

MPRA

Munich Personal RePEc Archive

Another experimental look at reciprocal behavior: indirect reciprocity

Bonein, Aurélie and Serra, Daniel
LAMETA

February 2007

Online at <http://mpra.ub.uni-muenchen.de/3257/>
MPRA Paper No. 3257, posted 07. November 2007 / 03:04

Another experimental look at reciprocal behavior: indirect reciprocity

Bonein Aurélie* Serra Daniel†

Working paper February 2007

Revised version: March 2007

Abstract

This paper highlights a new social motivation, the indirect reciprocity, through a three-player dictator-ultimatum game. Player 2 has the opportunity to reward or punish indirectly the player 1 by inciting – with her offer - player 3 to accept or to reject the division. We implement three treatments: in the first two we vary player 2's available information whereas in treatment 3, players take part in a dictator game - as proposers - before being player 2s in the dictator-ultimatum game. Results show that 55% of subjects in treatment 2 and 28% in treatment 3 behave as indirect reciprocity predicts. Another reciprocal behavior - the generalized reciprocity - is investigated through a three-player dictator game. Our data show that 80% of players 2 act according to this reciprocal behavior. Finally, our findings confirm that the more complex the strategic interaction becomes the more self-regarding behavior is likely and the less other-regarding behaviors, such as reciprocity, dominate.

JEL Classification: C72, C91, D63

Keywords: indirect reciprocity, generalized reciprocity, dictator game, ultimatum game, individual behavior

* PhD Student at the University Montpellier 1- LAMETA UMR 5474 /CNRS / INRA, bonein@lameta.univ-montpl.fr

† Professor at the University Montpellier 1- LAMETA UMR 5474 /CNRS / INRA, serra@lameta.univ-montpl.fr
Address: Faculté des Sciences Economiques - Espace Richter – Avenue de la mer – C.S 79606-34960
Montpellier Cedex 2/ Tel: 33 (4) 67 15 83 67 / Fax : 33 (4) 67 15 84 67

We grateful thank Isabelle Bilon, Camille Chaserand and Francesco Farina for their constructive reports. We appreciate helpful comments from the participants of several conferences (JMA (Lille, 2004), JEE (Rennes, 2005) and International Conference on Reciprocity: Theories and Facts in (Verbania,, 2007)). We also thank Jean-Louis Rullière, Marc Willinger and Emanuele Ciriolo for their comments and suggestions that greatly improve our work. We thank Stéphane Turolla for his comments. Lastly, we thank the LEEM (Laboratoire d'Economie Expérimentale de Montpellier) for its financial support. A particular thanks to Jérémy Celse for his help during our experiments.

1. Introduction

As mentioned by Becker (1962), economic men cannot be considered only as selfish and rational. Their actions can be influenced by other motives and reciprocity is one of them. Importance of reciprocity in societies¹ has been a long time considered by scholars as George Homans as well as by writers as Durkheim or Mauss. Reciprocity is considered as “*one of the human rocks on which societies are built*” (Mauss, 1954) and “... *appears as one of the basic interactions forces that keep a bundle of individuals into a society, along with a shared culture and mutual self-interest*” (Kolm, 2006, p.379). Nobody ventures nonetheless to give a straightforward definition of reciprocity until Gouldner (1960).

Reciprocity stills a very controversial issue. For many scholars reciprocity is an instance of enlightened self-interest favoured by repeated encounters whereas for others - notably behavioral economists - reciprocity is a social norm that prescribes cooperation towards cooperators and punishment towards non-cooperators, even at personal cost. We positioned our article under the second point of view. Reciprocity is an action which has “*a similar influence on another's payoff as another's action has on one's own*” (Bolton et al., 1998, p.207). Individuals are viewed as moral and emotional reciprocators.

At this point, we should point the difference between reciprocal altruism (Trivers 1971, Axelrod 1984, Fudenberg and Maskin, 1986) and strong reciprocity (Gintis, 2000). Strong reciprocity refers to the idea that subjects are willing to sacrifice resources to be kind to those who are being kind (strong positive reciprocity) and to be unkind to those who are being unkind (strong negative reciprocity). On the contrary, reciprocal altruism has the aim to obtain long-term net benefits and recommends cooperating only if others cooperate (rewarding) and punishing free-rider (punishment), even if it might be costly. Just like Fehr et al., (2002) we will use the term “selfish” to describe such behavior.

In this paper, we focus on strong reciprocity and more specifically on two of the various types of reciprocity that can be declined. The first one is the generalized reciprocity: “*you tend to be helpful if you have been helped, even by people different from those you help*” (Kolm, 2006, p.377). In other words, *A's* kind act towards *B* implies that *B* acts similarly towards *C*. Due to the interdisciplinary nature of reciprocity, ambiguities appear: when reciprocity refers to a “...*unilateral resource giving among n-persons. Social scientists call this type of exchange generalized-exchange, and biologists call this indirect reciprocity*” (Takahashi and Mashima, 2006, p.418). The term of indirect reciprocity was introduced by Alexander (1987). He argues that individuals' behaviors towards others are not only influenced by their own experience but by the observation of others' behaviors too. This concept of indirect reciprocity based on the evolutionary biology (see the pioneering analyses of Nowack and

¹See the impact of the purpose of reciprocity in public policy in Kahan (2005).

Sigmund, 1998a, 1998b and further extensions as Leimar and Hammerstein (2001))² works toward status and reputation. It is noteworthy that indirect reciprocity implies that the "*return is expected from someone others than the recipient of the beneficence*" (Alexander, 1987, p. 85); This other individual could be involved in the original exchange or not. Economic works deal with the study of indirect reciprocity where subjects reward or punish another person, not involved in the original exchange (see for example the experiments of Dufwenberg et al., (2001), Buchan et al., (2002) or Seinen and Schram (2006)).

In this paper we propose to study another aspect of indirect reciprocity: return stills expected from someone others than the recipient of the initial beneficence but involved in the original exchange. Consider a negotiation between three actors who act sequentially. Indirect reciprocity proceeds as follows: following *A*'s kind act towards *B*, *B* cannot directly reward *A* by acting kindly towards her. *B* can just act kindly towards a third actor *C* and this last actor can reward *A* by accepting the negotiation. Contrarily if *A* acts unkindly. This definition of indirect reciprocity has the advantage to be clearly distinguished from the concept of generalized reciprocity according to which following *A*'s kind act towards *B*, *B* acts similarly towards *C*, without any fallout on *A* (see Kirchsteiger and Sebald (2006) for investment in human capital). Conversely to authors but as Ben-Ner et al, (2004), we name such behavior generalized reciprocity since it implies no return towards the first investor. Such reciprocal behavior is noticeably different from our concept of indirect reciprocity which can occur in the following context. Suppose a competitive experimental market where three individuals intervene sequentially: boss's boss, boss and worker. If boss's boss provides a high monetary offer to the boss, the boss could give a high wage to worker in order to incite her to produce high effort and thereafter rewarding the boss's boss for her offer. High-wage worker could provide a higher effort than those she would provide if she has received a weaker wage. The high effort leading to higher productivity, it is beneficial for both. The boss acts according to positive indirect reciprocity³. An opposite argument holds if the boss's boss supplies a small monetary offer.

Such scenario can be analysed through a dictator-ultimatum game (henceforth DUG): a dictator game between player 1 and player 2 then an ultimatum game between player 2 and player 3. By the amount the player 2 offers to player 3, she can incite her to accept (to reject) the offer - by sending a high (weak) share of player 1's offer - if player 1 makes a fair (unfair) offer. Depending on the feasible

² See Takahashi and Mashima (2006) for an extended review on the evolution of the study of indirect reciprocity in mathematical biology.

³ A propensity of strong positive reciprocity has already been shown in competitive experimental market, analysed through the gift exchange game, when only two parties: employer and worker intervene (see Fehr et al. 1997). In fact, the gift exchange model is based on the assumption of a positive relation between wages and effort. Workers respond to receiving a high wage by increasing effort and output (positive reciprocity) and low wage by decreasing output (negative reciprocity) to the minimum required as retaliation for a low wage. A large body of empirical evidence in support of reciprocity has been reported in the last two decades. More generally, numerous studies, both theoretical and empirical, have shown that reciprocally motivated individuals respond to fair treatments such as higher wages with higher levels of motivation and work efforts (Akerlof, 1982; Fehr and Falk, 1999).

action set of player 1, player 2 can compare player 1's action with the action expected. She can evaluate it as fair or unfair and reciprocates accordingly thereafter. So, player 2 has the opportunity to reward or to punish the player 1, but in an indirect way, *via* the incitation given to player 3.

Our results confirm the existence of indirect reciprocity: between 28% and 55% of subjects - according to the experimental design - follow this norm. The generalized reciprocity is more popular: 80% of subjects have such inclination. An explanation could refer to the weakness of the strategic interaction in the study of the last reciprocal behavior. Our findings confirm that the more complex and strategic is the context the less other-regarding behaviors dominate. The importance of reciprocity leads economists to incorporate it into rigorous models in order to have more coherent theoretical perspectives. However, the traditional economic approach has the weakness that it cannot account for reciprocity in unrepeated interactions. Experimental studies⁴ allow supporting the existence of reciprocity in unrepeated situations and our experiment provides a supplementary proof.

The remainder of this paper is organized as follow. In section 2 we define the framework implemented then our concept of indirect reciprocity. Section 3 provides the experimental design and section 4 the course of the experiment. We present our main results in section 5 and section 6 concludes.

2. The indirect reciprocity

The indirect reciprocity has the aim to establish a social norm of fairness, which is assumed to prevail on such individuals' behavior. It studies deviations from self-regarding behavior: subjects try to reward the ones who have treated them fairly or punish otherwise. Nonetheless, it is necessary to underline that indirect reciprocity is not driven by the expectation of future material gain. Subjects respond solely to kind or unkind actions without no expected material payoff since the final decision is taken by another individual.

