

Learning trust by  
experience  
vs  
Learning trust by  
reputation-exchange

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# Learning trust based on experience

- Direct interaction with other agents.
- Outcome of transactions is observable providing certain feedback to an agent.

# Learning trust based on reputation-exchange

- Direct interaction with agents and learning reputation from other agents.
- Effects of agent's decisions are not easily observable due to reputation exchange among other agents.

# What do you prefer?

1. To trade shares of a new company.
2. Choosing a stock broker.
3. Choosing a travel agent to buy tickets.
4. Choosing a movie to watch.
5. To export goods to small foreign countries.
6. Whether to buy local products from HEB (such as HEB sugar).
7. To decide which online site to buy from.
8. Choosing which car to buy.

# Experience-based trust learning

- 1.To trade shares of a new company.
- 2.Whether to buy local products from HEB (such as HEB sugar).
- 3.Choosing a travel agent to buy tickets.
- 4.To export goods to small foreign countries.

# Learning based on Reputation-exchange

1. Choosing a stock broker.
2. Choosing a movie to watch.
3. Choosing which car to buy.
4. To decide which online site to buy from.

# Which is better?

- Depends on situation.
- Number of transactions
  - Numerous, repeated: Experience-based
  - Sparse but with large population: Reputation-exchange
- Risk Exposure
  - Experience-based: Risks values of goods
  - Reputation-exchange: Risks only cost of obtaining reputations.
- Complexity of Learning
  - Experience-based: Easier to learn
  - Reputation-exchange: Complex to learn
- Trade off between risk and complexity