

The Influence of Physical Attractiveness and Gender on Ultimatum Game Decisions

Sara J. Solnick

University of Miami

and

Maurice E. Schweitzer

University of Pennsylvania

Physical appearance influences behavior in a number of environments, yet surprisingly little is known about the influence of physical attractiveness on the bargaining process. We conducted an ultimatum game experiment to investigate the influence of physical attractiveness and gender on ultimatum game decisions. Results from this study revealed no significant differences in the offers or demands attractive and unattractive people made. However, attractive people and men were treated differently by others. Consistent with the notion of a “beauty premium,” attractive people were offered more, but more was demanded of them. Men were also offered more, and less was demanded of them. We discuss implications of these results with respect to bargaining and the labor market. © 1999 Academic Press

INTRODUCTION

For many goods and services market clearing prices are characterized by a “zone of indeterminacy” (Rees, 1993). In these cases, outcomes are influenced by both market forces and negotiations. Consequently, some people will pay more or receive less for the same goods and services. For example, similar job

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Address correspondence and reprint requests to Maurice Schweitzer, 1300 SH-DH, OPIM, Wharton School, University of Pennsylvania, Philadelphia, PA 19104. Fax: 215-898-3664. E-mail: maurice@grace.wharton.upenn.edu.

candidates may be offered different salaries to perform the same work. Some of these differences may result from individual differences in negotiation skill. Other differences however, may result from attributes or characteristics of the parties that influence the bargaining process. In this paper, we explore the influence of physical attractiveness and gender on bargaining behavior. Prior work has identified a “beauty premium,” “plainness penalty” (Hammermesh & Biddle, 1994) and a persistent gender gap (Goldin, 1990) in wages, but the cause of these differences is not fully understood. Previous work has not determined whether less attractive people and women demand less, are treated differently, or both. We disentangle these effects and explore the influence of physical appearance on bargaining in an experimental setting using the ultimatum game.

The ultimatum game is a stylized bargaining situation that has been used to examine a broad range of behaviors (see Thaler, 1988; Roth, 1995; and Camerer & Thaler, 1995, for a review). In its simplest form, one player, the Proposer, proposes an allocation of a fixed sum of money, and the second player, the Responder, either accepts or rejects the proposal. If the proposal is accepted, the money is divided according to the proposal. If the proposal is rejected, both players receive nothing.

The subgame-perfect equilibrium for this game is straightforward. Proposers should offer the smallest amount of money possible, and Responders should accept this (or any positive) amount. Actual outcomes, however, rarely match this theoretical solution. Proposers typically offer close to half of the total pie, and even these offers are rejected about 10% of the time. When Proposers offer 20% of the total pie, Responders reject this amount about 50% of the time (Camerer, 1999).

The ultimatum game can be played according to the game method or the strategy method. According to the game method, the Proposer makes an offer, and then the Responder observes this offer and decides whether to accept or reject the offer. If the Responder accepts the offer, the money is divided according to the proposal. If the Responder rejects the offer, both players earn nothing. According to the strategy method, both players make decisions simultaneously. The key difference is that the Responder records a minimum acceptable level prior to observing the Proposer’s offer. If the Proposer’s offer equals or exceeds the Responder’s minimum acceptable offer, the offer is accepted and the money is divided according to the proposal. Otherwise the offer is rejected and both players earn nothing.

We report results from an ultimatum game experiment that involved attractive and unattractive men and women. In the first stage of the experiment, 70 subjects made ultimatum decisions and were photographed. In the second stage, a panel of 20 judges rated the attractiveness of the photographed subjects. The most and least attractive men and women were then selected and randomly ordered into photo books. In the third stage, 108 subjects viewed the photographs and made ultimatum game decisions that were resolved by pairing their decisions with those of the photographed subjects.

This experimental environment enabled us to disentangle important aspects

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