

Mixing the Carrots with the Sticks: Reward Opportunities Reduce the Demand for Punishment

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Abstract: This paper presents evidence that the demand for costly norm enforcement can be affected by the availability of the means for enforcing the norm. Participants in a laboratory experiment can reward and/or punish to enforce a distribution norm. Controlling for adherence to the norm, we find that the demand for costly punishment is lower when participants can also reward norm adherence. Similarly, the demand for costly rewards is lower when participants can punish norm violations. The reason is that participants use reward/punishment to signal approval/disapproval. The available means for enforcement affect the signal transmitted by a given investment in enforcement.