

Group Identity and Club Goods in Heterogeneous Societies: Evidence from a Laboratory Experiment

Chanalak Chaisrilak

Faculty of Economics, Chulalongkorn University

Abstract

Cooperation in the provision of public goods is essential for social welfare, yet traditional cooperation mechanisms may fail in heterogeneous settings. This study examines how group identity affects cooperation in heterogeneous societies through a laboratory experiment with 162 students. Participants were randomly assigned varying identity strength (none, weak, or strong) and placed in either homogeneous or heterogeneous societies. They allocated resources between public goods (benefiting everyone), club goods (benefiting only their identity group), and private accounts, with opportunities to exclude other members.

Results show that group identity enhances cooperation in homogeneous settings but promotes ingroup cooperation in heterogeneous settings. In heterogeneous societies, participants shift resources from universal public goods toward group-specific club goods rather than reducing total cooperation. Punishment decisions show systematic discrimination: in-group members can "buy" safety through good behavior, while out-group members face increasing exclusion risk regardless of contribution level. These findings demonstrate that people may not be selfish free riders when club goods are available, but they prioritize their own group's interests (club goods) over those of everyone (public goods) in heterogeneous societies. This suggests that supporting community-based collective action may be more effective than government-based approaches for enhancing cooperation in heterogeneous societies.

Keywords: Group identity, Club goods, Public goods, Heterogeneous societies, Ingroup cooperation, Social exclusion