



Identity, homophily and in-group bias

Sergio Currarini^{a,b,*}, Friederike Mengel^{c,d}

^a University of Leicester, United Kingdom

^b New Economic School, Moscow, Russia

^c Department of Economics, University of Essex, Wivenhoe Park, Colchester CO4 3SQ, United Kingdom

^d Department of Economics (AE1), Maastricht University, PO Box 616, 6200 MD Maastricht, The Netherlands



ARTICLE INFO

Available online 10 March 2016

JEL classification:

D03
D01
C91
C92
C7

Keywords:

In-group bias
Homophily
Endogenous matching
Experiments
Discrimination

ABSTRACT

Many instances of social interaction display either or both of the following well-documented phenomena. People tend to interact with similar others (*homophily*). They also tend to treat others of shared social identity more favorably (*in-group bias*). While both phenomena involve some degree of discrimination towards others, a systematic study of their relations and interplay is yet missing. In this paper we report the findings of an experiment designed to address this issue. Participants are exogenously and randomly assigned to one of two groups. Subsequently they play a sequence of eight games with either an in-group or an out-group member. In treatment EXO in- and out-group matches are formed exogenously, while in ENDO participants can choose between in- and out-group matches. We find strong evidence of in-group bias in EXO, and strong evidence of homophily in ENDO. In-group biases, however, either decrease or disappear altogether under endogenous matching. We show that self-selection of homophilous agents into in-group matches cannot explain this fact. We also find that homophily is strongly correlated with risk aversion, and we build on this evidence to derive a rationale for both the existence of homophily and the disappearance of in-group biases under endogenous matching.

© 2016 Elsevier B.V. All rights reserved.

1. Introduction

Socio-economic discrimination refers to the widespread influence of various dimensions of people's identity on their choices and socio-economic opportunities. Depending on the context, discrimination may affect either the formation of social contacts, or the way in which people treat their counterparts in economic transactions, or both. *Homophily* – the tendency of people to interact with similar others – is a well-documented feature of most social networks, and is present along many dimensions of similarity (such as ethnicity, gender, and religious views) and typologies of social ties (from the intimate relations of friendship and marriage to business collaborations and everyday interactions). *In-group bias* – the tendency to treat others more favorably if they are perceived to belong to the same group – has been well-documented in social identity research both in Social Psychology and more recently in Economics. Both phenomena have important welfare consequences, and the range of related policy issues includes the discussion about “parallel societies” (sex-) segregated

* Corresponding author.

E-mail addresses: sc526@le.ac.uk (S. Currarini), fr.mengel@gmail.com (F. Mengel).

¹ This author wishes to acknowledge the support of the Ministry of Education and Science of the Russian Federation, grant No. 14.U04.31.0002, administered through the NES CSDSI.

education, the costs and benefits of cultural diversity, the management of ethnic conflicts and the design of fair and efficient matching institutions among many others.

Despite the fact that both homophily and in-group bias reflect some degree of discrimination towards others, a systematic joint analysis of these phenomena and of their interplay is yet missing. The segregation of social contacts implied by homophily may both affect and be affected by discrimination in economic transactions. Homophily might for example originate from a rational reaction to the expectation of preferential treatment from the opponent, i.e. to the anticipation of in-group biases. Hence homophily might be a consequence of in-group biases. On the other hand, by affecting the patterns of interaction in favour of homogeneous contacts, homophily may also affect agents' behaviour and in-group bias.

In this paper we study homophily and in-group bias in a controlled laboratory experiment. Participants are randomly assigned to one of two groups, called the RED group and the BLUE group, with no further identity enhancing activity. We adopt, hence, what is called the “near-minimal” group design paradigm (see Tajfel et al., 1979 and the literature cited below). Choosing such an arbitrary assignment to minimal groups reduces the possibility that stereotypes' or prejudices' participants may have about specific identities, such as gender, ethnicity or religion are triggered in the experiment. Everything participants know about the participant(s) they interact with in the experiment is whether s/he is from the RED or BLUE group.

