

## Abstract

Economists and social psychologists have struggled long and hard in an effort to understand the characteristics of situations in which workers will act cooperatively in the work place instead of shirk. Like all public goods problems, the temptation to free ride on the effort of others is many times to tempting for workers and once shirking begins it snowballs through the organization. But such low-effort outcomes need not and do not always occur. The puzzle for us to unravel is; why, in some organizations, are groups successful in selecting the high effort equilibrium while in others shirking is the commonly established norm?

It is our claim that economic systems are characterized by two properties which determine their success. One is a characteristic of the workers functioning in the system and the norms of work they have established among themselves. The other is a property of the incentive structure defined, either implicitly or explicitly, by the economic system itself. It is the match between these norms and the characteristics of the incentive program imposed on the group that are the key ingredients in determining whether an incentive system works well.

It is this match between the trust that a group of workers have developed among themselves and the vulnerability of the economic system they are functioning under that we investigate in the experiments to be reported on here. What we find is that the match between vulnerability and trust is a key ingredient into what makes a group of workers work well together along with the type of coordination problem that is created by the equilibrium of the incentive scheme. .