Abstract: Among humans, cooperation in groups is fragile. Although peer punishment can sustain cooperation in public goods situations, it comes at a decisive cost: excessive, uncoordinated punishment that reduces net payoffs for both punishers and targets. However, this view underestimates the extent to which groups can organize sanctions. We present experimental evidence that groups nested in hierarchies—like subdivisions in organizations—can sustain greater cooperation and net earnings than isolated groups with less punishment. We highlight two mechanisms: a division of labor in sanctioning along vertical positions that reduces overall punishment, and legitimation of sanctions by leaders that reduces anti-social punishment. We also find evidence that cooperation and punishment diffused in hierarchies to limited degrees. These results point to leadership in hierarchies as an important mechanism for coordinating and legitimating sanctions.