



Common identity and the voluntary provision of public goods: An experimental investigation



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ABSTRACT

We conduct a framed field experiment in two Dallas neighborhoods to examine how common identity affects individual contributions to local public goods. The participants' common identity is primed to make neighborhood membership salient before individuals make donations to local non-profit organizations. We find that the identity treatment is sensitive to community context. It decreases the likelihood of giving in the struggling, poor neighborhood, but its impact is positive, *albeit* statistically insignificant, in the low-to middle-income neighborhood. In addition, the identity treatment triggers participants' perceptions or memories of experiences with their communities which in turn lead to the treatment differences across the two communities. Our findings reveal the limitations on the power of common group identity in influencing individual economic decision making, which has been largely overlooked in the literature.

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1. Introduction

Since Akerlof and Kranton (2000) first incorporated the concept of social identity into economic modeling, a growing volume of empirical and experimental research has investigated the impact of identity on behavior. This research has focused primarily either on artificially-created group identity in the laboratory (Eckel and Grossman 2005; Chen and Li 2009; Chen and Chen 2011), or on naturally-occurring aspects of identity; the latter can be further distinguished by whether identity is static – that is, tied to individual characteristics such as race (Benjamin et al., 2010), gender (Charness et al., 2007; Charness and Rustichini 2011) and caste (Hoff and Pandey, 2006) or changeable, as is the case with membership in social groups. While considerable research has addressed artificially-induced or fixed identity, less attention has been given to the class of naturally existing identities associated with social groups such as corporations, churches or communities. Different from race, gender and caste groups, these social groups exist in large numbers in society, and their cultures and norms are more fluid and dynamic.

Within a group, cooperation can be promoted and the free rider problem mitigated by reinforcing a common identity. In corporations, for example, various team-building exercises are used to create a common identity among employees from

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different backgrounds, to promote more effective teamwork and higher overall productivity (e.g. Ball, 1998). In religious environments strong group identity may lead to greater participation in religious activities and greater adherence to religious prescriptions in day-to-day life. For example, strong religious identity increases Protestants' contributions to public goods (Benjamin et al., 2016).¹

However, common identities associated with social groups may not always carry positive connotations. Morale may be depressed after layoffs, and clashes of corporate cultures may make mergers ineffective (as demonstrated by Weber and Camerer 2003). Changes in religious leadership or changes in how services are conducted may alienate portions of the faithful. Communities may be high in crime or gang activity, alienating some group members. Sometimes individuals may choose to withdraw from these groups or communities, but in many cases they may have few alternatives. In poor economic conditions it is difficult to change jobs; family and social networks make it costly to change religious organizations; and those in unsavory neighborhoods may not have the resources necessary to move. Our society comprises many of these social groups, and their associated common identities carry widely different connotations. Moreover, the impact of negative connotations on individual economic decisions is understudied in the literature (with few exceptions such as Benjamin et al., 2016). While identities with negative connotations have been shown to harm education and productivity (as in stereotype threat, e.g., the seminal work by Steele and Aronson 1995, and the meta-analysis by Nguyen and Ryan 2008), this literature does not focus on giving or cooperation. Previous work examining identity and giving has ignored the possibility and has focused on the benefits of using identity to increase cooperation (e.g., Wit and Kerr, 2002; Buchan et al., 2011). We bridge this gap.

Specifically, we investigate whether and how common community identity (being a member of their neighborhood) influences individual contributions to local charitable organizations that serve their communities. We focus on two neighborhoods in Dallas, TX: Fair Park, a low-income, predominantly African-American neighborhood, and East Plano, a low- to middle-income neighborhood with a more mixed ethnic representation. In each neighborhood, we randomly select about half of our participants and introduce a common identity prime, a method widely used in psychology, which enhances the salience of these local residents' shared community identity. We then compare their choices in a series of real donation experiments with those in the control treatment from the *same* neighborhood. We study how the common identity treatment affects contributions to local public goods and how this impact of identity salience may depend upon the social image associated with the community identity of that neighborhood.

We find that the common identity treatment influences participants' likelihood of contributing to local public goods, but that the direction of the impact is sensitive to the community context. In particular, we demonstrate that when the primed common identity has positive connotations (confirmed via surveys), the likelihood of giving is increased, *albeit* insignificantly, compared to the control treatment in this neighborhood. However, if the primed common identity has negative connotations, the likelihood of contributing decreases compared to the control treatment in this neighborhood. In addition, a difference-in-difference approach indicates that the impact of the identity salience on participants' likelihood of giving is significantly greater in the first neighborhood than in the second. Last but not the least, the identity treatment triggers participants' perceptions or memories of experiences with their communities which in turn lead to the treatment differences across the two communities.

This study extends the literature by illustrating how common identity works in different social environments, presenting a direct contrast between one community with moderately positive connotations (a low- to middle-income but up-and-coming community) and another with negative connotations (a struggling lower-income community). Compared to other studies in economics and psychology which highlight the positive influence of common identity, this study provides a more balanced and comprehensive perspective to understanding the influence of common identity. It also underscores the importance of understanding the broader context before implementing a policy to enhance common identity in organizations or communities.

As part of a large-scale field study, this paper differs from the other four companion papers including Leonard et al. (2010), de Oliveira et al. (2011, 2012), Candelo-Londono et al. (2017). Leonard et al. (2010) focus on the impact of one's connections in social network on *self-reported* charitable giving and trust; de Oliveira et al. (2011) on giving types; de Oliveira et al. (2012) on stability of preferences. None of these studies are related to social identity. This paper is one of the two studies (the other is Candelo-Londono et al., 2017) which investigate the impact of identity on giving, but the only one that uses the priming approach. Candelo-Londono et al. (2017) exclusively focuses on the impact of social exclusion on giving by low-income Hispanics from *three* neighborhoods (including a traditional Hispanic enclave), with individual identity as a control variable in the analysis. In their paper, identity is *not* primed. Instead, it is elicited through a post-experimental survey. In contrast, this paper includes all participants – primarily African Americans in the Fair Park and a diverse sample in East Plano, uses the variations in identity generated by the priming approach, and does not study social exclusion.²

We now turn to a discussion of the previous literature in Section 2. Section 3 introduces a theoretical framework to demonstrate how the identity prime may affect behavior. Section 4 presents the experimental design. Section 5 presents

¹ Even without self-selection of members, social groups can increase cooperation: for example, in a study using Swiss Army officer trainees, Goette et al. (2006) show that random assignment significantly increases willingness to cooperate with fellow platoon members.

² Table A.1 in the Appendix outlines the main differences of these four papers including the main research questions, methodologies, findings and the dataset being used.

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