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Incorporating fairness motives into the Impulse Balance Equilibrium and Quantal Response Equilibrium concepts: an application to 2x2 games

Abstract. Substantial evidence has accumulated in recent empirical works on the limited ability of the Nash equilibrium to rationalize observed behavior in many classes of games played by experimental subjects. This realization has led to several attempts aimed at finding tractable equilibrium concepts which perform better empirically; one such example is the impulse balance equilibrium [Selten, Chmura, 2008], which introduces a psychological reference point to which players compare the available payoff allocations. This paper is concerned with advancing a new, empirically sound, concept that introduces a distributive reference point to established stationary equilibrium concepts such as impulse balance and quantal response.

JEL classification: C72, C91, D01, D63

Keywords: Fairness, Inequity aversion, Aspiration level, Impulse balance, Quantal Response; Behavioral economics, Experimental economics, Jackknife estimator