

# Michiko Ogaku

## *Presentation Title*

### **The Role of Information Design in Facilitating Trust and Trustworthiness** (with Saori Chiba)

## *Abstract*

This paper studies the role of information design in facilitating trust and trustworthiness. We consider a trust game with spatial matching by Okada (2019). In this trust game, both players begin with the psychological benefits of good practice (cooperation), but the psychological benefits for an investor (the first player) trusting a receiver (the second player) and those for the receiver behaving in a trustworthy manner both decrease as their social distance widens. We compute Bayes correlated equilibria (Bergemann and Morris, 2016), a set of mild suggestions (strategies) the players obediently follow in equilibrium, and then pin down the optimal suggestion that will, with the largest probability, induce good practice. Comparison with the Bayes Nash equilibrium outcomes (analysis of trust games without suggestions) reveals interesting contrasts. With optimal suggestions, we can increase good practice given the same level of affinities among the players. In addition, we investigate whether the optimal suggestion rule hampers the cultural transmission of trust and trustworthiness. To test this, we consider a pair composed of a parent and a child and allow the parent to exert educational effort for the moral development of the child. Transmission of cultural norms is hampered if the parents exert less effort with the suggestion rule, so the question becomes how to motivate parents to exert more effort. Our analysis helps to explain the impact of the suggestion rule on trust and trustworthiness, particularly in the current digital economy where such suggestion rules are prevalent and trust and trustworthiness play a key role to sustain the economies.

## *Keywords*

Trust, Trustworthiness, Information Design.

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