"Social Image and the 50-50 Norm: A Theoretical and Experimental Analysis of Audience Effects"

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Abstract
A norm of 50-50 division appear to have considerable force in a wide range of economic environments, both in the real world and in the laboratory. Even in settings where one party unilaterally determines the allocation of a prize (the dictator game), many subjects voluntarily cede exactly half to another individual. The hypothesis that people care about fairness does not by itself account for key experimental patterns -- for example, that there is frequently a gap in the distribution of transfers just below 50%, or that the frequency of 50-50 splits is sensitive to observability and social distance. We consider an alternative explanation, which adds the hypothesis that people like to be perceived as fair. The properties of equilibria for the resulting signaling game correspond closely to laboratory observations. The theory has additional testable implications, and we confirm the validity of these implications through new experiments.