



Original

Can interaction be the primary focus of in-group biases?



David B. Johnson^a, Robert J. Oxoby^{b,c,*}

^a Department of Economics Marketing and Finance, University of Central Missouri, Warrensburg, Missouri, USA

^b Department of Economics, University of Calgary, Calgary, Canada

^c Social Interactions, Identity and Well-Being, Canadian Institute for Advanced Research, Calgary, Canada

ARTICLE INFO

Article history:

Received 10 December 2014

Accepted 14 February 2015

Available online 14 July 2015

JEL classification:

C9

D1

M5

Keywords:

Experiments

Identity

Happiness

ABSTRACT

We present an experiment to determine whether in-group favoritism is driven by (i) a desire to be more generous to in-group members or (ii) a desire to eschew interacting with out-group members. We use a simple ultimatum game in which our treatment variable is the costly choice to interact with an in-group member. Our results suggest that rather than behaving more generously when interacting with in-group or out-group members, individuals may simply prefer interacting with an in-group member. Surprisingly, this discrimination does not result in larger ultimatum game offers, but in proposers reporting higher levels of subjective happiness with their payoffs.

© 2014 INDEG/PROJECTOS- Inst. para o Desenvolvimento da Gestão Empresarial/Projectos. Published by Elsevier España, S.L.U. All rights reserved.

Introduction

Economists are increasingly exploring the role of social identity in motivating and constraining group interactions. As this research develops, we have found that social identity not only influences which individuals interact in social settings and how, but also that social identity affects market behavior. For example, consumers often prefer to purchase goods from local businesses than from less expensive chain stores, citing a desire to interact and support their community's members and organizations.¹ This type of community discrimination is of significant economic interest (e.g., Adams & Adams, 2008; Zepeda & Li, 2006) and has found its way into popular culture via documentaries such as *Walmart: the High Cost of Low Price* and popular media.²

An argument that is commonly used to motivate this behavior is that consumers identify with members of their social group (for example, locally owned firms, local consumers, and members of their own community), casting consumers' patronage of local

businesses as an act of in-group favoritism. This favoritism suggests that consumers are willing to incur higher costs in order to purchase from firms in their in-group. The current study explores this concept using an experiment to investigate whether the effects of identity are motivated by a preference to be more generous with in-group members or by a more fundamental preference to simply interact with in-group members. We explore this idea with a simple ultimatum game, in which our treatment variable revolves around letting proposers choose to pay a cost to guarantee interacting with an in-group member. Our results demonstrate that while outcomes among in-group and out-group pairs do not differ, proposers who are offered this choice are significantly happier than those not offered a choice with the outcomes of the game (conditional on their offer being accepted).

Numerous studies have identified ways in which social or group identity influence social interactions. For example, both Chen and Li (2009) and McLeish and Oxoby (2007) identified a strong in-group bias that causes individuals to behave more generously toward in-group members than out-group members, although this generosity can take different forms. For example, Chen and Li (2009) found that participants are more generous with in-group members than out-group members in offering larger sums in a redistribution game. On the other hand, participants in McLeish and Oxoby (2007) study had expectations of greater generosity from in-group members than out-group members, and engage in greater punishment when in-group members violated the tacit norms inherent in these

* Corresponding author.

E-mail address: oxoby@ucalgary.ca (R.J. Oxoby).

¹ Tice, Carol (2010) "New Study Shows What makes Shoppers Buy Local." Accessed on 10/2013 from: <http://www.entrepreneur.com/blog/218790>.

² "Something Walmart This Way Comes." South Park. Comedy Central. November 2004. Cable Television.

expectations. This type of behavior is also seen in the market place, where consumers chose to engage in transactions with members of their own in-group. [Morita and Servátka \(2013\)](#) found further evidence that in-group favoritism can solve the holdup problems. As such, one could imagine the various forms an in-group bias could take. For example, in a simple allocation game, one may be more generous toward in-group members (favoritism on the intensive margin) or display favoritism toward in-group members by choosing to interact with them more often (favoritism on the extensive margin). Our primary objective is to identify the extent to which in-group biases (motivated by a sense of group identity) are focused on favoring interactions with in-group members relative to being more generous to in-group members.

We posit that it is not necessarily expected that pecuniary favoritism (via greater generosity) will drive an individual's desire to interact with his or her own group. Rather, an individual may experience or expect a non-pecuniary benefit simply from the interaction with a member of his or her own group. As such, an individual may be willing to pay a non-trivial portion of his or her endowment to guarantee an own-group interaction. Such conjecture relies on the presence of an established group identity. This idea has been extensively explored with theory (e.g., [Akerlof & Kranton, 2000](#); [Benabou & Tirole, 2011](#); [Chen & Chen, 2011](#)) and with experiments (e.g., [Benjamin, Choi, & Strickland, 2007](#); [Bernhard, Fehr, & Fischbacher, 2006](#); [Brown-Kruse & Hummels, 1993](#); [Chen & Li, 2009](#); [Falk & Zehnder, 2013](#); [Goette, Huffman, & Meier, 2006](#); [Klor & Shayo, 2010](#); [Morita & Servátka, 2013](#)).

