

# Fairness judgments in household decision making

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## Abstract

The behavioral economic study of fairness was applied to household decision making. A sample of household partners judged the fairness of a number of hypothetical decisions of a household partner, varying in the context of the decision. Decisions made by the partner to make a large personal expenditure or to reduce time spent on household chores were considered by the subjects as more fair if the outcome was framed as a forgone gain than if it was framed as a straight loss. Partners' decisions to reduce household chores were also considered as more fair in the case of overtime work than when the partner received a salary increase or windfall income. We conclude that asymmetric valuation of losses and forgone gains, and (behavioral) costs as compared with income increase of the partner, influenced the fairness judgments concerning the partner's behavior.

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## 1. Introduction

Household decision making frequently deals with spending money and dividing labor. The partners' competition for these scarce resources may result in conflicts regarding the choices made. Kirchler (1993) distinguishes three types of marital conflicts in the area of consumption: (1) probability conflicts, occurring if spouses agree about the utility of a product but disagree about the quality of various product alternatives, (2) value conflicts, occurring if the partners have different preferences for the exact type of choice alternative but agree on spending resources on the particular item, and (3) distributional conflicts, arising if the partners disagree about the allocation of common household resources. Fairness considerations seem to be most relevant in the case of distributional conflicts between household partners (Kirchler, Rodler, Hölzl, & Meier, 2001).

Most studies of fairness in household decision making deal with the division of paid labor and household chores (e.g., Blair & Johnson, 1992; Kluwer, 1998; Mikula, Freudenthaler, Brennacher-Kröll, & Shiller-Brandl, 1997), studying both the antecedents and consequences of (un)fairness. Neither the actual division of labor nor family characteristics seem to explain much of the variation in fairness judgments, although cognitions about household labor appear to be more successful in this respect (Mikula, 1998). A consequence of perceived fairness in households is marital satisfaction (Wilkie, Ferree, & Ratcliff, 1998), which in turn affects global well-being (Argyle, 1999; Myers, 1999). Maassen van den Brink (1994) found that the more the actual labor division differed from the desired division, the less fair the actual division was evaluated, pointing to a relationship between fairness and preference.

Except for household decision making, fairness has become a concept of interest in the study of market transactions (Kahneman, Knetsch, & Thaler, 1986a, 1986b;<sup>1</sup> Bolton, Warlop, & Alba, 2003), social policy (Rawls, 1971), and game theory (Fehr & Schmidt, 1999; Rabin, 1993). In general, it appears that fairness considerations tend to influence the acceptability of economic outcomes. Although Kaplow and Shavell (2003) argue that social policy should be based on well-being exclusively, they admit that fairness can influence well-being. Also, fair outcomes are preferred in games where a fixed sum has to be divided (Camerer & Thaler, 1995; Charness & Rabin, 2002).

The psychological and sociological studies mentioned above mainly use fairness evaluations of naturally occurring situations within households, elicited by means of interviews or diaries. Instead, the economic studies frequently use manipulated experimental situations or constructed scenarios involving conflict. Since the latter methodology uses standardized stimuli rather than highly heterogeneous stimuli, it may have more power in revealing determinants of fairness in the process of decision making and conflict resolution. In addition, the economic studies, notably KKT, offer several systematic ways in which conflicting parties evaluate fairness.

Rather than studying the effect of household decisions on utility and well-being directly, we are interested in how aspects of one partner's household decision affect

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<sup>1</sup> We refer to these references as KKT.

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