

The Generosity Game

Werner Güth[♣] M. Vittoria Levati[♣] Matteo Ploner[◇]

[♣]*Max Planck Institute of Economics, Strategic Interaction Group, Jena, Germany*

[◇]*CEEL, University of Trento, Italy*

May 25, 2009

Brief Description

We experimentally investigate behavior in a novel interaction setting called the Generosity Game. In the sequential game the first-mover has to define the size of the endowment p that she is going to share with another player. The earnings of the first-mover are independent of the size of the endowment and equal to a constant x . The earnings of the other player are equal to $p - x$. Thus, in the Generosity Game, differently than in other games extensively investigated in the literature, there is no trade off between the payoff of the first-mover and that of the second player. The minimum size of the endowment is always equal to $x + 1$, while the maximum size of the endowment is experimentally manipulated over three distinct levels. In addition, two distinct conditions are investigated. In a Dictator Game-like condition the first-mover sets p and the second player is given the residual amount $p - x$. In a Ultimatum Game-like condition the second player has to decide whether to accept the proposal about the size of p made by the first-mover. If the proposal is rejected, both players earn nothing. Given the absence of a trade-off in the payoffs of the two players, the solution of the game, actually the first-mover behavior, is indeterminate under (commonly known) material opportunism. However, distinct social preference types are expected to follow distinct behavioral patterns and this is evaluated against data collected.

To summarize our findings: i) the mode of the distribution of first-mover offers is registered in correspondence to the largest size of the endowment, for

each experimental condition. ii) Offers in the UG- and DG-like conditions differ only when the maximum size of the endowment is smaller than $2x$; this is likely to originate in a discrepancy between “allocational” and “strategical” considerations that is registered only in this condition. iii) The maximum size of the endowment seems to affect choices of the first-mover beyond what predicted under the assumption of independence of irrelevant alternatives. iv) Overall, the majority of players in the experiment are efficiency concerned, followed by a large number of inequity averse, and a few competitive.