In our experiment, subjects participated in a group identity-building task, followed by an ultimatum game in which our treatment was the option to incur a cost to guarantee interaction with an individual from their in-group. At the conclusion of the ultimatum game, subjects were asked to rate how happy they are with their earnings. Consistent with [McLeish and Oxoby \(2007\)](#), but unlike [Morita and Servátka \(2013\)](#), we found that group identity has no significant effect on social behavior (here, larger ultimatum game offers). Instead, we found that nearly 70 percent of subjects were willing to pay in order to guarantee an interaction with a member of their group. Proposers who were given the option of an in-group match (treatment group), and had their offer accepted, reported being happier than proposers in a control group who also had their offer accepted. Moreover, although the proposers in our treatment group incurred a costly choice, they indicated being just as happy as proposers in the same treatment who did not pay for the in-group match.

Experimental design

We conducted experimental sessions in which eight participants were randomly assigned into two groups of four (referred to as Teams A and B), with each group meeting separately in rooms adjacent to our experimental economics laboratory. In order to create a group identity, the groups were given the opportunity to earn \$10 by working together to complete a list of 25 animal congregation questions. The questions asked participants to match 25 animal names (for example, cows, wolves, jellyfish, and hyenas) with the correct collective noun for their group (for example, herd, pack, smack, cackle). If the team correctly answered at least 20 questions correctly, each team member earned \$10. If the team correctly answered 19 or fewer questions, each team member received \$5.³ Participants were encouraged to work as a team and were required to submit a single answer sheet for the team. Participants were told

that the amount earned by each member could be kept or used in the subsequent portion of the experiment.

After completing the animal congregation questions, participants were brought into the laboratory and seated at individual computer stations. Participants were given instructions for a \$10 ultimatum game in which the roles of the proposer and responder would be randomly assigned. The \$10 used in the ultimatum game was in addition to the \$10 that participants had earned in the animal congregation team activity. Each team sat at opposite ends of the lab with a divider installed to prevent members of different teams from seeing one another.

Treatments

In the ultimatum game portion of the experiment, participants from both teams were randomly assigned the role of the proposer or responder and participated in a one-shot \$10 ultimatum game.⁴ In each treatment, participants on each team were randomly assigned the roles of proposer or responder in equal numbers.

In our control treatment (UG), proposers and responders were randomly grouped into pairs, and proposers made their offers knowing the team affiliation (Team A or Team B) of the responder. After being informed of their corresponding offer, responders made accept or reject decisions. All participants were then informed of their total payoffs for the experiment (their initial payoff from the animal congregation task plus any returns from the ultimatum game).

In our willingness-to-pay (WTP) treatment, after the roles of proposers and responders had been randomly assigned, proposers were given the option to pay \$2 from their final payoffs to guarantee an interaction with a member of their own team (that is, an in-group member). Specifically, proposers were given a dichotomous choice question (yes or no) regarding their willingness to give up \$2 in order to guarantee interacting with an in-group responder (that is, a responder from their team in the animal congregation task) rather than a randomly assigned responder. After answering this question, proposers who paid to interact with an in-group member were assigned a responder from their own team. Proposers who chose not to incur the \$2 cost were randomly assigned to the remaining available responders. As such, the fundamental difference between the UG and WTP treatments was the option for proposers to choose to interact with an in-group member rather than face a randomly assigned responder.

At the end of all sessions, participants completed a short demographic questionnaire that included the following question regarding subjective well-being:

How happy are you with the amount of money you received from participating in this experiment? (1: not at all; 7: very)

After completing the survey and the 'happiness' question, participants were paid their payoffs privately in cash.⁵

Results

One hundred and twenty-eight individuals participated in the experiment, with 64 participants in each treatment (32 proposers in each treatment). Participants were recruited from the

⁴ In an ultimatum game ([Guth et al., 1982](#)), two players bargain over an endowment. The proposer chooses an offer to extend to the responder, who may either accept or reject the offer. If the responder accepts, the responder keeps the amount of the offer and the proposer receives the endowment less the offer. If the responder rejects the offer, both players receive nothing. In previous experiments, accepted offers range between 25 percent and 50 percent. For an extensive review of these games, see [Camerer \(2003\)](#).

⁵ Instructions are available on the corresponding author's webpage and by request.

³ The threshold of 20 correct answers was chosen based on previous experiments. Our goal was to have all groups meet the threshold and receive \$10, thereby avoiding ex ante wealth differences.

Download English Version:

<https://daneshyari.com/en/article/997509>

Download Persian Version:

<https://daneshyari.com/article/997509>

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