

Chapter III

Experiment

3.1 The experimental study

The research will be based on an experiment, the Ultimatum Game experiment is of course inevitable. An extended interview will perform prior to the real Ultimatum Game (money involved game) to assess stated preferences on the ultimatum game and general attitudes towards reciprocation and risk taking.

The experiment will be performed not only on the test of Figure 1-1 and Figure 1-2 choices, but also with students from different faculties in Chiang Mai University. Including both regular students and professionals who are taking weekend lectures. Very few of the interviewees will be Non-Thai travelers, businessmen, or students from different universities. “Somehow by keeping anonymity has found to have no significant effect.” [Charness & Gneezy JEBO 2008, Berger et al, CCSS working paper 2008]. Nonetheless an anonymous design could at best expectation to increase the already anomalous high acceptance rates we found, we are not aware of findings that lifting anonymity will increase acceptance rates.

As long as we'd like to keep authentic emotions. The ultimatum game will be personally explained to each participant to make sure the perfect understanding. A completely abstract representation in terms of decision trees will alleviate offer rejection [Stahl & Haruvy, Games and Economic Behavior 2008] for keeping the data a muck higher verity.

Before the real game (money evolved game), the participants will evaluate the two forms of the ultimatum game from Figure 1-1 and Figure 1-2 for both roles of players. They are asked for their choice in a hypothetical role of a proposer and for both alternatives if they would accept if in the role of a responder and how fair they consider the offer (on a 5 point Likert Scale). Figure 1-1 allowing for both a perfectly equitable share and an 80:20 offer (Figure 1-1 was considered first. Afterwards the participants were confronted with a situation in which the same 80:20 offer was given if only a more unequal 100:0 offer was possible.) Thus the participants may aware of the fact that their acceptance decisions could depend on the presence of other alternatives. We can therefore regard the participants as informed deciders. Moreover, the following questions (on a 5 point Likert Scale) were asked about the evaluation of the 80:20 offer in the hypothetical role of the responder when it is the fairest choice available.

For instance the following questions will be asked:

- I think the 80/20 offer is fair, since this is the best offer he could make
- I think the proposer deserves the 80\$
- I am happy to keep at least 20\$ out of hundred
- Will you feel envy for the responder to get 80\$?
- What will be the most likely reason for you to turn down the deal?

Unfairness or the offer is lower than my expectation or envy or other unpleasant feelings.

Because this research is going to focus on finding any element that may possibly change the behavior of people, such as the value of Fairness, Envy, etc; these kinds of questions are simply lifting the definition to evaluate one's actions and motivations. Then after studying and analyzing of these aspects and elements of one's choices, it is available to provide more precise elements to build up somewhat more accurate models or even theories.

The personal data also brought some aspects for instance:

- Age
- Marital status
- Religion
- Employment status
- Occupation
- Education
- Income level
- Household size and structure

For which in this research, we found that only the income level is seemly relatively affective for the outcome of the experiment. Since someone is getting very wealthy, she will be less care for earning small amount of money and start acting generous. Since this experiment is based on different groups of students in the university, so that most regular university students with no payment are most likely to be greedier and more narrow-minded than weekend session students with payment. It's actually not difficult to comprehend.

The personal evaluation section is based on the five-point-likert-scale questions, the following questions are examples:

- My religion or disbelief is important for me
- Religion makes people thinking more benevolent of others
- Benevolence to others is an important value for me
- Fairness is an important value for me
- Equality is an important value for me
- I sometimes envy other people
- I complain when I feel treated unfairly
- Overall happiness
- Overall security

For these questions of personal evaluation some elements that had been predicted was failed, such as envy, religion and satisfaction to life. Anyway religion may not be count since the experimental survey is somehow within homogeneous group of interviewees (most of the interviewees are Thai and for most Thai people their typical religion are apparently Buddhism). Nonetheless two of the predicted elements are still available, benevolence and stated fairness.

No matter one person is rich or poor, she will still behave benevolent to the close related persons; somehow this kind of benevolent motion is not simply generous, because it's not brought by sympathy and it's not only give but also assistance and being friendly.

As for the fairness aspect, most people usually think about absolute fair while they determine what's fair and what's unfair. Absolute fairness is easy to

understand, it means to share everything equally or/and treat everyone the same. However somewhat in reality the absolute fair is not always available, thus we may start to think about stated fairness, which is seemly to be “much fairer” in the real world. It can be known as relatively fair, for example “the choice NO.2 in figure 1-2” can be seen as fair in that case, thus people may start to think about taking something rather than nothing.

Herein lies the answer, these two factors are definitely most affective for changing one’s behavior.

In the experimental there are also a set of questions about the risk attitude of interviewees. Such as:

- I buy lottery tickets very often
- I like to gamble
- I do not gamble for high stakes
- If I lose in gamble, I am ready to double the stake to make up my losses
- Before I gamble I set a maximum loss after which I stop
- General taking risk can generate a better pay-off
- In investments, I look for a low risk portfolio
- I often buy equities of a single firm expecting them to rise
- I am careful in taking credits since I fear losing my job or salary cut
- I am easily satisfied monetarily
- I regularly buy a first-class insurance for my car
- I always have insurance for my house/ apartment
- I feel uncomfortable without insurances

At this point of study there is only one question “Before I gamble I set a maximum loss after which I stop” which had significant impact of one’s choices. It is quite straight forward to see that if one is usually have a limit in gamble that one shall also have quite backward-looking conservative actions while she is participating the money involved Ultimatum Game to avoid any kind of rejection and/or losing.