2.1. Framework

The indirect reciprocity can be analysed through a combination of two well-known games: the dictator game and the ultimatum game. In such game, named dictator-ultimatum game, three players act sequentially. Player 1 has the opportunity to divide an amount of money with two anonymously matched participants. She makes an offer to player 2 without determining the allocation of each opponent. Player 2 has no veto power. She has to propose a division of player 1's offer to player 3. Finally, player 3 decides whether to accept or to reject player 2's offer. If she rejects it, all players obtain zero, otherwise each player receives the payoff contracted. According to the non-cooperative

⁴ For a survey and discussion of positive and negative reciprocity, see Fehr and Gächter (2000).

game theory, player 1 keeps all of her endowment and gives nothing to player 2. This last gives nothing to player 3 who accepts such decision. The sub game perfect equilibrium (henceforth *SPE*) is $(X - \varepsilon, \varepsilon_1, \varepsilon_2)$, where X represents the amount of the initial endowment, and $\varepsilon, \varepsilon_1, \varepsilon_2$ are positive numbers, as small as possible (equal to minimal thresholds with $\varepsilon = \varepsilon_1 + \varepsilon_2$). Nonetheless, to avoid the equal split between player 2s and player 3s at equilibrium $(X, 0, 0)$, we introduce a minimal threshold for player 1s and player 2s' offers.

In order to analyse the generalized reciprocity which implies no effect on player 3's decision on player 1's and player 2's payoffs, we need to avoid player 3's veto power. The situation is represented by a three-player dictator game (henceforth *DG*). To compare the results of the three-player dictator game with those obtained in the *DUG*, we adopt the same thresholds as in the *DUG*.

2.2. Theoretical process

Rabin (1993) argues that intentions play a crucial role when subjects are motivated by reciprocity consideration. Hence intentions depend on the beliefs of subjects and the kindness of a subject depends on her set of possibilities. As noted by Dufwenberg and Kirchsteiger (2004) when a subject A wants to be kind to B who was kind to her, and unkind to unkind B , A has to assess the kindness (or unkindness) of her own action as well as of B . To do this A has to consider the intentions that accompany an action. When subjects have the opportunity to divide an amount of money without any property rights on it and when the choice is deliberate and purposeful, the determination of intention can be expressed as follow:

- If subject A gives an amount weaker than the equal split⁵, subject B believes that A has undertaken an unkind action. This last has unkind intention.
- Otherwise B believes A has kind intention.

Knowing the intention behind the action undertaken toward her, she has to take an action which has the same intention than that received. Such reciprocal behavior – through an indirect process – is analysed in this paper and proceeds as follow.

In the *DUG* a division has to be made between three players who sequentially intervene. Player 1 acts first. She has the opportunity to offer an amount of money to player 2. Then player 2 will offer a share of player 1's offer to player 3. The division made by player 1 represents her type. Let t : the type of player 1, with $t \in T = \{0;1\}$ and \bar{x} , the equal split⁶ made by player 1, i.e. $\{\bar{x} / x = 2/3X\}$. So,

⁵ Without any property rights on the initial endowment, the fair split corresponds to the equal one.

⁶ According to the experimental literature, we will consider that a person is fair if she offers at least 60% of her endowment (the strict equal split would be equal to 66.66%).

- If player 1 is unfair, she makes an offer $x < \bar{x}$. She has unkind intention and $t = 0$.
- If player 1 is fair, she makes an offer $x \geq \bar{x}$. She has kind intention and $t = 1$.

Thereafter, player 2 receives player 1's offer. She has private information compared to player 3 since she knows the division made by player 1. Knowing this and the amount of the initial endowment, player 2 can by deduction knowing the type, t , of player 1. We should be cautious since it might have subjects who misperceived an action performed by another (Leimar and Hammerstein, 2001, call such subjects “*errors in perception*”). Nonetheless, it is noteworthy that in our study perceptual errors are minimized for player 2 since she knows player 1's intention through her observation. It remains the question of the perception of player 1's intention. As noted by Kahan (2005) the logic of reciprocity depends on individual's moral and emotional priors. Due to the absence of property rights on the initial endowment, we assume that for all individuals the fair split corresponds to an equal split.

Even if at the beginning our game is a three-player game, we can without any problem refer us to a signalling two-person game. Indeed, with the division made, player 1 indicates without ambiguities her type to player 2. Conversely player 3 does not have any information about player 1's offer. Her sole information refers to the distribution of probability *a priori* of player 1's type, t . Since player 1 has the possibility to offer the amount wished, each split has the same probability of occurrence. Knowing that and knowing that the equal split corresponds to $\bar{x} = 2/3X$, the amount sent to player 2 could correspond to an unfair behavior with a probability $\rho = 2/3$ and to a fair behavior with a probability $1 - \rho = 1/3$. With the knowledge of player 1's type, player 2 has the opportunity to send a signal, s , to player 3 in order to inform her about the type of player 1. The imperfect information of player 3 is fundamental. This last allows player 2 to have a role of signal about player 1's decision. In fact, if player 3 had perfect information, she would know the amount of the endowment, the player 1's offer and consequently player 1's type. In such case, player 2, who is only an intermediary proposer, would not have any role of signal. Furthermore, the player 3 could judge instead of player 2 the player 1's decision, which attenuates the role of player 2 and thereafter the prominence of indirect reciprocity.

So, we face a traditional signalling game between two persons: player 2 can send a signal, s , to player 3 which reveals her private information. Her signal aims to influence the decision of player 3 in the sense (acceptance or rejection) wished. The strategy of behavior of player 2, σ , is given by the following function:

$$\sigma : T \times S \rightarrow [0,1] \quad / \quad \sum_s \sigma(t,s) = 1 \quad \forall t$$

Where σ represents the probability that player 2 sends a message s when player 1 is of type t .

The signal of player 2 corresponds to the amount sent to player 3, this last being conditioned by player 1's offer. It is a take-it-or-leave-it signal, since player 3 has the possibility of accepting or

rejecting the offer proposed, through the action $a \in A = \{0;1\}$ undertaken. The action, A , of player 3 is given by the following function:

$$\alpha : S \times A \rightarrow [0,1] \quad / \quad \sum_a \alpha(s,a) = 1 \quad \forall s$$

For example: player 3 makes the action a with a probability $\alpha(s,a)$ if the signal received is s . Thus,

- If player 3 decides to accept the amount proposed by player 2 then $a = 0$
- If player 3 decides to reject the amount proposed by player 2 then $a = 1$

If the signal of player 2 reveals the type of player 1 then:

$$\begin{cases} s \in [0, 1/2 x[& \text{if } t = 0 \\ s \in [1/2 x, x[& \text{if } t = 1 \end{cases}$$

We introduce an attitude function, as Kirschteiger and Sebald (2006) to describe the behavior of signalling of player 2. Her signal - the percentage of player 1's offer proposed to player 3 - is function to the player 1's offer:

$$s(x) \rightarrow [0;100]$$

We assume that $s(x)$ is continuous and differentiable. If player 1 gives nothing to player 2 ($x = 0$), player 2 has no choice and proposes nothing to player 3. Furthermore, the higher player 1's offer is, the more the share proposed by player 2 to player 3 is high. These considerations lead to:

$$s(0) = 0 \quad \text{and} \quad s'(x) > 0$$

Such signal corresponds to the behavior of indirect reciprocity: When player 1 is unfair ($t = 0$), player 2 sends a bad signal ($s \in [0, 1/2 x[$) to player 3 with an aim of inciting her to reject the offer ($a = 1$). On the contrary, when player 1 is fair ($t = 1$), player 2 sends a good signal ($s \in [1/2 x, x[$) to player 3 with an aim of inciting her to accept the offer ($a = 0$), as we can see on Figure 1. There is no dominant strategy in indirect reciprocal behavior: player 2 makes a fair split if player 1 is fair too and she makes an unfair split if player 1 is unfair too. Furthermore indirect reciprocity implies multiple equilibria: player 2's decision is conditioned by player 1's one but decisions prescribe best responses in all stage of the game, as long as the concern for material payoff does not overcome the concern for reciprocity.

The indirect reciprocity is characterised by a positive correlation between player 1's offer and player 2's share. If player 1 is unfair ($t = 0$), she offers a small amount. In that case player 2 sends a signal $s \in [0, 1/2 x[$ smaller than the signal she would sent if the player 1 has been fair ($t = 1$) where $s \in [\frac{1}{2} x, x[$. In others words, when player 1 offers only a small amount to player 2, player 2 makes a

small offer ($s < 1/2x$) in the hope that player 3 rejects it. Player 2 punishes indirectly player 1 for her selfishness. Here player 2 can punish player 1 only in an indirect way, by means of her unfair offer to player 3. Player 2 is an intermediary player whom the only action is to influence player 3's decision in the sense wished; This last being conditioned by player 1's offer. Conversely, if player 1 is fair ($t = 1$), player 2 sends a signal $s \in [1/2x, x[$ higher than the signal she would have sent if the player 1 has been unfair ($t = 0$) where $s \in [0, 1/2x]$. When player 1 makes an offer close to the equal split ($x \geq \bar{x}$) then player 2 acts in the same way towards player 3 ($s \geq 1/2x$). She seeks to honour the generosity of player 1. But she rewards her indirectly by means of her fair offer to player 3.

Nonetheless this behavior could be less straightforward. Indirect reciprocity implies that player 2 wants to punish player 1 when she considers her offer as unfair, otherwise she seeks to reward her. Such behavior will be empirically confirmed if a positive correlation between player 1's offer and player 2's share offered to player 3 exists.

