

# Playing the Trust Game with Other People's Money<sup>\*</sup>

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## **Abstract:**

*We experimentally investigate to what extent people trust and honor trust when they are playing with other people's money. We adopt the well-known trust game by Berg, Dickhaut and McCabe (1995), with the important difference that the trustor (sender) who sends money to the trustee (receiver) does this on behalf of a third party. We find that senders who make decisions on behalf of others do not behave significantly different from senders in our baseline trust game who manage their own money. But we find a gender specific treatment effect among the receivers. Women return significantly less money when senders send a third party's money than when senders send their own money, while there are no such treatment effects among men. Moreover, women return significantly less than men when the sender is managing a third party's money.*

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## 1. Introduction

In many situations, people make decisions on behalf of others. Investment managers are managing other people's money, CEOs take decisions on behalf of boards and shareholders, managers delegate decisions to employees, and so on. Such decision-making often involves decisions to trust or act trustworthy on behalf of others.

The objective with this paper is thus to investigate, by use of a controlled laboratory experiment, how people trust and act trustworthy when decisions involve a third party's money. It is well established in the literature that trust and reciprocity facilitate bilateral transactions where third parties are not involved. People have a tendency to reward kind actions, and are thus willing to trust others since they expect to be reciprocated (see Fehr et al. 1993; Berg, et al. 1995; and the large body of evidence thereafter. Fehr and Gächter 2000, provide an early overview).

But reciprocity is a complicated enforcement device. It is not only a behavioral response to an action; it is also a response to an intention. Some experimental studies suggest that when people evaluate and respond to an action, the intention behind the action plays an important role (Brandts and Sola 2001; Falk et al. 2003; McCabe et al. 2003; Offerman 2002; Charness and Levine 2007).<sup>1</sup>

This is potentially detrimental to situations where people make decisions on behalf of others, since the intentions of decision makers are expectedly more blurred when playing with other people's money. The kindness or vulnerability of a trustor's action is less clear when it is not

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<sup>1</sup> These studies support intention-based models of reciprocity such as McCabe and Smith (2000), Dufwenberg and Kirchsteiger (2004) and Falk and Fischbacher (2006).

his or her own money that is at stake. And hence, the trustee's possibility to reciprocate the kind action is more limited. We thus ask: Does reciprocity facilitate economic exchange when those who take the transactional decisions are not those who bear the fruits from trust?

In order to investigate this question we adopt the well-known trust game (also referred to as the investment game) by Berg et al. (1995), with the important difference that the trustor (sender) who sends money to the trustee (receiver) does this on behalf of a third party, called a client. The sender receives a fixed fee and does not have any monetary incentives to care about his or her client's payoff. The receiver then has to decide how much money to send back to the sender's client. The clients are anonymous to both senders and receivers. In addition we run a baseline trust game replicating Berg et al.

Our main results are as follows: Senders who manage other people's money (OPM) do not behave significantly different than senders who manage their own money (Baseline). Receivers, however, return significantly less when the money goes to the sender's client instead of the sender. This treatment effect turns out to be gender specific. Men are not sensitive to the role of the sender, while women are. In fact, women return on average less than half the amount in the OPM treatment compared to the baseline, and they return significantly less than men in the OPM treatment. This suggests that women are more sensitive to the kindness or intention of the sender's action. In OPM it is not possible to reciprocate directly to the sender, since he or she had no stake in the game. Men seem not to care about this; they reciprocate the action, not the intention. Women, on the other hand, see a big difference.

A consequence of the (female) receivers' behavior in OPM is that trust does not payoff. The clients' payoff in OPM is significantly lower than the senders' payoff in baseline. This is not because senders are reluctant to invest on behalf of their clients. It is because they do not get

the same amount of money in return. The average client would have earned more if senders in OPM sent nothing. In baseline, however, trust is (on average) profitable.

This result has an important implication. Reciprocity is a weaker enforcement device when agents make transactions on behalf of others than on behalf of themselves. This can also be seen as an extension of the canonical agency problem, in which agents' preferences are not aligned with the preferences of their principal. In our OPM treatment, senders are agents and clients are their principals. If agents and principals' interests were perceived by the receivers as being perfectly aligned, the receiver could reciprocate to the agent by returning money to the principal. But if the agent is perceived as not sharing the same interests as the principal, the receiver does not reciprocate to the same extent.

