



Discrimination, social identity, and coordination: An experiment



Vessela Daskalova

Toulouse School of Economics, Institute for Advanced Study in Toulouse, University of Toulouse Capitole, 21 Allée de Brienne, 31015 Toulouse Cedex 6, France

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ABSTRACT

This paper presents an experiment investigating whether decision makers discriminate between members of their own group and members of another group. I focus on two aspects of this question: First, I compare behavior in individual and in joint decisions; Second, I test whether the identity of the co-decision maker matters in joint decisions. Substantial own group favoritism occurs in joint decisions in spite of there being no such favoritism in individual decisions. Decision makers strongly favor own group candidates when deciding with someone from their own group, but not when deciding with someone from the other group. The study suggests that higher-order beliefs about co-decision maker behavior may be a factor behind discrimination in collective settings and that diversity in committees might be helpful in counteracting own group favoritism.

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1. Introduction

The study of when discrimination arises and why has a rich tradition in economics. Theoretical models of discrimination usually focus on a situation in which a single person makes decisions.¹ However, in many situations it is groups rather than individuals who make decisions. Examples include hiring, promotion, and examination committees, as well as many more informal decision making situations. To enhance our understanding of discrimination it is therefore important to learn if people necessarily behave in the same way when making a decision alone and when having to coordinate their decision with someone else. A further question of interest and of relevance for the debate on diversity in committees is if the group identity of the co-decision maker may play a role for whether individuals discriminate in joint decisions. These are the two questions this paper addresses.

As it is difficult to find an environment where people make both individual and joint decisions with all else being equal, I designed and conducted a laboratory experiment to study behavior in the alternative set-ups discussed above without the influence of confounding factors. The focus of the experiment is on discrimination related to in- and out-group identity. That is, I consider whether and when decision makers discriminate between candidates belonging to their own group and

E-mail addresses: vessela.daskalova@iast.fr, vessela.daskalova@tse-fr.eu.

¹ E.g. Akerlof (1976), Arrow (1973), Bartoš et al. (2016), Becker (1957), Coate and Loury (1993), Fryer and Jackson (2008), Pęski and Szentes (2013), Phelps (1972). An exception is the recent paper by Ramachandran and Rauh (2014).

candidates belonging to another group. The decision makers had to make decisions about whether to assign a project to a candidate or not in a situation in which the outcome of the project was uncertain. There were two types of sessions – control sessions and identity sessions. In identity sessions participants were randomly divided into two groups, and each of these groups separately underwent a group identity building stage before proceeding to the hiring decisions.² That is, in identity sessions I created groups and induced group identities in the lab. In control sessions participants proceeded directly to the hiring decisions. Each decision maker in each session made some individual as well as some joint decisions. In joint decisions they had an incentive to coordinate their decisions with a co-decision maker. I systematically varied co-decision maker identity.

The first main finding is that while discrimination arises both in some individual and in joint decision making situations, the type of discrimination in the two settings differs. By comparing behavior in identity with behavior in control sessions, I can disentangle whether the differential treatment of own and other group candidates is due to positive treatment of the own group, or to negative treatment of the other group, or to both.³ I find that in individual decisions the discriminatory behavior (whenever occurring) is driven by negative treatment of the other group. In contrast, in joint decisions, even when deciding with someone from the own group, participants do not negatively discriminate against other group candidates. However, they do strongly favor own group candidates.

The second main finding is that co-decision maker identity plays a substantial role in joint decisions. Decision makers strongly favor own group candidates when deciding with someone from the own group while they show no significant difference in treatment of own and other group candidates when deciding with someone from the other group.

The contribution of this study is two-fold. On the one hand, it provides to the best of my knowledge first empirical evidence that people may discriminate differently in joint and in individual decision making situations and hence indicates that there could be reasons for discrimination in joint decisions additional to those captured in theories that focus on a single decision-maker. On the other hand, the study adds to the debate on the role of diversity in committees by investigating discrimination in collective decisions in a controlled setting. The finding that co-decision maker identity may play a role for whether discrimination arises even in a controlled environment suggests that concerns about all members of a decision making body being of the same group need not be unwarranted.

I discuss a number of potential explanations for why people may behave differently in individual and in joint decisions and why co-decision maker identity may matter. While this experiment was not specifically designed to disentangle among such explanations, a key argument that emerges is that beliefs (including higher-order beliefs) about co-decision maker behavior and/or about what is viewed as acceptable could influence the way individuals behave when they have an incentive to coordinate their decision with another person. In particular, expectations of favoritism can be self-fulfilling and can lead to positive discrimination in favor of the own group in joint decisions even if the individual decision makers do not positively discriminate in favor of the own group when deciding alone. Discrimination in joint decisions could thus arise even without tastes or stereotypes against particular groups. An interpretation of the findings is that to eradicate discrimination in collective decisions it is not sufficient to eradicate expectations of negative treatment against the other group. We would also need to eradicate expectations of own group favoritism. A further tentative implication of the findings is that diversity in committees could be helpful in eradicating own group favoritism when such favoritism is driven by beliefs about co-decision maker behavior.

The structure of the paper is as follows. In Section 2 I discuss related literature. Section 3 describes the experimental design and implementation. Section 4 details the hypotheses. Section 5 presents the analysis of the experimental data. In Section 6 I discuss the findings and consider potential explanations. Section 7 concludes.

2. Related literature

In this section I first discuss related literature on social identity and on discrimination. The aim here is not to give an overview of the extensive literature, but just to outline the most relevant strands. At the end I highlight the main aspects in which this paper complements the existing literature.

The role of social identity has been widely recognized and researched in various fields such as sociology, anthropology, social psychology, philosophy, history, and more recently in economics. Experimental findings from social psychology show that even when people are divided into two groups in the laboratory on the basis of something as unimportant as aesthetic preferences, and even when they expect no future interactions with one another, they discriminate between members of their own and members of the other group: i.e. they may overvalue the characteristics of in-group compared to those of out-group members; furthermore, when asked to allocate tokens between a member of their own and of the other group, they may give more to an in-group member than to an out-group member (Tajfel and Turner, 1979).⁴ Social Identity Theory provides an explanation for in-group favoritism (Tajfel, 1982; Tajfel and Turner, 1979): People are categorized and

² Throughout the paper I use the term hiring decisions as synonymous to project assignment decisions for simplicity of exposition.

³ There is positive discrimination in favor of the own group when the relative frequency of hiring of own group candidates in identity sessions is higher than the relative frequency of hiring of candidates in control sessions. There is negative discrimination against the other group when the relative frequency of hiring of other group candidates in identity sessions is lower than the relative frequency of hiring of candidates in control sessions.

⁴ For an overview of the literature in social psychology, see Brown (2000).

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