-----[Insert Figure 1]-----

The simultaneous study of positive and negative reciprocity is not common. Some experimental games are implemented to test the positive reciprocity (trust game or gift-exchange game (Falk, 2007, Falk and Zehnder, 2006) whereas others are implemented to test the negative reciprocity (ultimatum game or public good game with punishment (Fehr and Gächter, 2000, 2002). Nonetheless, few of them seek to test at the same time the existence of both positive and negative reciprocity within individual. Such studies report weak correlation between positive and negative reciprocity. For example, Dohmen et al., (2006) implement a large sample experiment. They attempt to highlight the difference between positive and negative reciprocity by means of six different measures of reciprocity on a 7-points scale. They find a weaker support for negative reciprocity than for positive reciprocity: *"There are also substantial differences between positive and negative reciprocity: Not only are there more positively reciprocal respondents than negatively reciprocal ones, but the correlation between a respondent's positively and negatively reciprocal inclinations is surprisingly low. These latter findings point to an important complication. Positive and negative reciprocity might be expected to derive from the same underlying trait, a general tendency to respond kind. Instead our findings suggest that these traits are behaviorally distinct, with potentially different determinants."* (Dohmen et al. 2006, p.2). Our concept of indirect reciprocity – which requires having both a negative and positive reciprocal inclination – is consequently more restrictive. If subjects make a fair split when player 1 is fair, we could say that they adopt a positive reciprocal behavior. But if they make a fair split even if player 1 is unfair, then they always make a fair split of the amount received. In that case, they are never influenced by the fair or unfair character of player 1's offer when they take their decisions. They are

only fair, whatever the behavior of previous subjects. An analogous argument holds in case of negative reciprocity where she adopts an unfair behavior and not a reciprocal one.

3. Experimental design

3.1. Treatments of information

We implement five treatments of information to underline either the indirect reciprocity or the generalized reciprocity.

These two behavioral inclinations are, in part, analysed through the comparison of behaviors adopted by subjects who face imperfect information about the character of player 1's offer and those who face perfect information. The imperfect information is formalized by the introduction of *a priori* probabilities on X: one half of player 1s has a "large" endowment (F) and other half has a "small" endowment ⁷(f). We choose an equiprobability distribution of probability: players have an equal chance to be paired with a subject who has f or F. Consequently, in case of imperfect information, player 2 cannot consider the fair or unfair character of player 1's offer. Thereafter she cannot signal player 1's offer to player 3. This distribution of probability is common knowledge. Moreover, player 2's signal is very important since in all treatments, player 3 faces imperfect information about X.

In the two first treatments of information, player 3 has a veto power and we vary the information available of player 2. In treatment 1 (henceforth T1) only player 1 knows the true amount of X; player 2 and player 3 have imperfect information. In treatment 2 (henceforth T2) only player 3 has imperfect information. Player 2s in T1 cannot adopt the behavior of indirect reciprocity contrary to player 2s in T2. The comparison of behaviors observed in these two treatments of information points out if the character of player 1's offer has an impact on player 2's behavior. If so, does indirect reciprocity appear?

In treatment 3 (henceforth T3) we implement two different games. The first game represents a usual dictator game. Player P – the proposer – has the opportunity to divide an amount of money with a receiver, player R. She can make an offer between 0€ and the amount of her endowment, X. Player R has no choice but to accept the amount given by player P and the game ends. The initial endowment is the same one for all players P and common knowledge. SPE is such that player P keeps all of her endowment and player R obtains a null payoff ($X; 0$). Once this game ends, all proposers take part to the second game, the DUG - as player 2s - with new subjects who have never participated in an experiment. In these two games, proposers and thereafter player 2s have perfect information about the amount to share but we vary its origin. In the dictator game, the endowment comes from the

⁷ With $F = 2f$ in all treatments of information.

experimenter whereas in the DUG, the endowment comes from player 1's division. This experiment allows us to see - by means of a within subject design - if subjects adopt the same behavior when they share an amount given by the experimenter and when the amount provides to a fair or unfair player⁸. Nonetheless, it can appear a difference in behaviors adopted in these two games due to player 3's veto power in the second game. To avoid this problem, in the DUG, player 3 knows only a distribution of probability for X and she has no information about player 1's offer to player 2.

In the two last treatments, player 3 has no veto power. The DUG becomes a three-player dictator game. Consequently player 3 does not take any decision and the gains of all players depend on the decisions of player 1 and player 2. Here player 2 cannot fear of player 3's rejection and her behavior highlights her true reaction to player 1's offer without nonetheless can punish or reward indirectly the player 1. Player 2 reacts to the fair or unfair player 1's offer but – since player 3 has no veto power – her signal has hence no impact. In that case player 2 can adopt a behavior of generalized reciprocity: The higher player 1's offer is, the more player 2 will offer a high share to player 3 without possible fallout on player 1. This modification does not imply any modification on theoretical equilibrium. In treatment 4 (henceforth T4), only player 1 knows the true amount of the initial endowment. Player 2 and player 3 have imperfect information, as in T1. Conversely, in treatment 5 (henceforth T5), player 1 and player 2 know the true amount of the initial endowment whereas player 3 has imperfect information (as in T2). The comparison of repartitions made in these two treatments allows us to study the impact of a fair or unfair player 1's offer on player 2's decision and to see if a behavior of generalized reciprocity appears. To resume, the five treatments of information are presented in Table 1.

-----[Insert Table 1]-----

3.2. Behavioral hypotheses

Add to indirect and generalized reciprocity, other behavioral hypotheses are likely to occur due to the experimental design implemented.

H1. True motivations: selfishness or social motivations?

⁸ Blount (1995) implements several experiments on the ultimatum game by varying the origin of the share. In a first version, it came from a random pulling, carried out by a computer. In the second version, it came from a third person whereas in the third version, the division was carried out by player 1. The results obtained show the influence of the origin of the share: the threshold of acceptance is very weak when the division is carried out by a computer, it is a little higher when it is carried out by a third person whereas the individuals show a social motivation and establish higher thresholds of acceptance when the division comes from player 1.

T4 allows highlighting the true motivations of player 2s since they cannot be influenced by player 1s' offer due to their imperfect information; neither by the fear of rejection since player 3 has no veto power. Player 2 can have two types of motivations. Note y the player 2's offer and \bar{y} the player 2's offer equals to the equal split⁹. Player 2 has either selfish motivation and gives nothing to player 3 (Hypothesis H1A). Either she has altruistic motivation and gives a positive share of player 1's offer $y > 0$ (Hypothesis H1B). In this last case, two types of positive offers can be made. If y is such that $0 < y < \bar{y}$, then player 2 makes an unfair offer (Hypothesis H1B-1). Conversely, if y is such that $y \geq \bar{y}$ then player 2 makes a fair offer (Hypothesis H1B-2).

H2. Fear of rejection

If player 2 in the three-player DG makes higher offers than those in the DUG - for given available information - we can conclude that offers in the DUG have to be justified by the fear of rejection and not by a sense of fairness¹⁰ (i.e. mean offer (T1) > mean offer (T4); mean offer (T2) > mean offer (T5)).

H3. Influence of proposers' behaviors

In T2, T3, T5, player 2 has perfect information about X. She can be influenced by player 1's offer (Hypothesis H3A).

In T2, this influence results from the comparison of behaviors adopted in T1 and T2, for each player 1's possible offer. If player 2 is influenced by player 1's offer, player 2 who has imperfect information acts in a different way than the one who has perfect information.

In T3, this influence results from the comparison of behaviors adopted in the dictator game (where she is a proposer of an endowment given by the experimenter) and behaviors adopted in the DUG (where she has to divide an amount coming from a fair or unfair split of player 1).

In the two cases, if player 2 is influenced by player 1's offer, she could adopt two types of behaviors. Either she adopts a behavior of indirect reciprocity (Hypothesis H3A-1). Either she adopts a strategic behavior to maximize her expected gain (Hypothesis H3A-2). In that case, player 2 is influenced by player 1's offer, not to signal player 1's behavior but to maximize her gain. In other words, the higher player 1's offer is, the fewer player 2 is willing to offer a high share to player 3.

In the three-player DG, this influence results from the comparison of behaviors adopted in T4 and T5, for each player 1's offer possible. If player 2 is influenced by player 1's offer, player 2 who has imperfect information acts in a different way than the one who has perfect information. Here she

⁹ According to the literature, without property right, we consider that the threshold departs from which a person is fair is such that she sends 40% of player 1's offer (the strict equal split would be equal to 50%), noted \bar{y} .

¹⁰ We cannot compare offers in T3 and T5 since we recall that in T3 player 2s have taken part in a dictator game in the first part of the experiment.

could adopt a strategic behavior to maximize her gain (Hypothesis H3A-2). But she could adopt a behavior of generalized reciprocity (Hypothesis H3A-3) where she gives an increasing share of player 1's offer, with the increase of it, without having the opportunity to punish or reward player 1.

On the other side, player 2 could not be influenced by player 1's share (Hypothesis H3B). In that case, no difference in player 2's offers is noted between T1 and T2, the dictator game and T3 or between T4 and T5, for each player 1's offer. Here, either player 2 has selfish motivation: she tries to maximize her own payoff by making a null offer (Hypothesis H3B-1). Either player 2 has altruistic motivation and proposes a positive offer whatever the player 1's one (Hypothesis H3B-2).

4. Participants and procedures

To insure that no one knew the role to each others, subjects drew personal code from a box to determine who will be player 1, 2 or 3 (anonymity). In this way, the role of subjects was randomly allocated and they were never informed about the identity of their partners. Each subject answered to the questionnaire corresponding to her role. We implemented a one-shot game to guaranty that no subject could ever gain a reputation for being, for example fair. This experimental procedure allows avoiding the fear of further retaliation or conversely the hope of further rewarding.