*Related literature:* There are not many controlled laboratory experiments studying how people make decisions on behalf of others. To our knowledge, this paper is the first to investigate how people trust and honor trust when playing with other people's money. Recently, however, a growing literature on risk-taking on behalf of others has emerged. Some find that people take less risk on behalf of others than on behalf of themselves (Charness and Jackson 2008; Reynolds et al. 2009; Eriksen and Kvaløy 2010), while others find the opposite. (Chakravarty et al. 2011 and Agranov et al. 2010). These results can be compared with the senders' behavior in our experiment, who trust and thus take risk on behalf of others. We find, as noted, that the senders in the baseline trust game do not behave significantly different from senders who play with other people's money.

The clear gender effect we find on the receivers speaks to the literature on gender differences in preferences. Croson and Gneezy (2009) provides a comprehensive overview of this literature, including gender differences in the trust game. Only one study, Bellemare and Kroger (2007), finds that men are more reciprocal than women. Some studies found no gender

differences in reciprocity (Clark and Sefton 2001; Cox and Deck 2006; Eckel and Wilson 2004b; Eckel and Wilson 2004a; Bohnet 2007; Migheli 2007; Innocenti and Paziienza 2006; Slonim and Guillen 2010), while quite a few studies have found that women are more reciprocal than men (Croson and Buchan 1999; Chaudhuri and Gangadharan 2007; Snijders and Keren 2001; Buchan et al. 2008; Schwieren and Sutter 2008; Ben-Ner et al. 2004; Eckel and Grossman 1996). In light of this, our result in the OPM treatment, indicating that women under some conditions are far less reciprocal than men, is striking. But several studies also show that women are more responsive to the context or condition of the experiment than men are (Buchan et al. 2008; Ben-Ner et al. 2004; Cox and Deck 2006 and Eckel and Grossman 1996). Croson and Gneezy (2009) states that “increased sensitivity of women to the context of the situation is the cause of inconsistent gender differences in social preferences” (p. 461). Our experimental results support this conjecture.

The rest of the paper is organized as follows. In Section 2 we present the experimental design and procedure. Section 3 presents the experimental results while Section 4 concludes. Instructions for the experiment are relegated to the appendix.

## **2. Experimental Design and Procedure**

We ran two treatments: One baseline treatment in which we replicated Berg et al. (1995), and one treatment (denoted OPM - other people’s money) which was identical to baseline except that the players were playing with a third party’s money.

In the baseline players were randomly paired as senders and receivers and were endowed with NOK 100 each (about 14 EURO). The sender was then given the opportunity to send an amount  $x$  from her endowment to the receiver. The amount of money sent by the sender was tripled by the experimenters so that the receiver received  $3x$ . Then the receiver had the

opportunity to send back to the sender an amount  $y$ . The sender's payoff was then  $100 - x + y$ , while the receiver's payoff was  $100 + 3x - y$ .

In OPM the players were also randomly paired as senders and receivers and were endowed with NOK 100 each. In addition, the sender was given an endowment of NOK 100 from a third party, called a client. The sender kept his own endowment, but had to decide how much  $x$  of his or her client's money to send to the receiver. The receiver then returned an amount  $y$  back to the sender – who had to hand it over to the client. All this was public information. The client's payoff was  $100 - x + y$ , which was the same as sender's payoff in baseline. The receiver's payoff was still  $100 + 3x - y$ , while the sender's payoff was 100.

The clients were passive participants who were anonymous for the senders and receivers. They were recruited during the baseline experiment and were informed that they could earn some more money by decisions made in another experiment. Their task was to keep a ticket for a couple of days, and then meet up at an office, deliver the ticket and collect the money. The senders in the OPM experiment had a duplicate of the ticket belonging to their specific anonymous client, and the amount that they earned on behalf of their client was written on the ticket (see instructions for details).