This is how people behave in the risk aversion aspect. If someone is able to set a maximum amount of loss, then one is usually more rational than whoever doesn’t have the kind of limit; thus one with a limit is usually cautious with the winning and losing. As long as one is keep on playing this game, one usually has some money left in hand to start again..

3.2 Setting of the “real Ultimatum Game”

This part of the game had been carried through in Chiang Mai University, there are 100 interviewees in total and they are also including both regular students and professionals who are taking weekend lectures. Very few of the interviewees will be Non-Thai travelers, businessmen, or students from different universities. Before the real interview was spread there are 20 pre-surveys had been spread out to assure the accuracy and validity of the survey.

Since some of the interviewees had a little difficulties to understand part of questions in the survey, the game was explained to each of the interviewees face to face. After better explanations they can be familiar with the UG experiment logic and able to provide valid data.

For this part of the experiment the following contents were shown in the survey paper:

“The Ultimatum Game is known as the proposer side and the responder side bargain over division for achieving the ultimate optimal choice, for example a sum of money division. However the responder is always able to make a decision whether to accept or reject the offer. If the responder accepts then the money is divided between the players according to the proposer’s offer, but if the responder rejects neither player can get anything.

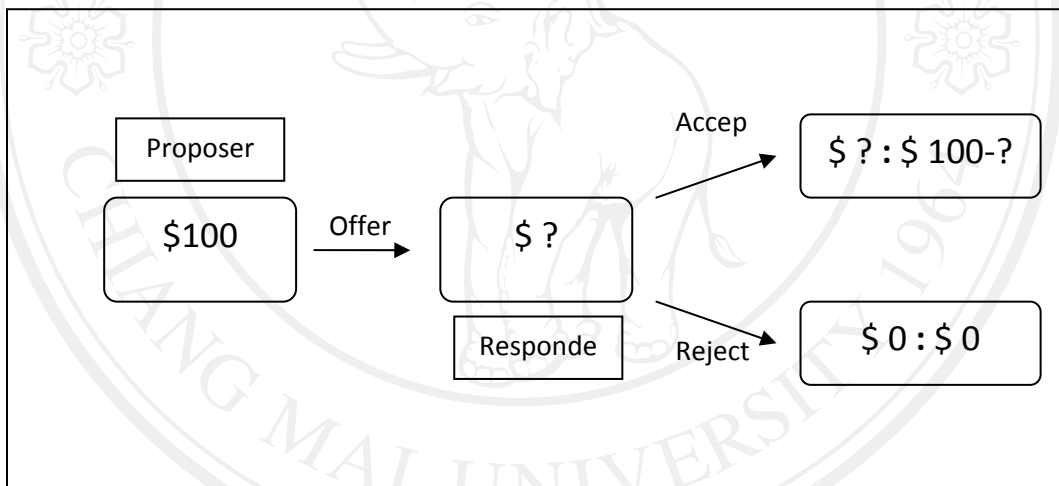


Figure 3-1 The Figure in Survey Study

I am the _____ Proposer

Responder

As proposer:

I am offering _____ Baht to the responder.

I think it is a _____ (Fair/Unfair) offer.

He/She _____ (Accepted/Rejected) my offer.

- If a stranger is going to share \$100 with you, as a responder how much will you expect to receive?

From \$ 0 to \$ 100, what is the least amount that you are able to accept?

As responder:

I am been offered _____ Baht from the proposer.

I think it is a _____ (Fair/Unfair) offer.

I _____ (Accepted/Rejected) his/her offer.

- What if you will have to share \$100 as a proposer how much would you like to share with him/her?

From \$ 0 to \$ 100, what is the least amount that you are able to accept?"

This part of the experiment is aiming to find out the different behavior between theoretical and empirical for a same problem and same person. We are also looking forward to build a precise chart graph about the different behavior of people in different views. Generally the chart will be constructed by four different aspects which are “theoretical acceptance, fairness rate, WTA (willingness to accept) and the real acceptance rate”. By studying the literatures it’s easy to get the theoretical acceptance, and also to make a simple prediction; then the theoretical experimental survey will give us an essential view of the WTA. As long as we are going to build the comparable aspects of fairness rate and real acceptance, the real Ultimatum Game

(money involved game) is inevitable. The proposer and the responder will be also separately studied to make sure whether

At the very beginning of the real money involved experiment, as usual the interviewees were either taken the role of the proposer or the role of the responder. In the real money ultimatum game, there are two different amount of stake; it is either 100 or 200 Bath. The role will be determined by flipping a coin and it is much fairer and more natural in this point. After performing the game, additional questions on the motives of the decision will be asked.

First part of the whole interview is the theoretic Ultimatum Game, and there is no money involved, so as far as no money involved most of the interviewees were stayed in a simple mind and doing surveys rather like exam papers, after they'd been told that the money's real for the second part of the experiment, they are start to act much more serious, rational and optimistic.