We used the Strategy Method, proposed by Selten (1967) to obtain the complete strategy of subjects. Player 2s answered all player 1's offer that was likely to be made (Figure 2). This process allowed us to learn player 2's share according to a fair or unfair player 1's offer. To determine final results (negotiation accepted or rejected in the DUG), we had selected answers of all members of a group. For player 1's offer, we had associated player 2's share, and once this division selected, we had observed if player 3 accepted or rejected player 2's offer; this last step concerning only the DUG since in the three-player DG player 3 has no veto power. Moreover, player 3 could take two types of decisions in the DUG: either she rejected player's 2 shares - whatever the amount - either she decided to accept starting from a threshold (from 0 to the amount of player 2's offer).

Lastly, we recall that to avoid the equal split between player 2s and player 3s at equilibrium we introduce a minimal threshold for player 1s and player 2s' offers. In T1 and T2, this threshold is equal to 300 experimental points for player 1s and 100 points for player 2s (with the conversion rate: 100 points = 1€ and offers are made by interval of 100 points). To reinforce the possibility for player 2 to signal player 1' selfishness, in T3 the threshold is equal to 1€ for player 1 - we eliminate the use of experimental points due to the simple conversion rate adopted - and player 2 can send nothing to player 3. To compare the results of the three-player DG with those obtained in the DUG, we adopt the same thresholds as in the DUG.

-----[Insert Figure 2]-----

300 undergraduates' students were recruited from the University of Montpellier to take part in our experiment. We organized three sessions for T1, three sessions for T2 with 18 subjects by session and four sessions for T4, four sessions for T5 with 15 subjects by sessions. According to a recommendation of Cubitt et al. (2001), we adopted a between subjects design in these four treatments, to provide inter individual comparisons. The procedure implemented for T3 was different. We used a within subject design to compare behaviors adopted in the dictator game and thereafter in the DUG. We organized three sessions with 24 subjects by session (12 subjects for the dictator game and 18 subjects for the DUG including 6 subjects who have taken part in the dictator game). More precisely, each session was made in two steps. First of all, 12 subjects took part in the dictator game (6 players P and 6 players R). The role of subjects was randomly allocated. According to their role, subjects went in one of the two experimental rooms, player Ps and player Rs being in two separate rooms. Player Ps were provided with sealed envelopes¹¹ to make their choice. At the beginning, 10 "fictitious Tickets of 1€ " were deposited in their envelope and they could give all of it, anything or nothing to player R. They deposited the sum corresponding to their offer to player R in the envelope for player R and they gave the envelope to the experimenter. The experimenter transmitted then the envelopes to the experimenter who was with player Rs. Each player R then chose randomly one envelope and received the corresponding sum before leaving. Player Ps gave then their envelopes to the experimenter. The personal code of each player was noted on their envelope to proceed to their remuneration at the end of the experiment. Once the first game finished, player Ps selected randomly a new personal code - corresponding to the role of player 2 - for the second game. In this manner, all player Ps became player 2s. To compare behaviors adopted in these two games, we asked them to register their personal code corresponding to the two games on the forms of the DUG. Once the new codes allocated to player 2s, 12 new subjects arrived. These new subjects had the role of player 1 or player 3 and they did not know that subjects already sat in this room had taken part in an experiment before. The second step of the experiment could start with 18 subjects by session. The course of this game was similar to those of others treatments. Moreover, player 2s knew at the beginning of the experiment that they took part in two scenarios with different subjects.

In all treatments, the remuneration of subjects included a show up (3€) and the amount corresponding to their performance in the experiment. The role of subjects was explained with handwritten instructions¹² distributed at the beginning of the experiment. After all subjects had read instructions, an oral version was given. Then they had to fill out an experimental pre questionnaire, to check their complete understanding of instructions. Once this questionnaire corrected, the experiment began. For each treatment, one session lasted one hour.

¹¹ This system of envelope is usually used in the dictator game, see for example Hoffman et al. (1994). It enables us to guarantee the hypothesis of anonymity of subjects towards other participants.

¹² Instructions are available upon request to authors.

5. Results¹³

5.1 True motivations

In T4, player 2s have only imperfect information about player 1's endowment and player 3 has no veto power. In that case, player 2s cannot be influenced by other players when they take their decisions. This treatment allows us to know their true motivations. The average division corresponds to an unfair division (28.32%) that results from heterogeneity of behaviors at the individual level (Table 2 and Figure 3). 15% of subjects have selfish motivations by giving nothing to player 3. Among 85% of altruistic subjects, only 35.30% of them act in a fair way by offering 43.79% but none of them offers on average more than half of player 1's offer. The major part (64.70%) of subjects makes a positive but unfair offer.

-----[Insert Table 2 & Figure 3]-----

Result 1: *Heterogeneity of player 2s' motivations*

The average division corresponds to an unfair division even if a diversity of individuals' behaviors from purely selfish behaviors (Hypothesis H1A) to fair behaviors (Hypothesis H1B-2) exists.

5.2. Impact of player 3's veto power on player 2's decision

Comparison of behaviors observed in the DUG and in the three-player DG points out the impact of player 3's veto power on decisions taken (see Figure 4).

When player 2s have imperfect information about player 1s' endowment, offers are significantly different in the two games. On average, player 2s offer 45.19% in T1 and only 28.32% in T4 ($p < 0.001$). This difference is also significant when we compare the type of player 2's repartition. Firstly no selfish behavior is observed when player 3 has a veto power (T1), contrarily to T4. Secondly, unfair¹⁴ player 2s offer 36.22% in T1 and 21.69% in T4 ($p = 0.026$); In the same way, fair player 2s offer 48.64% in T1 and 43.79% in T4 ($p = 0.009$).

Our data point the same mainstream when player 2s have perfect information about player 1s' endowment. On average, player 2s offer 40.11% in T2 and only 30.21% in T5 ($p = 0.126$). As previously, no selfish behavior is observed in the DUG and the difference of repartitions is here only significant when we compare unfair player 2s' repartition: they offer 30.58% in T2 and 14.85% in T5

¹³ We focus on results obtained for player 2s where their repartitions are expressed in percentage of player 1's offer. A discussion of player 1's and player 3's behaviors in this experiment is provided in Bonein, Serra (2004).

¹⁴ "unfair player 2" includes selfish player 2s and those who make a positive but unfair offer to player 3.

($p=0.012$) whereas fair player 2s offer 47.73% in T2 and 45.57% in T5 ($p=0.280$). Now if we differentiate a fair from an unfair player 1's offer, differences in behaviors adopted in T2 and T5 are solely significant when player 1 makes an unfair split. When player 1's offer is unfair player 2s offer on average 41.32% in T2 and 28.04% in T5 ($p=0.035$). Whereas, when player 1's offer is fair player 2s offer on average 38.44% in T2 and 33.57% in T4 ($p=0.534$).

-----[Insert Figure 4]-----

Result 2: Impact of player 3's veto power

The introduction of player 3's veto power leads to higher average offer, selfish behaviors and unfair offers less pronounced, fair offers more pronounced, whatever player 2's available information.

5.3. Influence of player 1's offer on player 2's decision

A first look at mean repartitions made by player 2 in case of imperfect information and perfect information, under the same condition of veto power, does not highlight significant differences. This observation is confirmed by both Mann Withney test ($p=0.104$ for T1/T2 and $p=0.369$ for T4/T5) and one-way Anova test ($p= 0.103$ for T1/T2 and $p=0.728$ for T4/T5) or paired-samples T test ($p=0.606$) and Wilcoxon sign rank test ($Z=-0.936$, $p=0.349$) for T3. Nonetheless slight differences can be noted (see Figure 5) about the variance of the repartitions in each treatment. The Levene statistic reveals that the hypothesis of homogeneity of variance is rejected¹⁵ for T1/T2 ($p= 0.103$) and T3 ($p<0.0001$) but not for T4/T5 ($p= 0.193$).

-----[Figure 5]-----

It is noteworthy that even if, on average (i.e. for all amount offered by player 1), similar offers are observed - under the same player 3's veto power condition - some differences appear within individuals. In treatment 2, the mean offer is equal to 41.32% when player 1 is unfair and 38.44% otherwise ($Z = -0.893$, $p = 0.372$). The opposite and significant tendency is observed in T5 where player 2s offer on average 28.04% when player 1 is unfair and 33.57% otherwise ($Z= -3.428$, $p<0.001$). This last result catches a glimpse of the prevalence of reciprocal behaviors at the individual level and more generally an impact of player 1's offer on player 2's repartition. To confirm this intuition we rely on the comparison of the distributions of the share offered according to player 1's offer in each treatment. The Kruskal Wallis test confirms the influence of player 1's offer on player 2's division ($\chi^2(4) = 151.106$).

¹⁵ Even though the hypothesis of homogeneity of variance is rejected, the one-way Anova test works since the size of sample for compared treatments is the same.

In a first step we study results obtained in the DUG - when player 2s have perfect information – to test the indirect reciprocity then in a second step we will study the generalized reciprocity through results obtained in the three-player DG (Table 3, Figures 6 & 7).

-----[Table 3, Figures 6 & 7]-----

A first exam to individual correlation between player 1's offer and player 2's offer is necessary to determine the existence of indirect reciprocity. It results heterogeneity of individual behavior since 45% give a decreasing part of player 1's offer when this last becomes fair whereas 55% offer an increasing share. Thus, 45% of player 2s adopt a strategic behavior (Hypothesis H3A-2): their offers are decreasing with player 1's offer. In others words, when player 1 makes a small offer, they offer a high proportion to player 3 to maximize the probability of acceptance. On the contrary, when player 1 makes a higher offer, they offer a smaller share to maximize their payoffs, the share offered being enough high to lead to the acceptance of the repartition by player 3. This behavior is confirmed by the Spearman rank correlation coefficient¹⁶ ($r = -0.656$, $p < 0.001$ when $X = F$ and $r = -0.906$, $p < 0.001$ when $X = f$). On the other side, 55% of player 2s act according to indirect reciprocity (Hypothesis H3A-1): the higher player 1's offer is, the more the player 2's share offered is high to reward the fairness of player 1. In the same way, the smaller player 1's offer is, the fewer player 2's share offered is high to punish the unfairness of player 1. The increase of player 2's offer with the increase of player 1's offer is confirmed by the Spearman rank correlation coefficient ($r = 0.650$, $p < 0.001$ when $X = F$ and $r = 0.899$, $p < 0.001$ when $X = f$). Furthermore, we observe substantial heterogeneity in the degree of reciprocity across individuals.