In total 180 students from the University of Stavanger, Norway participated in the experiment. We had 90 subjects spread over 3 sessions for each treatment. The subjects were recruited by email. They were told that by participating in an economic experiment they would have the possibility to earn a nice sum of money. All instructions were given both written and verbally. The experiment was conducted and programmed with the software z-Tree (Fischbacher 2007).

### 3. Experimental Results

In this section we summarize the main findings. The descriptive statistics in Table 1 show that both the amount of money sent and the amount returned are smaller in OPM than in Baseline. Moreover, the *share* of money returned, i.e. amount returned / amount received is smaller in OPM.

Table 1

#### *Money sent, money returned, and shares in the Baseline and OPM Treatment*

Table 1 shows the mean and standard deviation of the average amount of money sent, money returned, and money returned as proportion of money received (share) in the Baseline, and OPM Treatment. Additionally, the table shows the Mann-Whitney Test with the corresponding statistic and two-tailed p-values for the differences between the Baseline and the OPM Treatment. The sample size in each treatment is 90 subjects (45 senders and 45 receivers).

	Baseline		OPM Treatment		Mann-Whitney U-test	
	Mean	Std	Mean	Std	z-value	p-value
Money sent	65.04	32.21	59.18	34.27	0.80	0.42
Money returned	78.27	70.79	50.91	59.32	2.02	0.04
Share returned	0.42	0.28	0.31	0.31	2.35	0.02

In order to determine whether the observed differences between baseline and OPM are statistically significant we compute the Mann-Whitney U-test. First, we see that the senders' behavior in the two treatments is not significantly different. We thus have:

**Result 1:** *Senders who manage other people's money do not behave significantly different from senders who manage their own money.*

The receivers' behavior in the two treatments, however, is significantly different. The Mann-Whitney test on the money returned shows a treatment effect at the  $p < 0.05$  significance level. Also, the average of money returned as proportion of money received (*shares*) in OPM (0.31) is significantly less than the shares returned in the baseline (0.42). It turns out that this treatment effect is gender specific.

Table 2

*Money sent, money returned, and shares in the Baseline and OPM Treatment by gender.*

Table 2 summarizes the average amount of money sent, money returned, and money returned as proportion of money received (share) by men and women in both Baseline and OPM Treatment. Also, Table 2 provides the Mann-Whitney z-values and corresponding two-tailed p-values for differences between treatments by gender, and between genders by treatment. The sample size is 90 subjects in each treatment (45 senders and 45 receivers). The sample size of male senders is 14 in the Baseline and 15 in the OPM, while the sample of female senders is 31 and 30, respectively. Also, the sample size of male receivers is 23 in the Baseline and 14 in OPM, while the sample of female receivers is 22 in the Baseline and 31 in OPM.

	Men						Women						Men vs. Women			
	Baseline		OPM		Mann-Whitney U-test		Baseline		OPM		Mann-Whitney U-test		Baseline		OPM	
	Mean	Std	Mean	Std	z-value	p-value	Mean	Std	Mean	Std	z-value	p-value	z-value	p-value	z-value	p-value
Money sent	87.86	23.51	72.4	37.32	1.05	0.29	54.74	30.49	52.57	31.20	0.26	0.80	3.06	0.00	2.06	0.04
Money returned	71.96	80.62	75.71	76.03	-0.47	0.64	84.86	60.02	39.71	47.33	2.99	0.00	-1.22	0.22	1.88	0.06
Share returned	0.41	0.34	0.44	0.30	-0.16	0.88	0.44	0.20	0.25	0.30	3.35	0.00	-0.05	0.96	2.22	0.03

From Table 2 we see that the average amount of money returned by men is quite similar in both treatments. Women, however, return on average less than half the amount in OPM (39.71) compared to the baseline (84.86). Also, the average of shares returned by women is 0.25 in OPM while in the baseline it is 0.44. We see that the treatment effect among female receivers is statistically significant, while there is not a significant effect among male receivers.

