

Trust, Society, and Information: An Experiment  
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### **ABSTRACT**

Trust is an essential ingredient for unlocking economic surplus. However, consider the prisoner's dilemma---all parties gain from cooperation, yet each party has an incentive to deviate. How can we organize society to unlock the possible gains from trust in such situations? We've all had experiences that indicate it is possible. Many individuals exhibit pro-social preference and we can take advantage of that fact. Consider when a selfish person has the opportunity to loan money to a pro-social individual. One can gain from loaning money, because the recipient will return the money plus some. In this case, it takes information, timing, and only one pro-social individual to unlock the surplus. To examine if this is true, I designed a laboratory experiment. Using survey instruments to identify pro-sociality, I placed together two individuals, only one of whom scores high on pro-sociality. When types are publicly labeled, I compared trust (and surplus) under four scenarios: sequential pro-social first, sequential selfish first, simultaneous moves pro-social first, and simultaneous selfish first. I find that individuals trust less when they learn their partner is not prosocial. When their partner is prosocial, they trust the same amount as the control group who knows nothing. Finally, I turn to the fundamental question: Will society organize itself so as to unlock surplus? I find that they do not organize to unlock surplus. Consequently, there may be room for some central organizing of society to unlock trust.