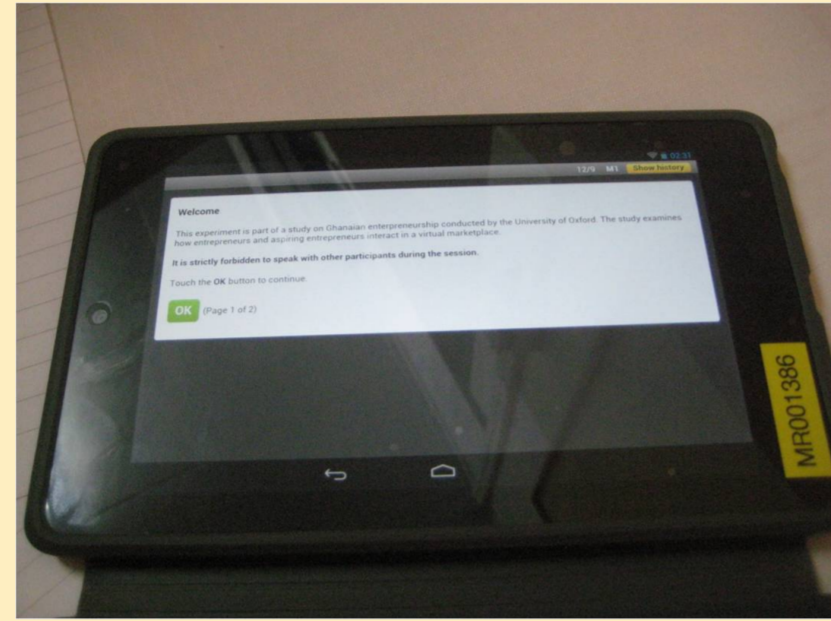


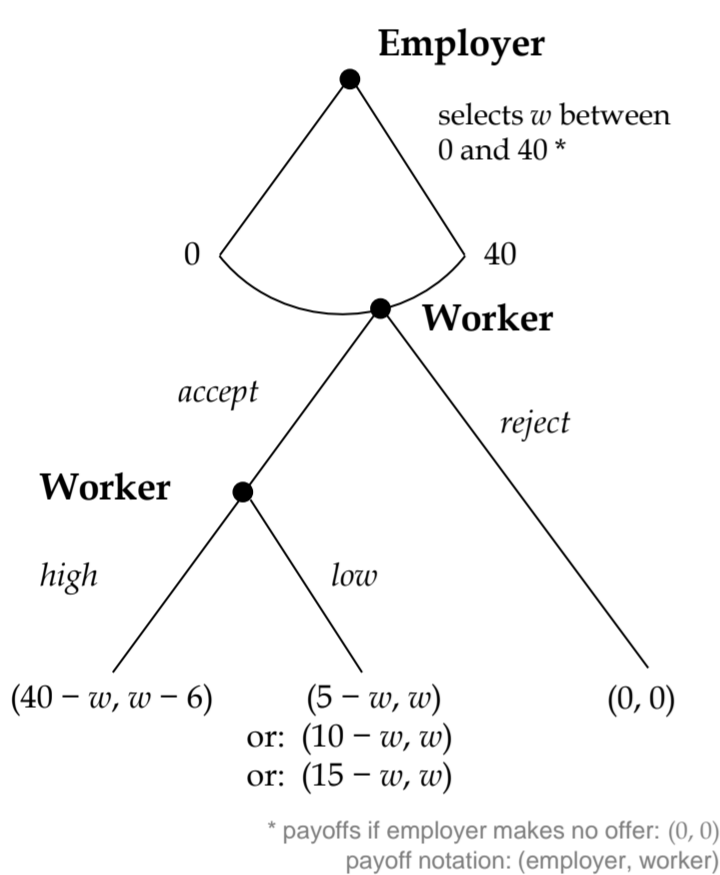
How can **praising, shaming and promises** improve efficiency in low trust exchange environments? Using a **gift-exchange game** in Accra, Ghana, we show that **praising has a positive impact** on trust and trustworthiness, but find **no effects for shaming**. Pledges seem to have a **one-sided effect**.

Our experiment

- **Participants:** students and entrepreneurs from Accra, Ghana (320 in total).
- **Average payment:** 30-35 cedis (8-10 pounds).
- **Mobile lab:** using Android 7-inch tablets.