**Result 2:** *Women return less money when senders send a third party's money than when senders send their own money, while men do not exhibit a significant difference.*

Consider now the gender differences within treatments (Men vs. Women). We see that men send significantly more money than women in both treatments. This is found in many baseline trust games. We show that this persists when playing with other people money:

**Result 3:** *Men send more than women, both when they manage their own money and when they manage other people's money.*

With respect to the money returned, we see that there are no significant gender differences in the baseline treatment. In the OPM treatment, however, women return almost half the amount

returned by men (39.71 vs 75.71), and this difference is significant with a  $p=0.06$ . The gender difference in *shares* returned in the OPM Treatment (0.25 vs. 0.44) is significant at  $p=0.03$ .

We thus have:

**Result 4:** *Women return significantly less money than men when senders send a third party's money, while there is no significant difference when senders send their own money.*

A consequence of the (female) receivers' behavior in OPM is that the clients' payoff in OPM is significantly lower than the senders' payoff in baseline. Table 3 shows the summary statistics of payoffs obtained by senders (in baseline), clients (in OPM) and receivers (in both baseline and OPM), as well as the Mann-Whitney tests on the differences in payoffs.

Table 3

*Payoffs by type of participant and treatment*

Table 3 summarizes the payoffs obtained by type of participant in the Baseline and OPM Treatment. The table also shows the Mann-Whitney z-values and the corresponding two-tailed p-values for the differences in payoffs obtained by the type of participant in each treatment. Sample size is 45 senders, 45 clients, and 90 receivers (45 in the baseline, and 45 in OPM)

Sender (Baseline)				Payoff Client (OPM)				Mann-Whitney U-test		Receiver's Payoff Baseline				Receiver's Payoff OPM				Mann-Whitney U-test	
Mean	Std	Min	Max	Mean	Std	Min	Max	z-value	p-value	Mean	Std	Min	Max	Mean	Std	Min	Max	z-value	p-value
113.22	62.62	0	300	91.73	57.69	0	300	2.22	0.03	216.87	89.25	100	400	226.62	99.96	100	400	-0.30	0.76

There is no significant difference between the average receiver's payoff in the baseline and in the OPM, but we see that the average of the clients' payoff (91.73) is significantly lower than the senders' (91.73 vs.113.22) with  $p<0.03$ . This result suggests that when playing the trust game, an individual (client) who delegates the trust decisions to another person makes significantly less money than an individual (sender) who makes decisions on his or her own endowment. In fact, the average client would have earned more if senders in OPM sent nothing. We thus have:

**Result 5:** *Trust is profitable when playing with one's own money, but not when playing with other people's money.*

Before we conclude, we present Tobit and Quantile regressions to further illuminate the receivers' behavior.

Table 4

*Determinants of the money returned.*

Table 4 presents the Tobit regressions for the money returned as a function of money received, gender, OPM treatment, as well as the Two and Three-Way interactions. Sample size is  $n=90$  observations for all regressions. Female equals 1 for women and 0 for men. OPM equals 1 for OPM Treatment and 0 for Baseline. Robust standard errors are reported in parentheses below the estimated coefficients. Individual coefficients are significant at  $***p<0.01$ ,  $**p<0.05$ , or  $*p<0.1$  significance level. The  $R^2$  is pseudo.

Dependent Variable: Money Returned						
Regressor:	Tobit Regressions					
	(1)	(2)	(3)	(4)	(5)	(6)
<i>Money Received</i>	0.3138*** (0.0839)	0.3218*** (0.0813)	0.3485*** (0.1170)	0.2424 (0.1817)	0.3000* (0.1741)	0.2341 (0.1922)
<i>Female</i>	-10.88 (16.30)	22.63 (20.59)	-10.54 (16.28)	-32.20 (28.14)	-0.8384 (35.95)	-28.51 (30.80)
<i>OPM</i>	-27.00* (14.56)	16.71 (28.29)	-13.82 (24.97)	-27.58* (14.61)	36.02 (23.74)	-9.44 (58.09)
<i>OPM x Female</i>		-73.35** (32.21)			-71.18** (33.36)	-2.56 (62.28)
<i>OPM x Money Received</i>			-0.0697 (0.167)		-0.1121 (0.1737)	0.1354 (0.4302)
<i>Money Received x Female</i>				0.1126 (0.1938)	0.1216 (0.2026)	0.2629 (0.2102)
<i>Money Received x Female x OPM</i>						-0.3684 (0.4479)
Intercept	19.01 (14.91)	0.7972 (18.45)	12.07 (17.01)	32.87 (27.00)	5.21 (26.82)	18.50 (28.07)
$R^2$	0.023	0.029	0.023	0.023	0.023	0.031
F-statistic	0.000	0.000	0.001	0.000	0.000	0.000

From regression (1) in Table 4 we see that receivers return more money the more they receive from the senders. We also see that receivers return less in OPM. The interaction *OPM x Female* in Regression (2) supports the result that the treatment effect is gender specific. It is women, not men, who return less in OPM compared to baseline.

