they serve?
3. What are the main findings?
4. What, if anything, do you think we learn about behaviour in the real world from this experiment?
5. What additional research questions related to this topic do you think it would be interesting to answer? How would you go about trying to answer them?

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How to prepare, discuss, and ask for feedback for our tutorial?

[Before you come] Preparation before class is essential because it helps you more easily and confidently involved in discussion with your classmates and Ying during the tutorial. To help you prepare, you may want to draft some short-written answers to these questions with the help of *Appendix 1: Guidelines to write discussion draft*.

[During the tutorial] The tutorial will take the form of a broad discussion. A high-quality discussion needs everyone to participate and engage in it. Note that, in class, Ying will not directly provide you with answers to these questions.

[Ask for feedback] Unfortunately we cannot cover all questions in discussion. If you would like to obtain more feedback about one (or more) question, please email your drafted paragraphs of that question to Ying. Ying is willing to give you oral feedback in office hours.

3. Pre-class questionnaire (This is optional!)

When you finish preparation, you are cordially invited to comment the difficulties of this paper in the pre-class questionnaire (by 23:59, March 13, 2022). Your feedback will help Ying to organize the discussion more efficiently.

The questionnaire is anonymous while you may ask by the system to login with university email and password. You can open the link by clicking [here](#) or scanning QR code attached below:



Appendix I. Guidelines to write discussion draft

Note: This guideline is written to organize short-written answers. The words in *blue italic font* are general solutions to these questions then some key points for today's paper are listed. You are welcome to expand your writings according to this. However, you are more than welcome to go beyond this.

1. What questions do Falk, Fehr and Fischbacher set out to answer?

This question asks you to identify research questions. Guides can be found in Question 1 of Tutorial 1. For today's paper, you may want to consider the following questions:

- 1.1 The authors intend to solve multiple questions in this paper. What are they?
- 1.2 The behaviour studied here is "*informal sanction*". How is it defined in the paper?

2. What are the main features of the experimental design? What functions do they serve?

This question asks you to describe experimental design and the aim. Guides can be found in Question 2 of Tutorial 2. For today's paper, you may would like to cover the following aspects:

- 2.1 What is the task? *A two-stage game.*
 - 2.1.1 What are the contents of each stage?
 - 2.1.2 For the three-player PD game displayed in Table 1 of FFF09 (pp.2019), why Player *i*'s dominate action is Defect?
 - 2.1.3 Why the authors use a three-player PD game instead of a two-player PD game?
- 2.2 Treatment
 - 2.2.1 How many treatments does this experiment have? What are they?
 - 2.2.2 What are the differences among those treatments? What are treatment differences for?
 - 2.2.3 Please use you own words to explain "Strategy Method". What are the pros and cons to apply strategy method in experimental design?
- 2.3 Please state any other designs that might be important.

3. What are the main findings?

This question asks you to summarize the experimental results. Guides can be found in Question 3 of Tutorial 1. For today's paper, please read Section 3 of FFF05 (pp.2028) to outline findings.

- 3.1 You may notice that the authors provide many results. While you read, it is useful to check which result answers which research question – are there any research questions unanswered?

4. What, if anything, do you think we learn about behaviour in the real world from this experiment?

To gain more insights, you may would like to read the introduction and the conclusion of the working paper version of FFF05.

- 4.1 Working paper version can be found from [here](#).
- 4.2 If you would like to share any thoughts with your colleagues anonymously, you can send it to me via the pre-class survey. I will show your comments only in your session.

5. What additional research questions related to this topic do you think it would be interesting to answer? How would you go about trying to answer them?

- ☞ *This question asks you to suggest possible extensions. Guides can be found in Question 5 of Tutorial 1 – However, a comment followed by is that, it is not necessary that the new research questions came up in your mind should be solved by experiments. Conducting an experiment is simply one of the research methods in Economics research, there are other ways you can apply. Thus, it is always important to weight the pros and cons before deciding the research method for a question.*