- **The gift-exchange game:** in this game, employers make an offer to one worker, and then the worker can choose to accept or reject. After this, the worker gets paid and can choose the level of effort: (see also Brown, Falk & Fehr, 2004)



- In each period:
1. The employer offers an amount w to the worker
 2. The worker accepts or rejects
 3. The worker gets paid w and chooses effort:

Effort level	low	high
Benefit to employer	5, 10 or 15	40
Cost to worker	0	6
Surplus	5, 10 or 15	34

Number of periods: 5 or 10 periods.

Treatments

We have **four treatments**:

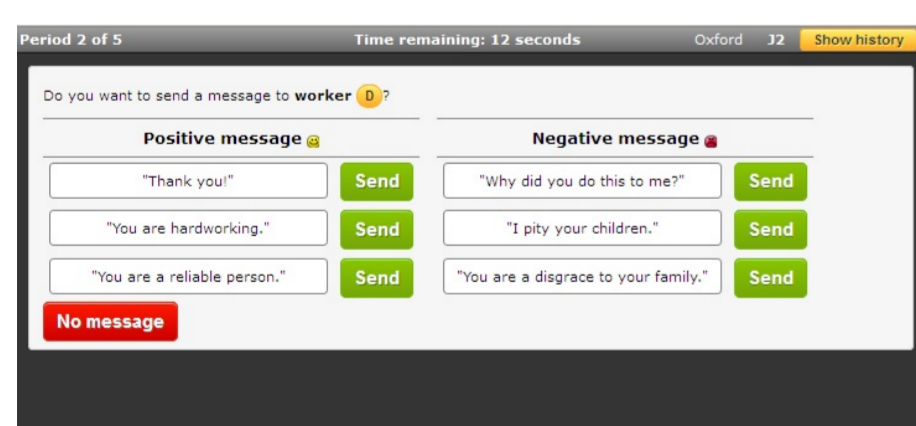
- **(1C)** - full enforced compliance: the worker cannot choose low effort.
- **(1E)** - basic game
- **(1ET)** - basic game with the possibility to send messages
- **(1ETP)** - basic game with messages and promises

Treatment	Enforced compliance	Communication
(1C)	full compliance	no
(1E)	effort choice	no
(1ET)	effort choice	messages
(1ETP)	effort choice	messages and promises

Table: The four treatments

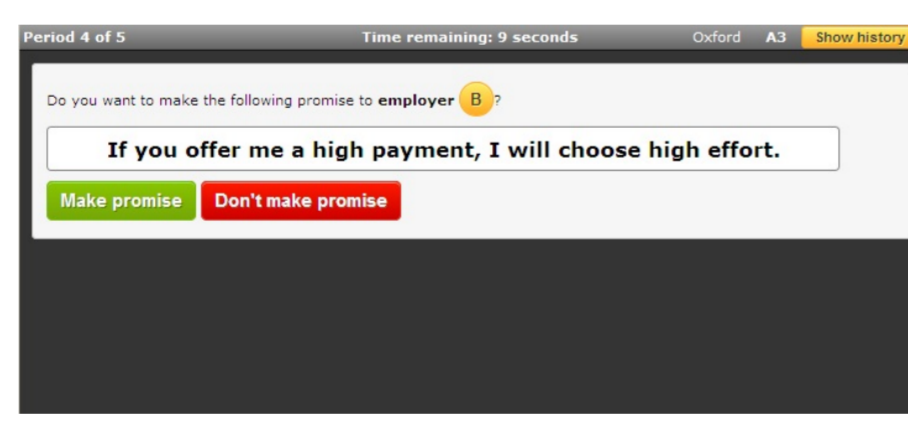
Messages

Employers can send a positive or negative message to the worker:



Promises

Workers can make a conditional promise to the employer:



Each participant participates in **four games of five or ten periods**:

Sequence	5 periods	5 periods	5 periods	10 periods	No. of participants
I	(1C)	(1C)	(1C)	(1C)	40
II	(1C)	(1E)	(1E)	(1E)	100
III	(1C)	(1E)	(1ET)	(1ET)	100
IV	(1C)	(1E)	(1ETP)	(1ETP)	80