It is also interesting to study how gender and treatment interact with money received. Could it be that on the margin, subjects are less responsive to the amount received in OPM than in baseline? Regression (3) and (4) in Table 4 suggest that men are not less responsive to money received in OPM than in Baseline, and that women are not generally less responsive to money received than men. Regression (5) then supports the gender specific treatment effect. By including the interactions *OPM x Money Received* and *Money Received x Female* we see that the *OPM x Female* coefficient is robust.

But could it be that the gender specific treatment effect is driven by different marginal responsiveness from money received? Regression (6), where we run a three-way interaction, suggests that this is indeed the case. In OPM, women respond less to a marginal increase in money received than in baseline. The coefficients for *OPM x Money Received* and *Money Received x Female x OPM* are jointly different from zero (Prob > F = 0.083).

Subsample analysis confirms this. Regression (3) in Table 5 shows a significant effect of the OPM Treatment among women, but (4) shows that this effect depends on the amount of money received. In other words, women return less in OPM than in Baseline, and it is the interaction with money received that drives this. A marginal increase in money received increases money returned significantly less in OPM than in baseline.

Table 5

*Determinants of the money returned by gender.*

Table 5 presents the Tobit regressions for the money returned as a function of money received, OPM treatment, and the interaction *OPM x Money Received*. Sample size is n= 37 observations for the male regressions, and n= 53 for female regressions. OPM equals 1 for OPM Treatment and 0 for Baseline. Robust standard errors are reported in parentheses below the estimated coefficients. Individual coefficients are significant at \*\*\*p<0.01, \*\*p<0.05, or \*p<0.1 significance level. The R<sup>2</sup> is pseudo.

Dependent Variable: Money Returned				
Regressor:	Males		Females	
	(1)	(2)	(3)	(4)
<i>Money Received</i>	0.2734 (0.1935)	0.2377 (0.2126)	0.3311*** (0.0674)	0.4969*** (0.0855)
<i>OPM</i>	18.62 (31.23)	-5.88 (63.78)	-52.19*** (13.78)	-0.6321 (20.78)
<i>OPM x Money Received</i>		0.1339 (0.4714)		-0.2677** (0.1234)
Intercept	7.25 (33.33)	14.39 (32.72)	21.65* (12.95)	-10.01 (12.72)
R <sup>2</sup>	0.007	0.008	0.058	0.065
F-statistic	0.358	0.522	0.000	0.000

Finally, we compute regressions on specific percentiles (or quantiles) of the distribution of the response variable. The quantile regression models estimate how the predictive factors affect different parts of the distribution of *Money returned*.<sup>2</sup> For example, a median regression (the 50th percentile) specifies the rate of change in the median of *Money returned* as a function of the predictors.<sup>3</sup> Thus, the effect of the interaction term (*OPM x Female*) on the median money returned can be compared to its effect on different quantiles of money returned. For low values of money returned we estimate the regressions on the 10<sup>th</sup> and 25<sup>th</sup> quantiles, and for high values of money returned we consider the 75<sup>th</sup> and 95<sup>th</sup> quantiles.

<sup>2</sup> The proposed regression on *Money returned* demonstrates that the heterogeneity of the response variable with respect to the predictors is highly significant (we computed the Breusch-Pagan test for heteroskedasticity: p<0.000). It implies that there is not a single rate of change that characterizes changes in the *Money returned* distribution, but multiple rates. Therefore, we use the Quantile regression as a robust regression method that allows us to compare the effect of the independent variables on different percentiles of the *Money returned*'s distribution, other than the mean, see Koenker, R. and Hallock, K. (2001), for an overview.

