Commitment and Cooperation in Partnerships

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This thesis uses experimental methods to investigate whether pledges of commitment can improve cooperation in partnerships facing a social dilemma. In the game studied, subjects form partnerships endogenously and choose contribution levels to a partnership account. The treatments vary in terms of the individual’s (a) opportunity to commit to their partner, (b) the cost of dissolving committed partnerships, and (c) the distribution of these dissolution costs between partners. I find that pledges of commitment can increase cooperation levels within partnerships. Cooperation increases when committed partnerships can be dissolved without cost due to an increase in partnership stability; stable partnerships are more cooperative. I also find pledges of commitment improve cooperation when it is costly to dissolve a committed partnership. Dissolution costs are most effective when they are shared between committed partners because both partners respond to the threat of costly dissolution. Surprisingly, the increase in average cooperation when committed partnerships can be dissolved without cost is of similar magnitude to the increase when dissolution costs are equally shared between committed partners.

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- Keywords: Commitment, Cooperation, Endogenous Group Formation, Experiment
CONTENTS

1. Introduction ............................................................................................................. 7

2. Experimental Design ............................................................................................... 12
   1 Design Goals ........................................................................................................ 12
   2 Procedures ............................................................................................................ 13
      2.1 Voluntary Contribution Mechanism ................................................................. 14
      2.2 Commitment .................................................................................................... 15
      2.3 Regrouping ...................................................................................................... 16
   3 Treatments ............................................................................................................. 18

3. Predictions & Hypotheses ....................................................................................... 22

4. Results ..................................................................................................................... 28
   1 Overall Partnership Efficiency ............................................................................. 28
   2 Commitment Rates .............................................................................................. 31
   3 Commitment and Subject Level Contributions .................................................. 33
   4 Stable Partnerships, Commitment and Contributions ........................................ 39
   5 Dissolution of Partnerships ................................................................................... 44

5. Conclusion ............................................................................................................... 49

Bibliography ............................................................................................................... 53

Appendix A - Summary Table for Contributions by Treatment ................................. 57

Appendix B - Sample Experiment Instructions ....................................................... 59
LIST OF TABLES

2.1 Summary of Treatments and Cost of Dissolving Committed Partnerships ................................................. 20

4.1 Results of Mann-Whitney rank sum tests of differences in contribution levels between treatments ................. 30

4.2 Tobit panel regression with random effects – Impact of Commitment on Contributions .................................. 36

4.3 Tobit panel regression with random effects – Impact of Costly Commitment and Partnership Stability on Contributions . 42

4.4 Panel Logit Regression – Partnership Dissolution .......... 47

A.1 Summary of Contribution Behaviour by Sequence and Treatment 58
LIST OF FIGURES

2.1 Timeline of a typical sequence of the game . . . . . . . . . . . . 14

4.1 Average Investment by Treatment . . . . . . . . . . . . . . . . . 29
4.2 Proportion of Committed Partnerships by Treatment . . . . . 32
4.3 Impact of Commitment on Contributions by Treatment . . . . 34
4.4 Proportion of Stable Partnerships by Treatment . . . . . . . . 40
4.5 Partnership Dissolution Rates by Treatment . . . . . . . . . . 45
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DECLARATION

I, Lachlan Kelley Deer certify that this work contains no material which has been accepted for the award of any other degree or diploma at any university or tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text.

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