Table: The four different sequences in the game

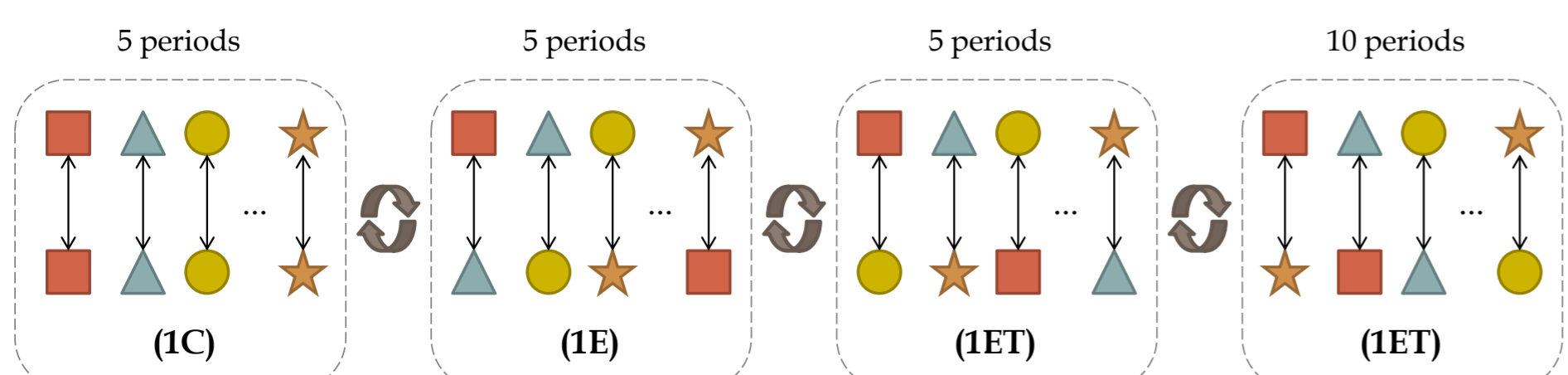
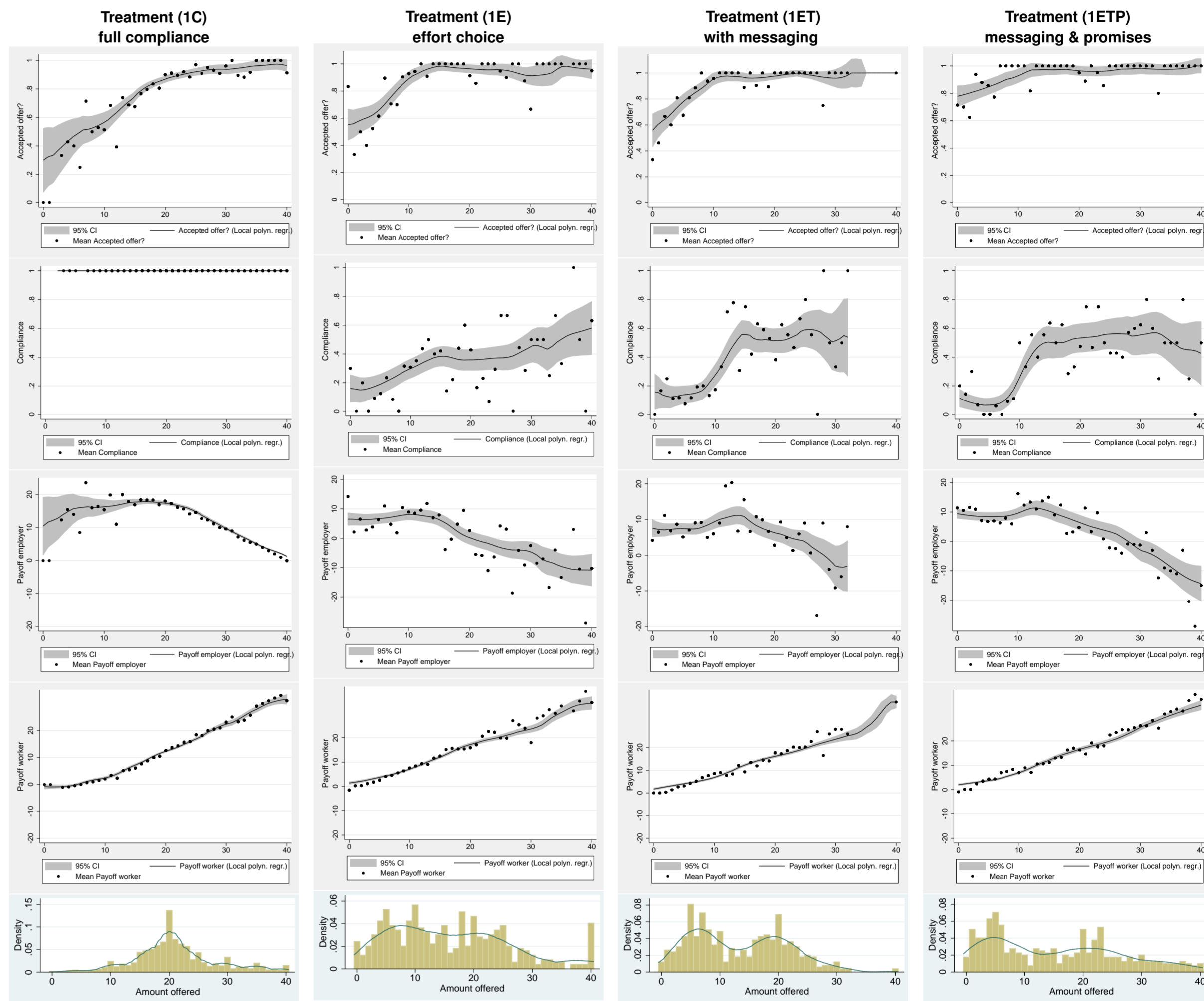


