Adding a Stick to the Carrot?
The Interaction of Bonuses and Fines
Supplementary Material: Description of the Data

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This file describes the data (that can be found in file Fehr-Schmidt_data) and the commands to be used in Stata 9.2 to replicate the OLS regressions of Table 2 in our paper.

Variabel	**Description**
CC	Dummy variable that is equal to 1 if combined contract
WAGECC	Wage offered in combined contract
ESTARCC	Required effort level in combined contract
FINE	Fine in combined contract
BSTARCC	Bonus announced in combined contract
WAGEBC	Wage offered in pure bonus contract
ESTARBC	Desired effort level in pure bonus contract
BSTARBC	Announced bonus in pure bonus contract
ACCEPT	Dummy variable that is equal to 1 if contract is accepted
WAGE	Wage offered in combined or bonus contract
E	Effort
ECOST	Effort cost
ESTAR	Desired/required effort level
FINEPAID	Dummy variable that is equal to 1 if fine has to be paid
BONUS	Actual bonus payment
BSTAR	Announced Bonus
PROFIT	Monetary payoff of principal (employer)
INCOME	Monetary payoff of agent (employee)
SURPLUS	PROFIT+INCOME
PID	Principal's identification number
NUMBER_CC	Number of times that this principal has chosen a combined contract
PCC	Dummy variable that is equal to 1 if principal has chosen combined contract 8, 9 or 10 times
PBC	Dummy variable that is equal to 1 if principal has chosen pure bonus contract 8,9 or 10 times
Px	Dummy variable that is equal to 1 if period is period x, x=1,…,10
S1	Dummy variable that is equal to 1 if session is S1
S2	Dummy variable that is equal to 1 if session is S2
S3	Dummy variable that is equal to 1 if session is S2
PxS1	Dummy variable that is equal to 1 if Principal is Principal No. x in session S1, x=1, …, 11
AxS1	Dummy variable that is equal to 1 if Agent is Agent No. x in session S1, x=1, …, 11

PxS2	Dummy variable that is equal to 1 if Principal is Principal No. x in session S2, x=1, …, 12
AxS2	Dummy variable that is equal to 1 if Agent is Agent No. x in session S2, x=1, …, 12
PxS3	Dummy variable that is equal to 1 if Principal is Principal No. x in session S3, x=1, …, 12
AxS3	Dummy variable that is equal to 1 if Agent is Agent No. x in session S3, x=1, …, 12

The regression reported in Table 2 was conducted using the following do-file in Stata 9.2:

```
clear
capture log close
log using BonusRegressions, replace
cd D:\Dateien\DATA\

insheet using Carrot-and-Stick.txt

*** OLS-Regression 1: pure bonus contracts (clusters) ***

regress bonus e estarbc wagebc bstarbc if cc==0 &  accept==1,
cluster(pid)

*** OLS-Regression 2: combined contracts (clusters) ***

regress bonus e estarcc wagecc bstarcc fine if cc==1 &  accept==1,
cluster(pid)

*** OLS-Regression 3: all contracts with number of cc choices by
principal (clusters) ***

regress bonus e estar wage bstar number_cc if accept==1, cluster(pid)

*** OLS-Regression 4: all contracts with dummies for types of
principals (clusters) ***

regress bonus e estar wage bstar pcc pbc if accept==1, cluster(pid)


log close
```