

GROUP IDENTITY AND CLUB GOODS IN HETEROGENEOUS SOCIETIES

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Group identity is a powerful force for cooperation. When people feel connected to their group, they develop stronger trust, shared norms, and willingness to cooperate (Chen & Li, 2009; Goette et al., 2006). However, **in heterogeneous societies**, it may create in-group favoritism in both resource allocation and punishment decisions (Alesina et al., 1999; Miguel & Gugerty, 2005), which can manifest as a preference for group-specific **club goods** over universal public goods (Chakravarty & Fonseca, 2017). Our research question is whether people cooperate less, or do they simply cooperate differently by helping “us” instead of “everyone”? We use a controlled laboratory experiment to investigate how group identity strength and social composition influence both cooperation patterns and punishment decisions in homogeneous and heterogeneous settings.

Experimental Design

- 5 treatment conditions based on different society compositions and group identities
 - Group identities:** None, Weak (random group labels), and Strong (labels plus team-building activities).
 - Society compositions:** homogeneous (all the same identity) or heterogeneous (mixed identities) societies (**Figure 1**)
- Allocation decisions:** public goods (benefit everyone equally), Club goods (benefit only members of the same identity group), and private accounts (kept for personal use).
- Punishment decisions:** vote to exclude a society member

Key Result

Group identity promotes cooperation, but redirects it to 'us' rather than 'all individuals' in heterogeneous societies.

Figure 2 shows that

- In homogeneous societies** (left panel), Group identity increases universal cooperation - the blue area (public goods) expands from 57% to 79% as identity strengthens. People contribute more to public goods that benefit everyone.
- Group identity shifts cooperation from universal public goods to group-specific club goods **in heterogeneous societies** (right panel) - the blue area shrinks from 79% to only 29%, while the orange area (club goods) becomes the dominant area, around 42-50%.
- People in heterogeneous societies show a much higher preference for helping their own group (large orange areas) compared to people in homogeneous societies (no orange areas at all).
- The stronger the identity, the more people prioritize helping their own group over helping everyone - the orange area grows larger in heterogeneous societies as identity strengthens
- This creates **"in-group cooperation"** - people don't cooperate less, they cooperate differently by prioritizing their own group over society as a whole.