Indeed if we study the player 2's repartition when player 1 makes an unfair offer and thereafter a fair offer, we observe few change in player 2's behavior¹⁷ ($Z = -1.456$, $p = 0.145$). In case of indirect reciprocity, for example, subjects do not make a null offer to player 3 when player 1 is unfair and thereafter an equal split when player 1 is fair. The change of behavior is small. When subjects adopt a strategic behavior, 50% of subjects adapt their behaviors according to player 1's offer: They make a fair division when player 1 makes an unfair split; otherwise, they make an unfair division. For the others, the higher player 1's offer is, the less the share proposed to player 3 is high, without changing the type – fair or unfair – of repartition. This change of strategy is less pronounced in case on indirect reciprocity. Only 20% of subjects adopt an unfair behavior if player 1 makes an unfair split and a fair division otherwise. For the others, the higher player 1's offer is, the more the share proposed

¹⁶ This coefficient of correlation is computed on the average of player 2's share, for each player 1's offer. Nonetheless, the distinction between subjects paired with player 1s who have f and those who have F is required since the threshold for fair offers differs according to the amount of the initial endowment.

¹⁷ This observation explains that the introduction of a dummy variable for the intention of player 1 (this variable being equal to 1 if player 1 makes a fair offer and 0 otherwise) is rarely significant in further OLS regressions. Furthermore, in some regressions, its introduction leads to worst fit to the data. That's why regressions are implemented without it.

to player 3 is high. In others words, if player 1 makes a fair division, player 2 offers a higher share of the amount received than if player 1 is selfish in the hope to reward indirectly the player 1. But if player 1 is unfair, player 2 offers only a weak share of the amount received to incite player 3 to reject the offer. She punishes indirectly then the player 1.

To confirm the existence of these two types of behavior we lead an OLS regression¹⁸. Coefficients are estimates from OLS regressions but we were concerned about possible heteroscedasticity¹⁹ in each regression. Homoscedasticity should not be assumed, but should be tested. The White test rejects the null hypothesis of no heteroscedasticity for five regressions. Consequently, we add the White correction (1980) for the heteroscedasticity of standard errors to our OLS estimates of equations concerned and standard errors shown in brackets are robust. The full specification, with all coefficients is shown in Table 3 in the Appendix. Both strategic and reciprocal behaviors are confirmed with the sign of coefficients estimates from OLS regression notably with the sign and significativity of player 1's offer

For T3, the influence of player 1's behavior on player 2's decision is analysed through the comparison of behaviors adopted in the dictator game and thereafter in the DUG. Even if mean divisions made in the two games are close, we note that player 2's share varies according to player 1's offer. In other words, player 2's offer is sensitive to the fair or unfair character of player 1's offer (Hypothesis H3A is checked). Yet, strategic behavior and indirect reciprocity can be noted (Table 3): 72% of subjects adopt a strategic behavior ($r = -0.893$, $p < 0.001$ when $X = F$ and $r = -0.574$, $p < 0.001$ when $X = f$). Whereas only 28% of subjects act as indirect reciprocity ($r = 0.271$, $p = 0.6372$ when $X = F$ and $r = 0.740$, $p < 0.001$ when $X = f$).

Even if the mean repartition corresponds to an unfair one (only 5.55% of subjects make on average a fair split), small variations appear when we differentiate an unfair player 1's offer and a fair one. As in T2, if we study behaviors adopted by these two types of subjects, only few subjects change radically their strategies according to the fair or unfair offer ($Z = -1.083$, $p = 0.279$). First, when subjects adopt a strategic behavior, only 7.69% of subjects change their strategies when player 1 makes an unfair offer and thereafter a fair offer: They make a fair division when player 1 is unfair; otherwise, they make an unfair division. Such variation is more pronounced in case on indirect reciprocity: 20% of them adopt an unfair behavior if player 1 is unfair too; Otherwise they make a fair division.

Lastly, 50% of subjects want to punish the unfairness of player 1: they make a null offer to player 3 when player 1 gives an amount lower than 10% of her endowment. This behavior highlights a straightforward signal of the rejection of player 1's unfairness. With an offer equals to 0€ to player 3, player 2 is sure to its rejection. This act enables her to punish indirectly, by means of her null offer to

¹⁸ The choice of the model estimates results of two goals: having a model with an economic meaning and that satisfies usual econometric hypotheses such as the absence of colinearity between independent variables and the normality of residuals.

¹⁹ Under heteroscedasticity, the coefficient estimates are unbiased but inefficient.

player 3, the player 1's unfairness. Lastly, 61.11% of player 2s give a higher mean offer in the DUG than in the dictator game (Figure 8).

Thus, as noted by Fehr and Gächter (2000) there is a substantial proportion of subjects who behave reciprocally but there is also a non-trivial fraction of individuals who behave completely selfish. The proportion of indirect reciprocal subjects in our data is quite similar to those of Fehr et al (1997) who find that between 40% and 60% of subjects have an inclination for strong reciprocity, the others behaving selfishly.

-----[Insert Figure 8]-----

Result 3: Influence of player 1s' offer on repartitions made by player 2s

Player 2 is influenced by player 1's offer when she takes her decision. Both strategic and indirect reciprocal behaviors are observed.

The three-player DG allows testing the generalized reciprocity. The comparison of player 2's repartition with respect to player 1's offer in T4 and T5 underlines that player 2 is sensitive to player 1's offer when she takes her decision. More precisely, in T5, 80% of player 2s give an increasing share of player 1's offer to player 3 ($r = 0.702$, $p < 0.001$ when $X = F$ and $r = 0.963$, $p < 0.001$ when $X = f$). This result implies that in a dictator game, although player 2 could take advantage to player 3's no veto power and adopt a strategic behavior to maximize their gains, without risk, on the contrary, 80% of them act as generalized reciprocity predicts. The higher player 1's offer is, the more player 2's share offered is high. Only few subjects (20%) adopt a strategic behavior to maximize their gains. This strategy is confirmed by the Spearman rank coefficient correlation ($r = -0.549$, $p < 0.001$ when $X = F$ and $r = -0.275$, $p = 0.1461$ when $X = f$). In T5, variations in behaviors adopted according to the unfairness or fairness of player 1 is more pronounced ($Z = -3.428$, $p = 0.001$). It turns out that the large majority of player 2s agrees with the above mentioned statements, implying that generalized reciprocal inclinations are the rule rather than the exception. A closer inspection, however, reveals that there is substantial individual heterogeneity in the strength of reciprocal inclinations.

Result 4: generalized reciprocity

Most of player 2s act as generalized reciprocity predicts: they are kind with player 3 if player 1 has been kind and conversely if player 1 has been unkind, knowing that this behavior cannot be led by the fear of player 3's reaction.

Finally, our data underline a higher proportion of generalized reciprocal inclination than the indirect reciprocal one: 55% or 28% of subjects according to the experimental design act according to the indirect reciprocity whereas 80% of subjects act as generalized reciprocity predicts. Fehr and Schmidt (2006) highlight in their survey that the more complex the strategic interaction²⁰ becomes, the more the self-regarding behavior is likely. Our observation tends to confirm such proposition. The complexity of the strategic context of the DUG tends to reduce other-regarding behavior, especially the reciprocal one.

6. Conclusion

In this paper, we have shown that a sophisticated behavior of reciprocity could exist. We find that between 28% and 55% of subjects – according to the experimental design – have such inclinations: intermediary subjects seek to punish or reward the proposers by their offers to responders. Our data underline a substantial heterogeneity in the degree of reciprocity across individuals: some make an unfair split when the proposer is unfair; otherwise they make a fair split. But in majority, they do not change radically their split according to the unfair or fair proposition; they solely propose an increasing part of proposer's offer to responder, when proposer becomes fair.

Nonetheless, there is a non-trivial fraction of subjects who behave completely selfish. They adopt their offer with respect to the proposer's one in the aim to maximize the probability of acceptance. Like Fehr and Schmidt (2006), we believe that the most important heterogeneity in strategic games is the one between purely selfish subjects – who seek to maximize their expected payoffs – and subjects with a preference for reciprocity.

Our findings add the understanding of behaviors adopted in labor relations with several hierarchical levels. By taking our original example, under indirect reciprocity, if the boss's boss gives only weak monetary offer to the boss, this last, due to her discontentment, will propose a small wage to worker who will be not incite to produce high effort. The small level of effort will not satisfy the boss's boss. Conversely, if the boss's boss provides a high monetary offer to the boss, the boss will give a high wage to worker to incite her to produce a high effort and to reward the boss's boss. But selfish motivation can appear, as noted in our experiment in such labor context. If we associate the desire to punish or reward the boss's boss to the desire to perpetuate the labor relation, the strategic behavior observed in our experiment could be an explanation of existing labor behavior: if the boss's boss gives a small monetary incitation to the boss, this last, in the hope to satisfy her boss and to carry on their relations, could give a high part of the boss's boss's offer. But if the boss's boss provides a high offer, the boss could give a part enough high to incite the worker to produce a high effort, but

²⁰ Like Fehr and Schmidt (2006, p. 657) we define strategic interaction to be those in which the potential gift recipients are also capable of affecting the gift givers' material payoffs.

smaller than that if the boss's boss would give a small monetary incitation, to maximize her payoff, without compromising the satisfaction of the boss's boss.

Another reciprocal behavior – the generalized reciprocity – has been investigated in this paper. In that case neither reward nor punishment can intervene, solely a behavior of replication of those adopted by the previous generation. In such situation, reciprocal behaviors are prevailing since only 20% of subjects act in a selfish way.