<sup>3</sup> We used the median because, unlike the mean, this parameter of central tendency is not greatly affected by outliers in the data.

Table 6

*Determinants of the average, low, and high amounts of money returned.*

Table 6 presents the Quantile regression results for the money returned as a function of money received, gender, OPM treatment, and the interaction term of *OPM x Female*. The specification in columns (1) to (5) correspond to the regression for the quantiles 10<sup>th</sup>, 25<sup>th</sup>, 50<sup>th</sup>, 75<sup>th</sup> and 95<sup>th</sup> respectively. Sample size is n= 90 observations for all regressions. Female equals 1 for women and 0 for men. OPM equals 1 for OPM Treatment and 0 for Baseline. Standard errors are reported in parentheses below the estimated coefficients. Individual coefficients are significant at \*\*\*p<0.01, \*\*p<0.05, or \*p<0.1 significance level. The R<sup>2</sup> is pseudo.

Dependent Variable: Money Returned					
Regressor:	Quantile Regressions				
	10th (1)	25th (2)	Median (3)	75th (4)	95th (5)
<i>Money Received</i>	-8.74e-18 (0.0177)	0.0208 (0.0204)	0.2381*** (0.0611)	0.4667*** (0.0444)	0.6667*** (0.1117)
<i>Female</i>	20*** (6.344)	39.063*** (5.636)	21.429 (17.883)	-18 (12.979)	-30 (38.449)
<i>OPM</i>	5 (7.315)	36.25*** (6.331)	5.714 (20.435)	-25* (14.544)	70* (38.173)
<i>OPM x Female</i>	-25*** (9.537)	-74.688*** (8.303)	-45* (26.142)	13 (18.938)	-50 (49.602)
Intercept	4.35e-14 (4.002)	-1.25 (5.065)	17.857 (17.188)	30*** (10.873)	30 (22.404)
R <sup>2</sup>	0.036	0.102	0.128	0.287	0.378

From Table 6 we see that the amount of money received is important for understanding high levels of money returned but not low levels, i.e. *money received* is significant on median, 75<sup>th</sup> and 95<sup>th</sup> quantiles, but not on 10<sup>th</sup> and 25<sup>th</sup>. Gender and Treatment (OPM vs Baseline), however, does not have a significant effect on high levels. In contrast, gender and treatment is decisive for variations in lower levels of money returned, while the amount received is not.

### Concluding remarks

In this paper we report results from an experiment in which subjects play Berg et al's (1995) well-established trust game with other people's money (OPM). We find that subjects who manage other people's money make trust decisions that are not significantly different from

subjects who manage their own money. Gender differences among the trustors (senders) that we find in the baseline trust game, also carry over to the OPM trust game. Men tend to trust more (send more money) than women both in baseline and in OPM.

With respect to trustworthiness, however, there is an interesting gender specific treatment effect. Women return less money when the senders are managing other people's money, while men are not sensitive to the role of the sender. There is also an interesting gender difference within the OPM treatment. Women return significantly less than men when the sender is managing another person's money.

As a result, trust does not pay off when playing with other people's money, while it does (on average) in the baseline trust game. Hence, reciprocity is a weaker enforcement device when third parties' money is involved, in particular if women are to reciprocate

The gender specific treatment effect that we find speaks both to the literature on gender differences in preferences and to the role of reciprocity in trust games. Several studies have demonstrated that the receivers' behavior in trust games is not significantly different from proposers' behavior in dictator games; see in particular Charness and Rabin (2002) for a discussion. It is thus argued that trust games do not add much to our understanding of social preferences. If we consider the last part of our trust game as a dictator game, the receiver is the proposer and the sender or the sender's client is the recipient. Now, the gender specific treatment effect is similar to what is found in other dictator games (as well as other trust games) in the sense that the behavior of women is more sensitive to the context or condition of the experiment than men are (Croson and Gneezy 2009).

However, the gender difference within the OPM treatment is surprising if we read this as a dictator game. The standard result from dictator games is that women share more than men. In our experiment, women in OPM share significantly less than men. This indicates that the

receiver's role in the trust game is different from the proposer's role in the dictator game. The receivers interpret the behavior of the senders, which is not an issue in dictator games.

