Fairness and Ethics in Decision Making

Chapter 8
I. Bounded Ethicality
Analogue to bounded rationality: violation of preferred rules
I. Bounded Ethicality

- Over-claiming Credit
- In-Group Favoritism
- Discounting the Future
- Implicit Prejudices
- Conflicts of Interest
- Indirect Action
II. Perceptions of Fairness
II. Perceptions of fairness

Judgments of Fairness in the Marketplace

*Fairness considerations can dominate economically rational choices in decision making.*

*Example:* Owner of a hardware store has 25 remaining shovels after a blizzard. What should she charge?

- Short term: economically rational decision is to raise price
- Long term: customers’ concern for fairness might affect future business
II. Perceptions of fairness

Heuristics Affecting Perception of Fairness

- Anchoring
- Status Quo Bias
- Framing
Ultimatum Game

**Player 1**: Suggests allocation of the money

**Player 2**: Decides whether to take or leave the deal.

I. Perceptions of fairness