Figure: Example: sequence III. Between treatments workers and employers switch markets.

Our findings

There is a clear relation between **wages** and **effort choice**, which is more pronounced in the messages and promises treatments:



Regressions show:

- Praising encourages **higher levels of effort** and **higher wages**.
- **No significant effect** for shaming (negative messages).
- Promises are **one-sided**: it increases the probability of choosing high effort, but no direct effect on wages.

Dependent variable:	(1)	(2)	(3)	(4)
Amount offered				
Prev. high effort?	3.000*** (0.561)	2.575*** (0.467)	2.995*** (0.613)	2.464*** (0.504)
Prev. rejected?	1.169** (0.442)	1.966*** (0.388)	1.445*** (0.497)	2.190** (0.428)
Msg possible?	-0.680 (1.182)	-0.474 (1.006)	-1.324 (1.321)	-1.101 (1.146)
Negative msg?			0.912 (0.732)	0.569 (0.660)
Positive msg?			0.825** (0.341)	0.981** (0.363)
Promise possible?	1.353 (1.190)	0.841 (0.922)	1.302 (1.254)	0.842 (0.974)
Promise made?			0.00606 (0.338)	-0.0817 (0.290)
Prev. amount offered		0.198*** (0.0413)		0.198*** (0.0413)
Observations	2,954	2,932	2,954	2,932
R-squared	0.582	0.600	0.582	0.601
Period dummies	Yes	Yes	Yes	Yes
Employer fixed effects	Yes	Yes	Yes	Yes
Session dummies	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table: Linear regression of amount offered, as response to behaviour of the worker.

Dependent variable:	(1)	(2)	(3)	(4)
Choice of high effort				
Msg possible?	0.0726 (0.0716)	-0.0407 (0.0630)	0.0194 (0.0787)	-0.0194 (0.0792)
Negative msg?			0.0242 (0.0375)	-0.00892 (0.0635)
Positive msg?			0.0802** (0.0363)	-0.0661 (0.0394)
Promise possible?	-0.0459 (0.0757)	-0.0525 (0.0560)	-0.0856 (0.0841)	-0.0239 (0.0772)
Promise made?			0.102*** (0.0158)	-0.000969 (0.0211)
Amount offered	0.00964*** (0.00115)	0.00679*** (0.00111)	0.00943*** (0.00120)	0.00653*** (0.00115)
× Msg possible?		0.00684*** (0.00220)		0.00189 (0.00327)
× Negative msg?				0.00251 (0.00341)
× Positive msg?				0.00918*** (0.00308)
× Promise possible?		0.000310 (0.00244)		-0.00366 (0.00283)
× Promise made?				0.00560*** (0.00124)
Constant	0.223*** (0.0354)	0.272*** (0.0333)	0.197*** (0.0307)	0.246*** (0.0310)
Observations	3,136	3,136	2,640	2,640
R-squared	0.058	0.063	0.064	0.075
Period dummies	Yes	Yes	Yes	Yes
Worker fixed effects	Yes	Yes	Yes	Yes
Session dummies	Yes	Yes	Yes	Yes

Robust standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table: LPM regression of probability of high effort

Overall, messages and promises seem to make **behaviour more responsive** to changes in behaviour of the other player.