Ultimatum Game Advertisement

While norms often facilitate cohesive interpersonal dynamics, norms sometimes prevent individuals from exploring valuable courses of action. For example, the fairness norm prohibits exploitative behavior, even though such behavior in many circumstances yields the highest benefit to cost ratio (i.e. the most bang for your buck). In the current project we ask: under what circumstances do social norms impede optimal decision making? The ultimatum game is a useful tool with which to examine this issue. The ultimatum game is a dyadic paradigm in which one player, the proposer, decides how much of an endowment (e.g., €10) to offer to a responder, who decides whether to accept the offer, in which case the endowment is divided as proposed, or to reject the offer, in which case both parties receive nothing for that trial. While the canonical model of self-interest in economics predicts that proposers offer the smallest possible division of the endowment, and that responders accept any amount offered (Fehr & Schmidt, 2006), empirical studies find that the majority of proposers make offers between 40% and 60% (Oosterbeek, Sloof, & van de Kuilen, 2004), and that responders commonly reject offers below 20% (Camerer, 2003). Two psychological phenomena have been offered as competing explanations of this deviation from pure self-interest: adherence to a fairness norm, and fear that an “unfair” offer will be rejected (Oosterbeek et al., 2004; Thaler, 1988). In the current experiment, we will be able to tease apart these two phenomena by elucidating how quickly proposers learn the range of offers that will be accepted by receivers, and by determining whether or not this learning rate is selectively impeded by the fairness norm.

References

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