Our findings support the idea that the more complex the strategic setting is, the more self-regarding behavior is likely and the less other-regarding behaviors dominate.

References

Akerlof, G. 1982. Labor contracts as a partial gift exchange, *Quarterly Journal of Economics*, 97, 543-569

Alexander, R. 1987. *"The biology of moral systems"*, New York: Adline de Gruyter

Axelrod, R. 1984. *The Evolution of Cooperation*, Basic Books, New York.

Becker, G.S. 1962. Irrational behavior and economic theory, *The Journal of Political Economy*, 70(1), 1-13

Ben-Ner, A., Putterman, L., Fanming, K. and Magan, D. 2004. Reciprocity in a two-part dictator game, *Journal of Economic Behavior and Organization*, 53, 333-52

Blount, S. 1995. When social outcomes aren't fair: the effect of causal attributions on preferences, *Organizational Behavior and Human Decision Processes*, 63(2), 131- 44

Bolton, E.G., Brandts, J. and Ockenfels, A. 1998. Measuring motivations for the reciprocal responses observed in a simple dilemma game, *Experimental Economics*, 1(3), 207-219

Bonein, A and Serra, D. 2004. An experimental study of indirect reciprocity in a three-player dictator-ultimatum game, *Communication in "Journées de Microéconomie Appliquée" conference*, Lille

Box, G.E.P., Hunter, G. W. and Hunter, J. S. 1978. *"Statistics for experimenters"*, New York: John Wiley.

- Buchan, N.R., Croson, R.A. and Dawes, R.M. 2002. Swift neighbors and persistent strangers: a cross cultural investigation of trust and reciprocity in social exchange, *The American Journal of Sociology*, 108(1), 168-206
- Cubitt, R., Starmer, C. and Sugden, R. 2001. Discovered preferences and the experimental evidence of violation of expected utility theory, *Journal of Economic Methodology*, 8(3), 385-414
- Dohmen, T., Falk, A., Huffman, D. and Sunde, U. 2006. Homo Reciprocans: Survey Evidence on Prevalence, Behavior and Success, *Discussion paper of Institute for the Study of Labor n°2205*
- Dufwenberg, M. and Kirchsteiger, G. 2004. A theory of sequential reciprocity, *Games and Economic Behavior*, 47, 268-298
- Dufwenberg, M., Gneezy, U., Guth, W. et van Damme, E. 2001. Direct versus indirect reciprocity: an experiment, *Homo Oeconomicus*, 18, 19-30
- Falk, A. 2007. Gift exchange in the field, *Discussion paper of Institute for the Study of Labor n°1148*
- Falk, A. and Zehnder, C. 2006. Trust and discrimination- a citywide experiment, *working paper of Institute for the Study of Labor*
- Fehr, E. and Falk, A. 1999. Wage rigidities in a competitive incomplete contract market: an experimental investigation, *Journal of Political Economy*, 107(1), 106-134
- Fehr, E. and Gächter, S. 2000. Cooperation and punishment in public goods experiments, *American Economic Review*, 90 (4), 980-994
- Fehr, E. and Gächter, S. 2002. Altruistic punishment in humans, *Nature*, 415, 137-140
- Fehr, E. and Schmidt, K. 2006. *The economics of fairness, reciprocity and altruism – experimental evidence and new theories*, in Handbook of the Economics of Giving, Altruism and Reciprocity, Volume 1: Foundations, Chapter 8, 615-694, ed. by S.-Ch. Kolm and J. Mercier-Ythier, Elsevier/North-Holland, Amsterdam
- Fehr, E., Gächter, S. and Kirchsteiger, G. 1997. Reciprocity as a contract enforcement device: Experimental evidence, *Econometrica*, 65(4), 833-860

- Fehr, E., Fischbacher, U. and Gächter, S. 2002. Strong reciprocity, human cooperation and the enforcement of social norms, *Human Nature*, 13, 1-25
- Fudenberg, D. and Maskin, E. 1986. The Folk theorem in repeated games with discounting or with incomplete information, *Econometrica*, 54, 533-556
- Gintis, H. 2000. Strong reciprocity and human sociality. *Journal of Theoretical Biology*, 206, 169-179
- Gouldner, A.W. 1960. The norm of reciprocity: a preliminary statement, *American Sociology Review*, 25, 161-178
- Hoffman, E., McCabe, K., Shachat, K. and Smith, V. 1994. Preferences, property rights and anonymity in bargaining games, *Games and Economic Behavior*, 7(3), 346-380
- Kahan, D. 2005. *The Logic of Reciprocity: trust, collective action and law*, in H. Gintis, S. Bowles, R. Boyds and E. Fehr (eds) *Moral Sentiments and Material interests: the foundation of cooperation in economic life*, The MIT Press, Cambridge, chapter 12, 339-378
- Kirchsteiger, G. and Sebald, A. 2006. Investments into education: doing as the parents did, *Discussion Paper of Centre for economic Policy Research*, n° 5686
- Kolm, S.C. 2006. *The theory of reciprocity*, in *Handbook of the Economics of Giving, Altruism and Reciprocity*, Volume 1: Foundations, Chapter 6, 371-544, ed. by S.-Ch. Kolm and J. Mercier-Ythier, Elsevier/North-Holland, Amsterdam
- Leimar, O. and Hammerstein, P. 2001. Evolution of cooperation through indirect reciprocity, *Proceedings Biological sciences, The Royal Society*, 268, 745-53.
- Mauss, M. 1954. *Forms and functions of exchange in archaic societies*. Routledge & K. Paul Ltd
- Nowak, M.A. and Sigmund, K. 1998a. The dynamics of indirect reciprocity, *Journal of Theoretical Biology*, 194, 561-574
- Nowak, M.A. and Sigmund, K. 1998b. Evolution of indirect reciprocity by image scoring, *Nature*, 393, 573-577

Rabin, M. 1993. Incorporating fairness into games theory and economics, *American Economic Review*, 83, 1281-1302

Seinen, I. and Schram, A. 2006. Social status and group norms: indirect reciprocity in a repeated helping experiment, *European Economic Review*, 50(3), 581-602

Selten, R. 1967. Die Strategiemethode zur Erforschung des Eingeschänkt Rationalen Verhaltens im Rahmen eines Oligopolexperiments. In Beiträge zur Experimentellen Wirtschaftsforschung, H. Sauermann,eds., 136-168

Takahashi, N. and Mashima, R. 2006. The importance of subjectivity in perceptual errors on the emergence of indirect reciprocity, *Journal of Theoretical Biology*, 243, 418-436

Trivers, R.L. 1971. The evolution of reciprocal altruism. *Quarterly Review of Biology*, 46, 35-57

White, H. 1980. A Heteroscedasticity-Consistent Covariance Matrix Estimator and a Direct Test for Heteroscedasticity, *Econometrica*, 48, 817-838

Appendices

Figure 1: Indirect reciprocity Vs Equal split

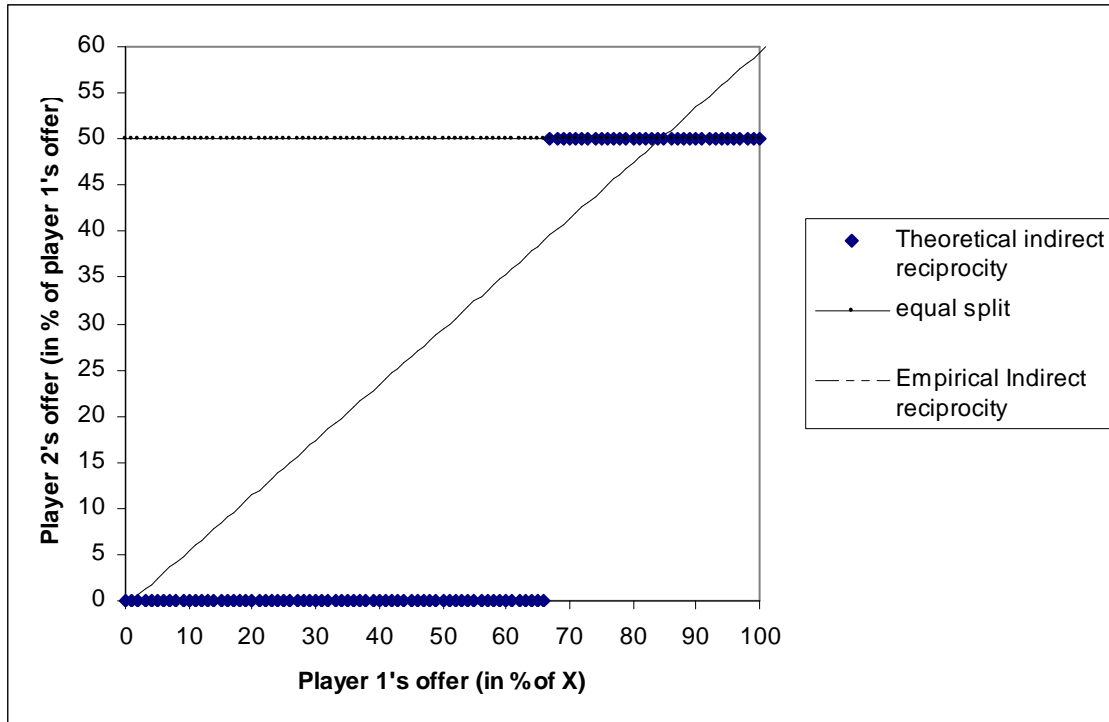


Table 1: Treatments of information

	Player 2's available information	Player 3's veto power	Prior experiment for player 2
T1	imperfect	yes	no
T2	perfect	yes	no
T3	perfect	yes	yes
T4	imperfect	no	no
T5	perfect	no	no

Figure 2: Player 2's decision task

Please make a mark with "X" to the amount you will give to player 3, for each player 1's offer to you in the following table:

		Amount given to player 3							
		0	1	2	3	4	5	6	...
Player 1's offer To you	0								
	1								
	2								
	3								
	4								
	5								
	6								
	...								