The results in this paper indicate that these interpretations make it harder to use reciprocity as an enforcement device when transacting parties are dealing with a third party's money. In fact, intention-based reciprocity may actually mitigate the power of social preferences since the trustee may focus on the perceived kindness of the trustor instead of the wealth of the trustor's client.

Given the potential importance of the topic, the experimental literature on decision-making on behalf of others is surprisingly scarce. By investigating this issue in standard (baseline) experimental games, such as the trust game, one does not only learn about decision-making on behalf of others. One may also illuminate how motivation and other-regarding preferences affect behavior in the baseline experiments.

**Appendix: Instructions for the experiment.****Both treatments:**

Welcome to our experiment. The experiment will last approx. 30 minutes. During the experiment you will be able to earn money that will be paid out in cash anonymously once the experiment is over. You will now have plenty of time to read through the instructions for the experiment. If you have any questions on the instructions, please raise your hand and we will come over to you. It is not allowed to talk or communicate with the other participants during the experiment.

**Baseline:**

All the participants are split into pairs which consist of a sender and a receiver. Half of you are thus given the role as senders and half the role as receivers. You do not get to know who your partner is. Your partner is in the room, but you will not get to know who this person is during the experiment or after the experiment.

At the start of the experiment all participants receive NOK 100. Sender (S) then gets the opportunity to send all, some or none of his or her money to the receiver (R). The amount that is not sent is kept by the sender. The amount that is sent to R is tripled. If S chooses to send e.g. NOK 20 to R, then R receives NOK 60. If S sends NOK 90, then R receives NOK 270. R then decides how much of this amount he /she wants to keep and how much he/she will send back. The amount that is sent back is not tripled.

In summary: If S sends an amount  $x$  to R and R returns  $y$ , the profit will be as follows:

- S receives NOK  $100-x+y$ .

- R receives NOK  $100+3x-y$ .

Follow the messages that pop up on the screen. There will be some waiting during the experiment. Please do not press any other buttons than those you are asked to press. When you are told on the screen that the experiment is over, it is important that you note down your pc number and the amount earned on the enclosed receipt sheet which is in the envelope (to be opened after the experiment). When we tell you that you may leave the room, you can take along the receipt sheet to EAL, office no. H-161 to have the amount paid out. The clients will be able to collect their money in a few days.

### **Other people's money:**

All the participants are split into pairs which consist of a sender and a receiver. Half of you are thus given the role as senders and half the role as receivers. You do not get to know who your partner is. Your partner is in the room, but you will not get to know who this person is during the experiment or after the experiment.

At the start of the experiment all participants receive NOK 100. The NOK 100 that the sender receives belongs to an anonymous student who is not present in this room. The sender's task is to manage this money on behalf of the student. The student is the sender's client.

Sender (S) gets the opportunity to send all, some or none of the client's money to the receiver (R). The amount that is not sent is kept by the client. The amount that is sent to R is tripled. If S chooses to send e.g. NOK 20 to R, then R receives NOK 60. If S sends NOK 90, then R receives NOK 270. R then decides how much of this amount he /she wants to keep and how much he/she will send back. The amount that is sent back is not tripled, and goes to S's client, not to S.

S receives a fixed amount of NOK 100 for managing the money for the client.

In summary: If S sends an amount  $x$  to R and R returns  $y$ , the profit will be as follows:

- Client receives NOK  $100-x+y$ .
- R receives NOK  $100+3x-y$ .
- S receives NOK 100.

Follow the messages that pop up on the screen. There will be some waiting during the experiment. Please do not press any other buttons than those you are asked to press. When you are told on the screen that the experiment is over, it is important that you note down your pc number and the amount earned on the enclosed receipt sheet which is in the envelope (to be opened after the experiment). The senders are also given a green slip which belongs to the client. The senders must note down the amount the client has earned on the green slip, in addition to their own NOK 100 on a separate receipt sheet. When we tell you that you may leave the room, you can take along the receipt sheet (and green slip) to EAL, office no. H-161 to have the amount paid out. The clients will be able to collect their money in a few days.

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