

## PRE-ANALYSIS PLAN FOR

### ***CONTRACT ENFORCEMENT IN A STATELESS ECONOMY***

*Introduction.*— We will embed a field experiment in the illegal gambling market in Pakistan. We will collaborate with one of the largest gamblers’ betting association in Pakistan. We will issue different betting contracts, via randomly assigned color coded cards, as gamblers will make high-stakes betting decisions in the field. Specifically, we will randomly assign gamblers into four groups. The first group of bettors will be assigned a status-quo “book bet” contract, that allows spot betting but payback happens the following week (7 day payback deadline). The second group will be randomly assigned two blacklisting contracts: (1) a global blacklisting contract that stipulates listing names of the gamblers on the notice board of the betting station upon nonpayment and notifying all betting stations about the gambler’s “default”, effectively banning the gambler from all eight betting stations at the race club (2) a local blacklisting contract that also lists names of the gamblers on the notice board in case of non-payment, as before, but we do not notify other stations at the race club. This imposes a reputational cost but the potential sanction is limited to one betting stand at the race club, allowing the gambler to bet freely at other stations. The third group of gamblers will be assigned the contract with a 7 day extension over the regular status-quo payback contract (payment deadline in 14 versus 7 days). Outcomes in the field such as amount bet, wins & losses and payback amount are measured, while outcomes from strategic dilemmas on risk, confidence, cooperation and coordination are collected to study heterogeneity and mechanisms.

*Empirical Specification.*— The impact of the four treatments will be evaluated by comparing outcomes across groups in a simple regression framework. For each field and behavioral outcome, the estimation equation is:

$$Y_i = \alpha + \beta \text{Global}_i + \gamma \text{Local}_i + \delta \text{Extension} + \omega \text{Decision Aid}_i + X_i \mu + \epsilon_i \quad (1)$$

where  $Y_i$  is the outcome for bettor  $i$ ,  $\text{Global}_i$  is a dummy variable equal to one if the punter is assigned to the global blacklisting treatment;  $\text{Local}_i$  is a dummy variable equal to one if the punter is assigned to local blacklisting treatment;  $\text{Extension}_i$  and  $\text{Decision Aid}_i$  are dummy variables equal to one if the bettor is assigned to payment extension or decision aid treatment, respectively.

*Outcomes Variables.*—The first set of outcome variables concern payback that we measure at the extensive and intensive margin. At the extensive margin, we construct a payback dummy variable that takes the value of one when the punter returns the owed amount in full and zero otherwise. This captures the full honoring of the bookbet contract. At the intensive margin, we use the actual amount of owed money paid back by the bettor denominated in Pakistani Rupees (PKR) as well as standardized to mean zero and standard deviation one. We will also construct and evaluate the robustness of the results by using partial payback variable i.e. when the bettor only returns a partial amount as stipulated in the contract. The second set of outcome variables concern total amount bet and wins or losses of the bettor. We will report these variables in the original scale denominated in Pakistani Rupees and those standardized to mean zero and standard deviation one. We will also use four behavioral outcomes for Risk, Confidence, Cooperation, Coordination games.

*Main Explanatory Variables.*— Our key explanatory variables will be dummies for the four treatments, represented in equation (1). *Global* and *Local* denote dummies that switch on if the better was assigned a global or local blacklisting contract, respectively. *Extension* and *Decision Aid* are dummies that switch on if the bettor were assigned to the payment extension or decision aid treatments, respectively. The placebo group does not get any explicit contract offer.

*Heterogeneity Analysis.*— We will also assess heterogeneity of our treatment effects by using the four behavior outcomes, on pre-treatment risk, confidence, cooperation and coordination as well as whether the gambler is a regular versus irregular gambler. We will interact the outcomes with our treatment dummies to assess heterogenous effects by the pre-treatment preferences of the bettors.