

Social norm in ultimatum bargaining experiments

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Abstract

Numerous experiments showed that the game-theoretical solution does not correspond to the observed behaviour of ultimatum bargaining players. This paper presents a possible explanation of this deviation based on the concept of the social norm.

Data from Roth et al. (1991) concerning the ten-round experiment conducted in 4 countries: Israel, Japan, USA and Yugoslavia are analyzed. It is found out that proposers deviating from the game-theoretical solution, act rationally, in fact. They know or get to know the social norm present in a given culture, i.e. the acceptance for different offers. Given that, they try to maximize their payoffs by offering significantly more than 0 to player 2. The data show that the mean payoff differs from the optimal one from 0.0004 in Israel to 0.033 in Yugoslavia. These differences are bigger in countries in which the social norm is stricter.

The strictness of the social norm influences the distribution of offers as well. It is shown that the stricter the social norm is, the less vary offers. A marked asymmetry of distribution is observed in the USA and Yugoslavia, i.e. in countries with the strictest social norm. In these countries offers are strongly cumulated at 0.5 with virtually no higher and some less (but not much) offers. In Israel and Japan the mode offers are less visible and there are many offers less and higher than the mode. In countries with the strict norm, proposers have much fear of rejection and are rather moderate in their offers. They experiment less than proposers in countries with a looser social norm, they gain experience slower and as a result they are farther from the optimum.

Keywords: ultimatum game, social norm, bargaining

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