

Fairness

3-Person Games

Scope for Deceit (Guth et al. 1995) Person A finds out whether amount of large (\$24) or small (\$12). If player B accepts, s/he divides between B and C. For small pie, player should offer \$8 for fairness. This seldom happens. With large amount, player A **deceives** player B by offering \$8. Guth found that this often works.

Ignorance of Amount (Camerer et al. 1993)

Responders accept less when they don't know how much is being divided.

Robot Splits (Blount, 1995) People are willing accept the same split they rejected from a person if it was formulated by a computer.

Is it really Fairness?

Individual Differences

Classical economists argue that you should take any money that you wouldn't have been given usually. However, people put a large price on fairness (in accordance to rules whether social or arbitrary).

Sex: Grossman et al. 2001 In the US, women are paid less and it is argued that they bargain less with bosses. However, no difference in dictator games.

Race: Grossman et al. 2001 Black students in USA made higher offers than white students but rejected offers more.

Age: Saxon et al. 1998 Children age 5 offer and accept less. Fairness is a learnt construct.

Moderating Conditions

Competition Effects (Guth et al. 1998) A modified version of the ultimatum game in which nine proposers compete to give person B the highest offer. Offers are typically larger than 50%. In the second round, most of the money is offered. A similar effect occurs when there is just one proposer.

Effects of Blindness and Anonymity Less money is given when recipients are anonymous and when experimenter cannot check who left what (Hoffman et al. 1994)

Knowledge of Person (Grossman et al. 1996) If recipients talk about themselves, offers rise to around 40 to 50%. This suggests that knowing about a charity elicits more giving.

Stake Size (Cameron, 1999) There is little effect when the stake size is increased but there is evidence of rejections of very large dollar amounts. For example, 1/4 of \$100 offers from \$400 are rejected.

The Ultimatum Game

This is a game in which one person control how to split money between themselves and another player. The other player chooses how much they will accept and the decider (A) chooses how much to split. Classical economists argue that the other player (B) should take anything. However, B's typically reject an offer below 40%.

Iterated versions of the ultimatum game tend to produce lower offers and lower accepted amounts. This suggests that As are learning what they can get away with. Bs learn what they must put up with.

The Dictator Game here Player B does not make an 'ultimatum' or veto. Instead, how player A decides to divide the money is how the money is divided. The average offer is 20%. This suggests evidence of **pure altruism**.