

Abstract of a paper to be presented at the
8th Berlin IO Day, on March 10th, 2017:

Building Trust: The Costs and Benefits of Gradualism

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To study the evolution of trust, we examine a setting with (i) an infinite time horizon, (ii) uncertainty regarding the trustworthiness of the receiver; and (iii) various possible levels of trust. We show that, in theory, equilibrium strategies are characterized by a gradual increase in the degree of trust shown to reciprocating receivers. In a series of experiments, we find strong evidence of senders' use of such gradualist strategies. However, when we compare this setting to another in which trust is an all-or-nothing decision, we find that the setting that enables the use of gradualist trust strategies is not conducive to higher cooperation and may even reduce efficiency by crowding out trustworthiness. These findings are corroborated by the results of several follow-up treatments.