

Abstract

This thesis focuses on testing of game theoretical predictions in the ultimatum game by means of controlled experiments. This game has become one of the most scrutinized games from the area of bargaining game theory. The theoretical division of the reward, which the players bargain over, is such that one player gets virtually all the reward while the second player is left with nothing. Because of such an extreme division of the reward, the game represents a severe test for the theory. In fact, experimental results do not confirm to the theory. This thesis provides a survey of the experimental studies investigating different aspects that may affect the subjects' behavior in the game. Furthermore, some possible explanations for why the theoretical solution is not observed to be played by the subjects in the laboratory are presented. I show several new models, which try to capture the real nature of the subjects' behavior in the game. I also focus on the proposers' behavior from the income-maximizing point of view if the distribution of the responder's minimum acceptance thresholds is known to them. Outline of a new experiment examining such behavior is then presented.