



Does Trust Lead to Honesty: Experimental Evidence from a Game with Imperfect Monitoring

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Abstract

Most principals can monitor their agents, but monitoring is usually costly and imperfect. This paper reports the experimental results of a Monitoring Game. In this sequential game, principals must decide whether to monitor an agent that they are randomly paired with and then agents decide whether to cheat or not. Monitoring is costly, but it increases the probability that the agent will get caught. The experiment shows that cheating is commonplace, although most participants do not cheat if they are being monitored. Additionally, cheating is more common when neutral terms are used in the instructions.

Please contact the authors if you have any questions or wish to obtain a copy of the paper.