

## Trust and Reciprocity: Groups versus Individuals and Behavior versus Perceptions

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### **Abstract**

This paper presents evidence that trust and reciprocity behavior and perceptions is sensitive to whether people are making decisions solely on their own behalf or when they are given the responsibility to act on behalf of their groups. Employing the widely-used experimental framework of the trust game (Berg et al., 1995) with salient monetary payoffs, I examine and contrast the level of trust and reciprocity exhibited by individuals in inter-individual interactions with those exhibited by the same individual when he/she is responsible for a group decision. The results suggest that people trust less and reciprocate less when responsible for a group or organizational decision. I also explore perceptions about trust and reciprocity behavior of one's own and that of others in the study and find that there are disconnections between perspectives of parties involved about the interaction and the actual observed behavior. The evidence reported here, consistent with the idea that people are poor at making hypothetical predictions, highlights the disconnections between behavioral forecasts and behavior. Lastly, this paper also makes an important advance in our understanding of the norm of reciprocity. Theoretical and practical implications are offered.

Keywords: Trust, reciprocity, group representative, individual-group discontinuity, behavioral forecast.