FIGURE 2: Average Contribution by Social Composition and Identity Strength

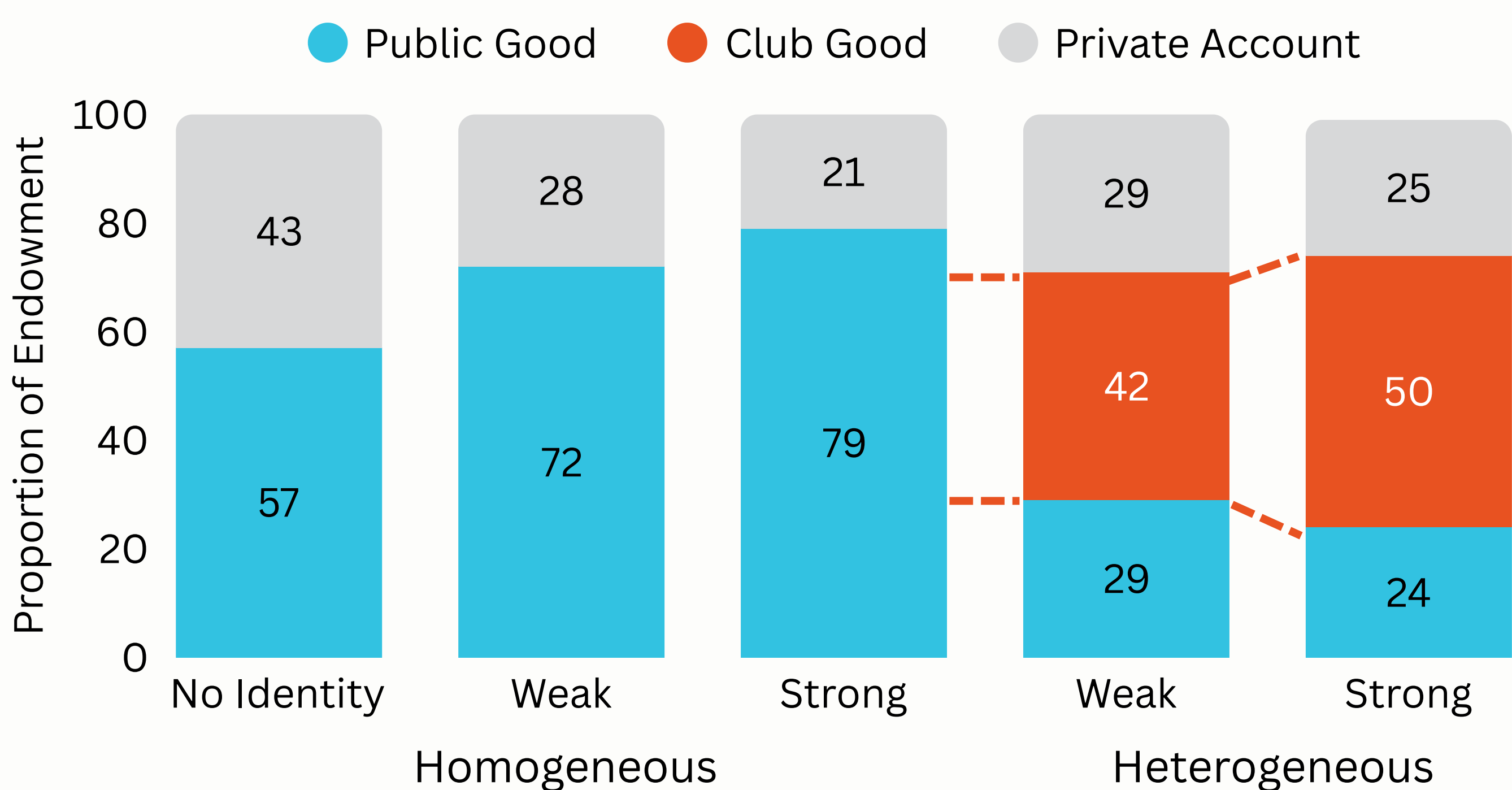


FIGURE 1: Group Identities and Social Compositions Assignments



Homogeneous society **Heterogeneous society**

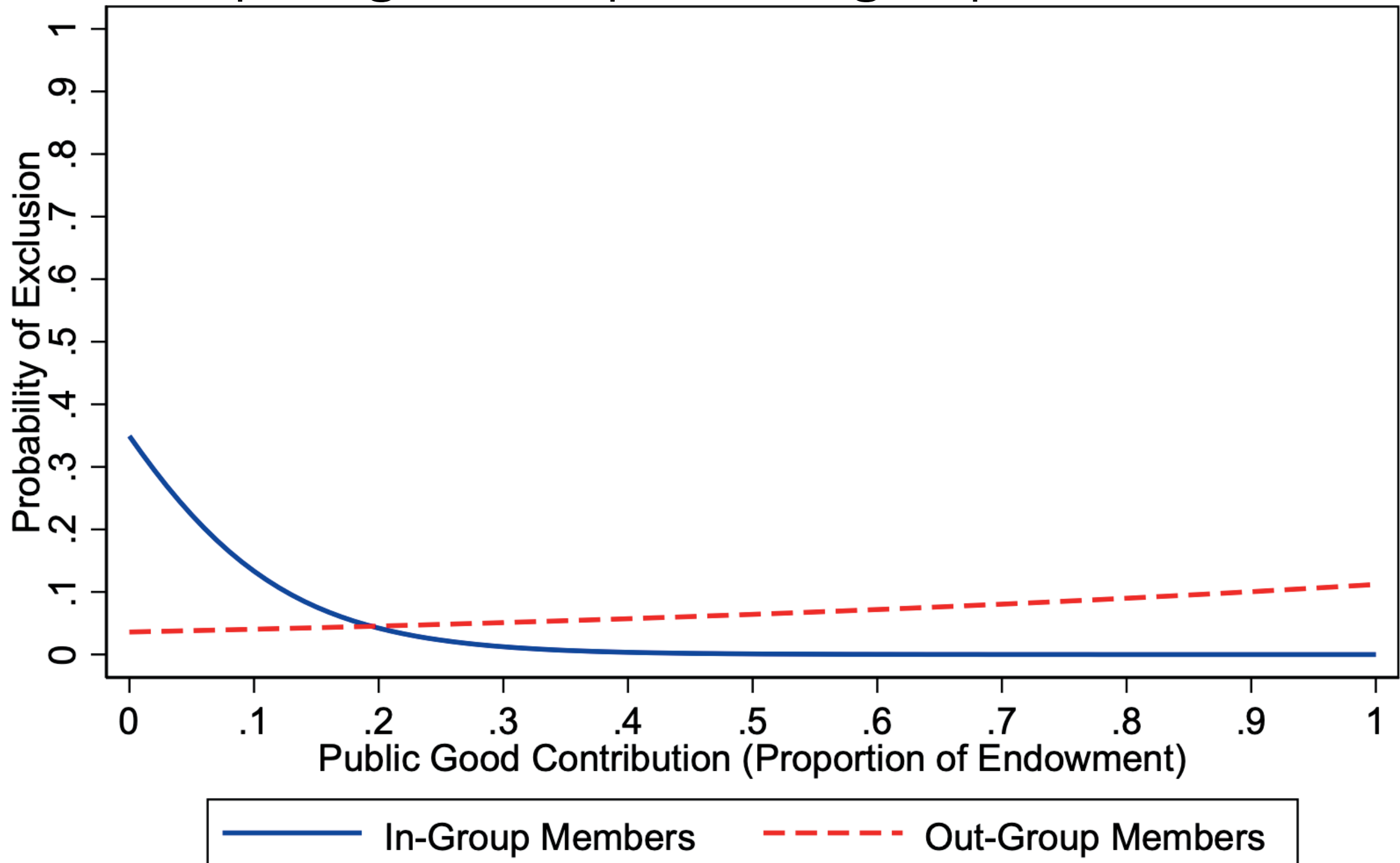
Left circle (homogeneous society) contains people of the same color/identity, Right circle (heterogeneous society) contains people of different colors/identities mixed together

Punishment decisions may create a double standard.

Figure 3 shows that

- In-group members (blue solid line):** High public good contributors who share the same identity can "buy" safety through good behavior - their exclusion probability drops from 35% to near zero as their contribution increases
- Out-group members (red dashed line):** Those with different identities face a constant 8% exclusion risk regardless of contribution level
- Punishment mechanisms designed to encourage cooperation instead become tools for discrimination

FIGURE 3: Probability of Exclusion by Contribution Level Comparing In-Group vs. Out-group Members



- When club goods exist, people may not be selfish free riders. They show bounded trust by prioritizing the interests of their own group (club goods) over those of everyone (public goods). This shows in-group bias rather than a lack of cooperation.**
- Therefore, supporting community-based collective action would be more effective in enhancing cooperation than government-based systems in heterogeneous societies.**