

# COOPERATION, PUNISHMENT AND NETWORKS

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## ABSTRACT

In this paper we design an experiment to study how the network structure of a group affects individual behavior in a team-work environment with the possibility of horizontal monitoring. Groups of agents repeatedly play a standard linear public good game in the lab and a network determines which members of the group each agent is able to observe. We consider four stylized networks: the complete network, the star, the line and the circle. We introduce a punishment stage once players have decided their contributions to the public good (à la Fehr and Gächter, 2000), being the punishment opportunities also determined by the network. For each network, we analyze how the possibility of (costly) punishment affects contribution levels and efficiency. We also compare behavior across networks and across different types of players within each network. Finally, we present a simple behavioral model that captures many of the regularities observed in the lab.