Table 2: Player 2s' offers according to their motivations

		T1	T2	T3	T4	T5	
Selfish behavior	Frequency	0%	0%	0%	15%	5%	
<hr/>							
Altruist behavior	Unfair split	Frequency*	27.78%	44.45%	94.45%	64.70%	47.37%
		Mean offer	36.22%	30.58%	29.01%	27.60%	16.50%
	Fair split	Frequency*	72.22%	55.55%	5.55%	35.30%	52.63%
		Mean offer	48.64%	47.73%	53.47%	43.79%	45.57%
<hr/>							
Unfair behavior**	Frequency	27.78%	44.45%	94.45%	70.00%	50.00%	
	Mean offer	36.22%	30.58%	29.01%	21.69%	14.85%	
<hr/>							
All subjects	Mean offer	45.19%	40.11%	30.37%	28.32%	30.21%	

*In percentage of altruistic subjects; ** Unfair behavior includes selfish behavior and altruistic subjects who make an unfair split.

Figure 3: Heterogeneity of player 2s' behaviors in treatment 4

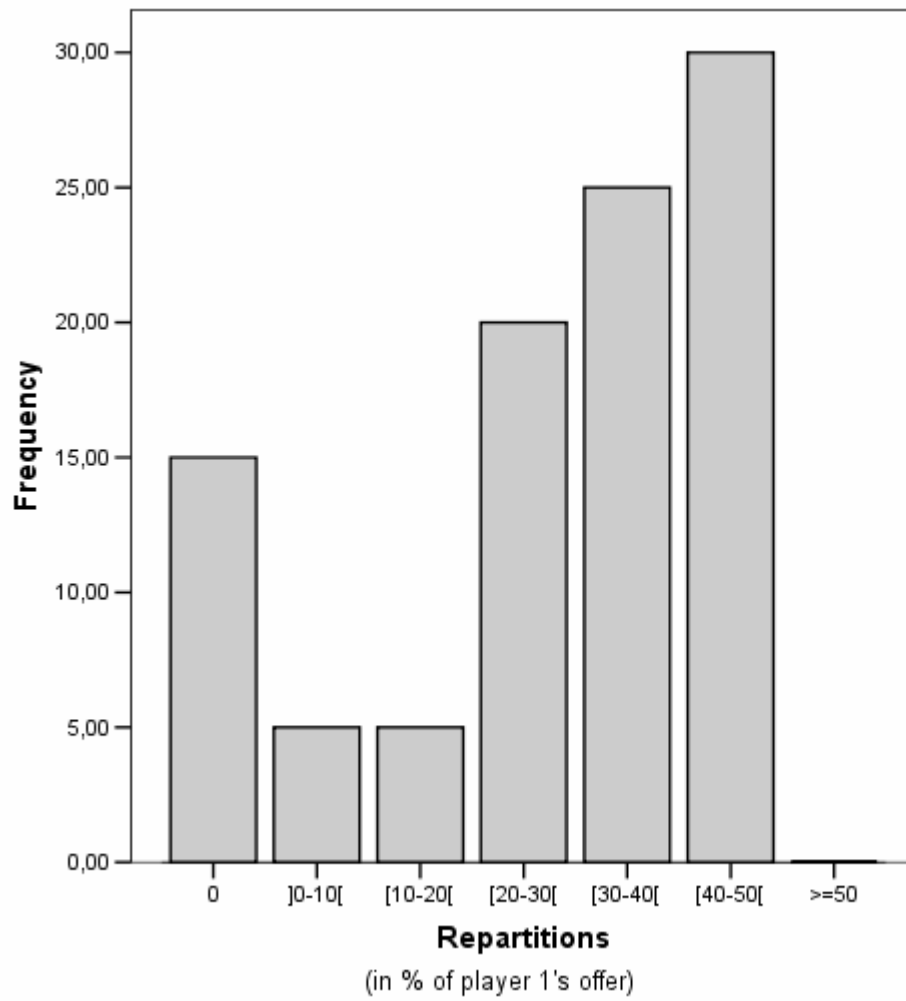


Figure 4: Impact of player 3's veto power on player 2's repartition

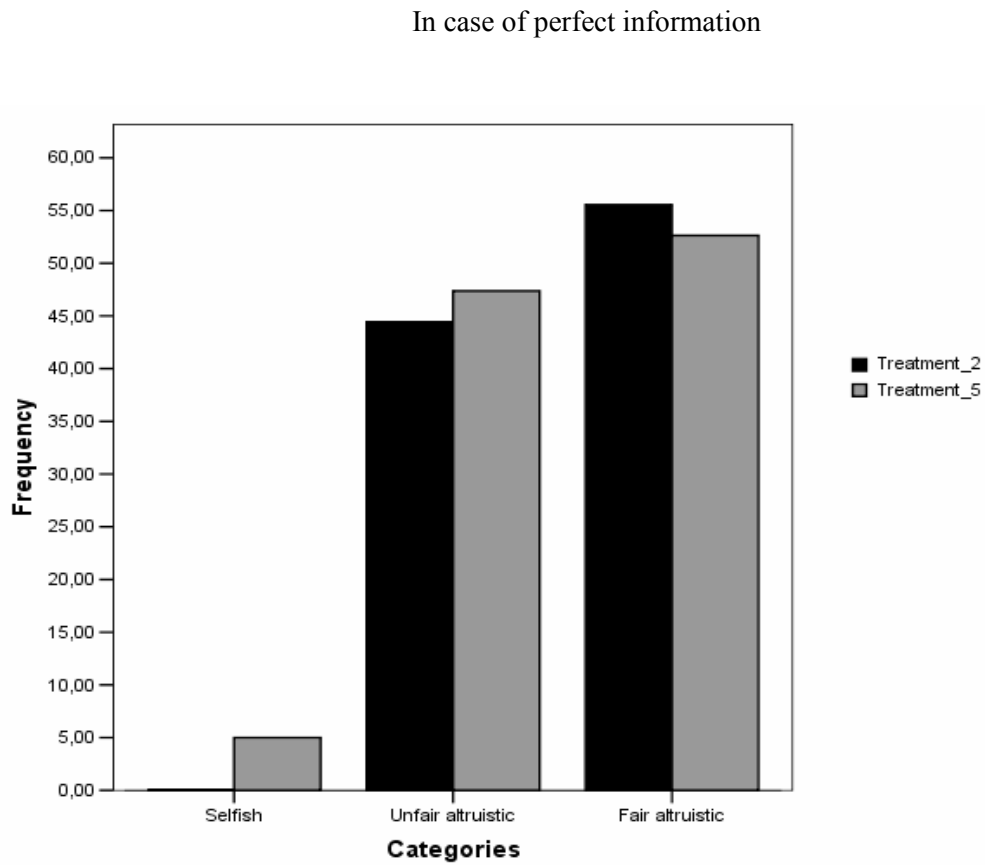
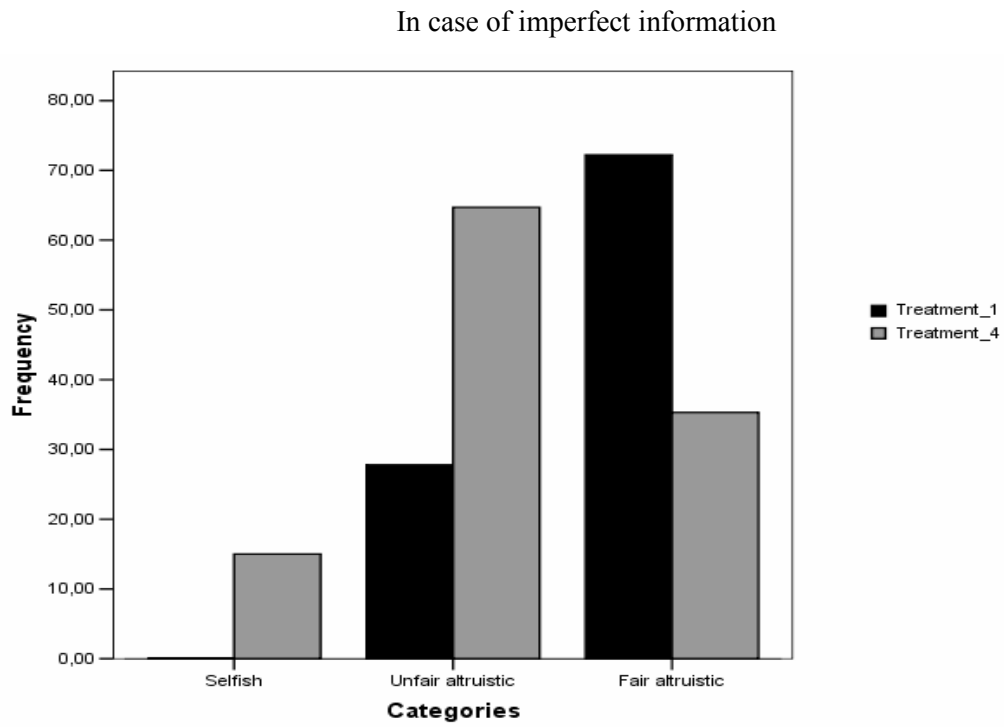


Figure 5: Mean and variance of player 2's repartition in each treatment of information

