Abstract

Models of inequity aversion and fairness have dominated the behavioral economics landscape in the last decade. This study gathers data from 240 subjects exposed to variants of two of the major experimental games—dictator and trust—that are employed to provide important empirical content to these models. With a set of simple laboratory treatments that focus on a manipulation of an important feature of real markets, competition over resources, we show that extant behavioral models are unable to explain data drawn from realistic manipulations of either game. Our empirical results highlight that if placed in an environment wherein socially acceptable actions provide one person with a greater portion of the rents, people will put forth extra effort to secure those rents, to the detriment of the other player. In this manner, when one can earn more than the other player through actions deemed customary, people reveal a preference for *equity* aversion, not inequity aversion. We propose an alternative modeling approach that can explain these data as well as accommodate other major data patterns observed in the experimental literature.