Most of our results come from the analysis of two treatments, that differ in the adopted matching institution: EXO, in which participants are matched according to a colour-blind uniform random process, and ENDO, in which participants are allowed us to affect their probability of being matched with RED and BLUE types (see below for details). After matching has occurred, in both EXO and ENDO participants play a series of 8 games designed to elicit their degree of altruism, positive reciprocity and negative reciprocity.²

In treatment ENDO homophily is measured by the willingness of participants to be matched with opponents from the same RED/BLUE group. We elicit two measures of homophily. First we ask for a (non-incentivised) expression of preference for a RED or BLUE match. Second, we elicit participants' willingness to pay (*wtp*) for an in-group (or out-group) match.³ Participants are then matched according to their *wtp*, such that agents with a higher *wtp* for an in-group (out-group) match are more likely to be matched with in-group (out-group) opponents. Afterwards we let participants play the 8 games.

We find evidence of pervasive *homophily* even in our minimal setting. About 45% of participants in treatment ENDO indicate a strictly positive *wtp* for an in-group match and 70% indicate a (weak) preference for an in-group match. We also record significant *in-group bias* in the EXO treatment. Participants are about 34% *more* likely to reward an in-group match, but 39% *less* likely to punish an in-group match compared to out-group matches.

However, while we find substantial in-group biases in EXO, in-group biases either decrease or vanish altogether in the ENDO treatment. More precisely, while in EXO participants are 34% more likely to act positively reciprocal and 39% less likely to act negatively reciprocal in in-group matches compared to out-group matches, there is no statistically significant difference between the two in ENDO. This evidence leads to a first key insight: to the extent that participants' expectations are correct, homophily cannot stem from strategic anticipation of in-group bias. This is also confirmed by a comparison of levels of homophily in ENDO with two benchmark treatments, one with no scope for in-group bias and a second with substantial scope for in-group bias. We find no significant difference with the first, and significantly lower levels of homophily in ENDO compared to the second.

The substantial reduction of in-group bias in the ENDO treatment provides a second insight: the nature of the matching institution affects the degree of discrimination in economic transactions. In particular, when homophily is allowed us to shape the patterns of social interaction, less in-group bias (on average) obtains as a result. We show that self-selection of homophilous agents into in-group matches cannot, by itself, explain the observed decrease from EXO to ENDO. Some shift in behaviour must have therefore occurred in response to the change in the matching institution. Somewhat surprisingly, all this suggests that while homophily does not result from expected in-group bias, the amount of realised in-group bias depends on whether homophily has a “playing field”.

But if not the expectation of preferential treatment, what causes homophily in our experiment? One possible clue might lie in the evidence we gathered in our post-play questionnaire on risk attitudes, cognitive abilities, gender, age and nationality. In particular we found that homophily is positively correlated with a (non-incentivised) measure of risk aversion, but not with any of the other measures elicited. In an online questionnaire posted on Amazon Mechanical Turk we then reproduced this finding. Respondents who are less willing to take risks tend to be more homophilous. These findings echo recent sociological theories, which interpret homophily as a way to reduce subjective uncertainty (Hogg, 2000).⁴

There is a final, somewhat provoking, message coming out of our exercise. Even though more homophily would probably lead to more discrimination (in-group bias) “for any given matching institution”, letting agents decide about their match (moving from exogenous to endogenous matching) decreases aggregate discrimination. In particular, letting agents to be in control of their own economic relations has two opposite effects on social structure and economic outcomes: the degree of segregation (measured by the share of in-group interactions) will increase due to homophily but, at the same time, social discrimination (measured by in-group bias) may decrease due to a combination of self-selection and changed individual

² We use variants of some of the games described in Charness and Rabin (2002).

³ In the experiment we never use the terms in-group or out-group, but only the RED and BLUE group.

⁴ Shifting the focus on risk attitudes as the primitive source of homophily requires some rationale for agents to perceive in-group interaction as less uncertain. We discuss possible explanations in detail below.

Download English Version:

<https://daneshyari.com/en/article/5066401>

Download Persian Version:

<https://daneshyari.com/article/5066401>

[Daneshyari.com](https://daneshyari.com)