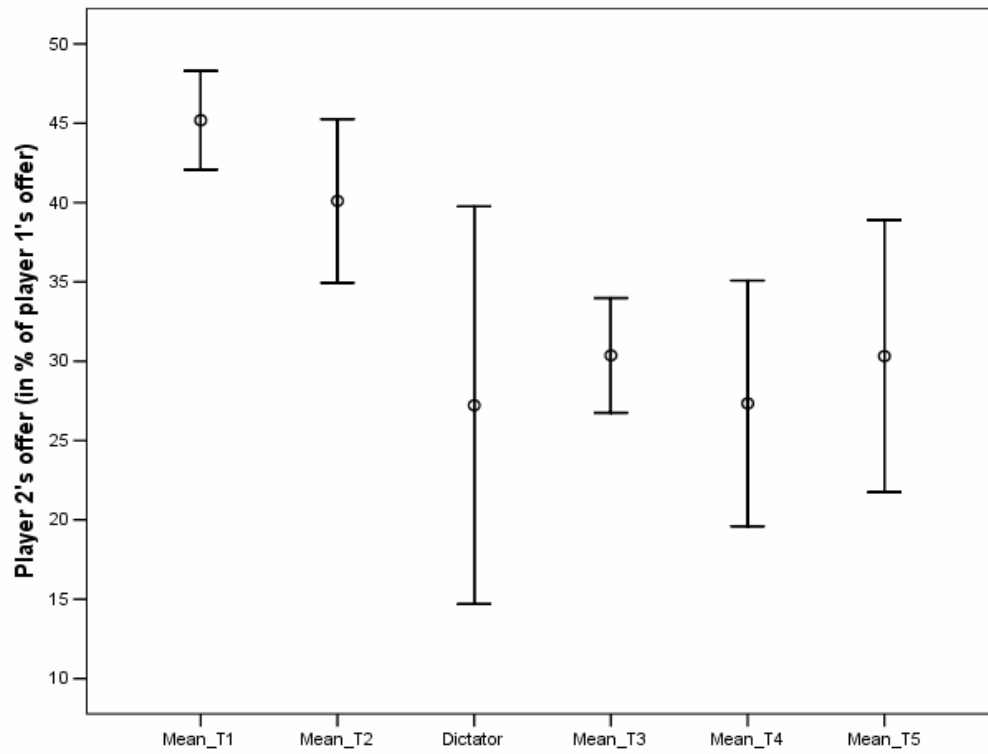


Table 3: OLS regression with White correction
on player 2s' repartition according to the type of behaviors

Behavior:	Reciprocity			Strategic		
	Treatment 2	Treatment 3	Treatment 5	Treatment 2	Treatment 3	Treatment 5
Constant	48,4169*** [1,746]	21,8348*** [6,4506]	1,4202 [3,1116]	52,553*** [3,744]	18,9295*** [3,2247]	2,5276 [3,5428]
Endowment	-0,004*** [0,0007]	0,0937 [0,1797]	0,0088*** [0,0009]	-0,002* [0,001]	0,3848*** [0,0916]	0,0059*** [0,0012]
Player 1's offer	0,0032*** [0,0007]	0,2049* [0,1214]	0,0043*** [0,0006]	-0,004*** [0,001]	-0,1328* [0,0734]	-0,0005 [0,0012]
Adjusted R	0,1179	2,88E-02	0,4099	0,122	3,27E-02	5,06E-02
Observations	320	165	445	200	510	140

Coefficients are estimates from OLS regression with White correction only when heteroscedasticity appears in OLS regressions, i.e. regressions implement in case of reciprocal behavior in treatment 2, 3 and 5 and in case of strategic behavior in treatment 3 and 5. Moreover, regressions have been computed when player 2 has only perfect information. Robust Standard errors are in brackets.

***, **, * indicate significance at 1-, 5-, 10- level, respectively

Figure 6: Player 2s' repartition when they adopt a behavior of reciprocity

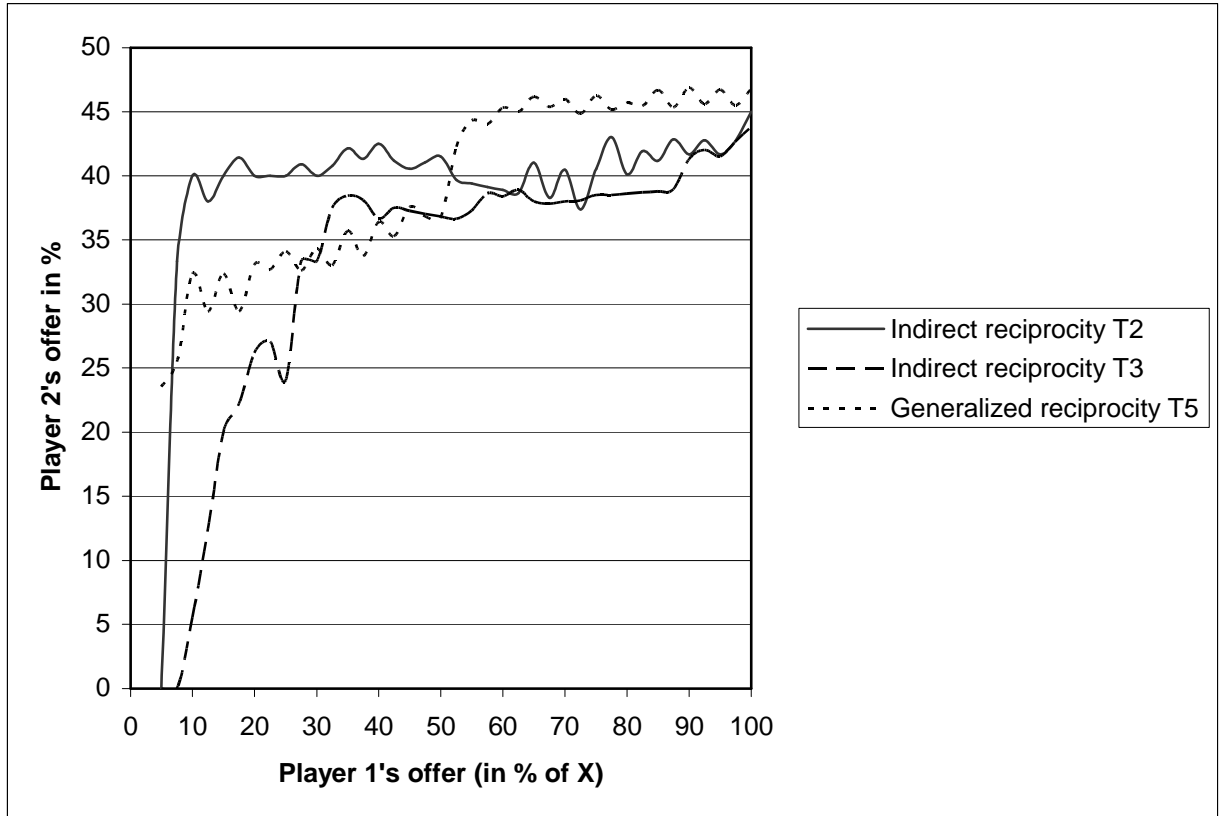


Figure 7: Player 2s' repartition when they adopt a strategic behavior

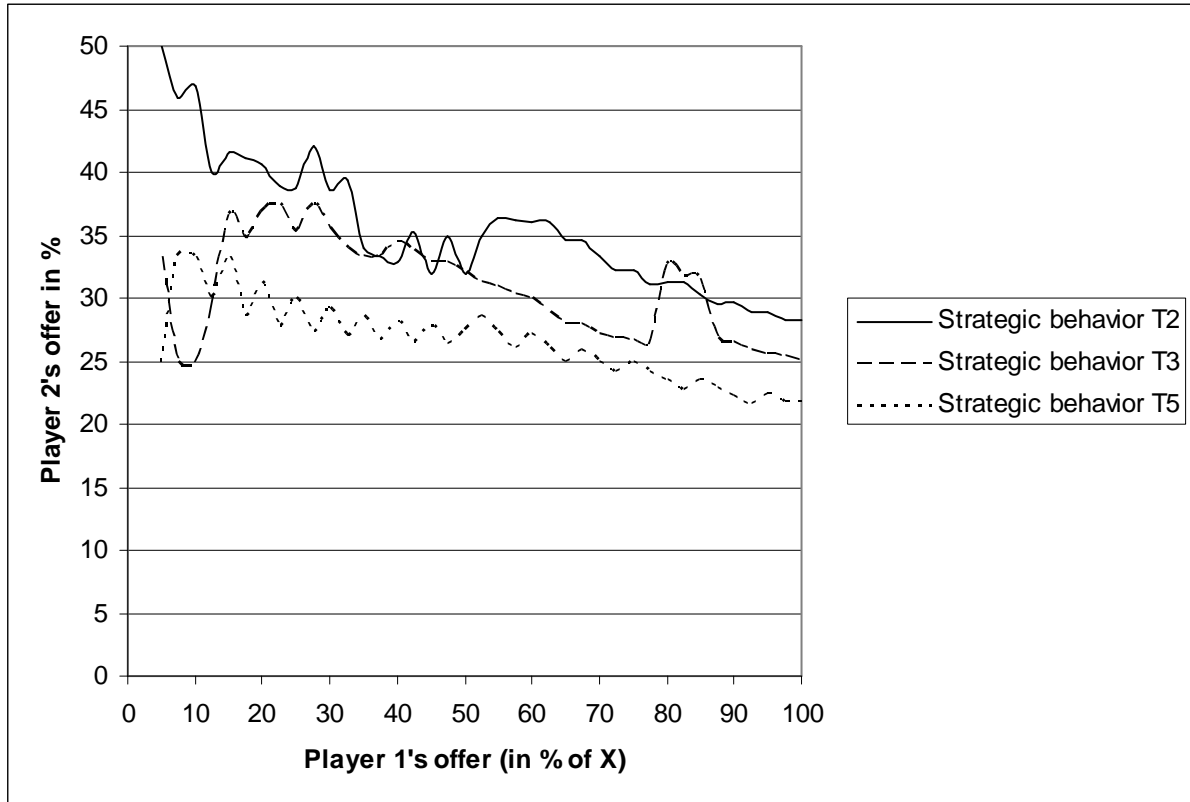


Figure 8: Offers made by proposers in the dictator game and thereafter player 2s

