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# Social Identity and Discrimination: Introduction to the Special Issue

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## Social Identity and Discrimination

Virtually all advanced countries have seen an increase in ethnic and social heterogeneity over the last two decades (Jivraj, 2011). According to Putnam (2007), this is “one of the most important challenges facing modern societies, and at the same time one of our most significant opportunities”. To navigate these challenges and exploit the opportunities understanding how social identity shapes economic decision-making is of crucial importance.

Social identity commonly refers to an individual's self-concept derived from perceived membership in a relevant social group. It has been shown to lead to discriminatory tendencies, such as in-group bias (treating in-group members favourably (Tajfel and Turner, 1986; Chen and Li, 2009) or homophily (Currarini et al., 2009). Since each of these phenomena have important economic consequences on labor markets (Calvo-Armengol and Jackson, 2004) or health care (Centola, 2011) among many others, there is a vast amount of research both on the underlying cognitive and social roots of these phenomena as well as on their implications for economic outcomes.

Economics research on social identity has seen a proliferation over the last few years. Behavioural and experimental economists have explored the effect social identity has on a whole

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host of decisions often employing minimal group designs in lab experiments ([Tajfel and Turner, 1986](#); [Chen and Li, 2009](#)). Research on social networks has in recent years has seen a growing interest in homophily, a tendency of people to favor links *within* social identity groups. In comparison, research in applied economics has focused on gender, ethnic or racial discrimination as specific instances of social identity.

The aim of this special issue is to bring together research from these different areas to stimulate discussions and cross-fertilization. The special issue has collected articles on the origins of social identity, as well as its implications on strategic behaviour in games, on beliefs and stereotypes about other groups, on market transactions for consumption goods and on labour markets. The types of social identity included range from minimal, to ethnic, racial, religious or gender.

### **This special issue**

Three articles in this special issue investigate how people choose who to interact with thereby choosing which social identity to adopt. [Bernard et al. \(2016\)](#) study a game theoretic model where individuals choose a social group to identify with. A group's social status and stereotype are shaped by the (exogenous) individual attributes of its members. This creates a strategic tension as individuals with attributes that contribute little to group status would like to join high-status groups, thereby diluting their status. Such social free-riding can explain the use of soft exclusion technologies in high-status groups, which provides a rationale for phenomena such as hazing rituals, charitable activities or other status symbols. [Currarini et al. \(2016\)](#) focus more specifically on the phenomenon of homophily in social networks and in particular on the role of biases in meeting opportunities for the emergence of homophily. In their theoretical model, agents can either attempt to link only to similar types or put costly effort into searching the whole population. This results in a threshold equilibrium in which agents link to similar others if and only if their social group is of a minimum size. [Currarini and Mengel \(2016\)](#) use a lab experiment to study how such homophily is linked to social identity and the tendency to treat others of shared social identity more favorable (in-group bias). Both homophily and in-group bias have important welfare consequences, and the range of related policy issues includes the discussion about "parallel societies", "(sex-) segregated education", the costs and benefits of cultural diversity, the management of ethnic conflicts and the design of fair and effi-

cient matching institutions among many others. [Currarini and Mengel \(2016\)](#) find that in-group biases are substantially decreased when homophily is given a playing field, i.e. when participants can choose who to match with. This cannot be explained by self-selection. Instead risk aversion seems to play a crucial role in line with social psychology theories, which interpret homophily as a way to reduce subjective uncertainty ([Hogg, 2000](#)).

The remaining articles are focused on demonstrating the various implications of social identity on behaviour and on documenting discrimination based on social identity. [Rong et al. \(2016\)](#) focus on strategic communication in committees. They show social identity affects truth-telling in a laboratory experiment. In particular participants are less likely to tell the truth if other “committee members” hold different social identities. [List et al. \(2016\)](#) show that social identity affects the propensity of sellers to collude (by setting the same or similar prices) in a field experiment conducted in a large open air market. In both studies, deviations from standard game theoretical predictions are related to social identity. [Attanasi et al. \(2016\)](#) demonstrate that a shared social identity leads to improved outcomes in two types of asymmetric coordination games. [Chowdhury et al. \(2016\)](#) demonstrate that social identity, in particular racial identity, impacts behaviour in experimental conflict games. Two more articles in the special issue focus on conflict. [Weisel and Zultan \(2016\)](#) also study experimental conflict games and find that the perceived target of threat alters decisions to participate in conflict. When people perceive their social in-group to be under threat, they are mobilized to do what is good for the group and contribute to the conflict. On the other hand, if people perceive to be personally under threat, they are driven to do what is good for themselves. [Zussman \(2016\)](#) studies the impact of conflict between ethnic groups on across-group economic transactions, In particular, using administrative data on transactions in the Israeli market for used cars during 1998-2010 and data on the intensity of the Israeli-Palestinian conflict, [Zussman \(2016\)](#) shows that violence reduces the number of transactions between Arab sellers and Jewish buyers while increasing the number of transactions between Arab sellers and Arab buyers.

**Ethnic discrimination** is the focus of a number of other articles in the special issue. [Bisin et al. \(2016\)](#) propose a theoretical framework to study the determinants of ethnic and religious identity along two distinct motivational processes: cultural distinction and cultural conformity. Under cultural conformity, ethnic identity is reduced by neighborhood integration. On the contrary, under cultural distinction, ethnic minorities are more motivated in retaining their own distinctive cultural heritage the more integrated are the neighborhoods where they

reside and work. Evidence from UK data on ethnic preferences and attitudes is interpreted as in line mostly with a cultural distinction mechanism. [Mobius et al. \(2016\)](#) focus on China and explore the interactions between Han majority and ethnic minority workers in an experimental labor market. The experiments were conducted in two provinces that differ by their historical shares of ethnic groups in the population. [Mobius et al. \(2016\)](#) find that, while Han and minority workers are equally productive in both provinces, minority workers receive 4 to 7% lower wages than Han in the non-diverse province, while there is no difference in the diverse province. [Chmura et al. \(2016\)](#) also study labour market discrimination in China. In their experiment participants in the role of employers can condition their wages on the employees' home provinces. The resulting systematic differences in wages can be linked to natural groups and economic characteristics of the provinces. In-group favoritism increases wages for employees who share the same origin as the employer, while an increased probability of being matched with an employee with a different ethnicity reduces wages.

Articles by [Hombres and Nunziata \(2016\)](#), [Dieckmann et al. \(2016\)](#) and [Angerer et al. \(2016\)](#) all focus on **Europe**. [Hombres and Nunziata \(2016\)](#) investigate the causal effect of years of education on European natives' opinion toward immigration, by exploiting exogenous discontinuity generated by reforms in compulsory education in Europe. They find that higher levels of education lead to a more positive reported attitude toward immigrants and explore how labour market complementarities for the more educated might play a role in explaining this difference in attitudes. [Dieckmann et al. \(2016\)](#) investigate what Europeans think about themselves. They find that European citizens rely on nationality to infer behavior. Beliefs display a north/south pattern: participants from northern countries are perceived to be more honest and to provide more effort in a volunteering game than participants from southern countries. Interestingly, actual behavior is not always in line with these assessments. Assessments of honesty show strong evidence of social projection: Participants expect other European citizens to be less honest if they are culturally closer to themselves. [Angerer et al. \(2016\)](#) explore language borders in Northern Italy among primary school children. They find that children are less prone to cooperate with out-group members and that this gap increases with age.

[Chakravarty et al. \(2016\)](#) and [Chuah et al. \(2016\)](#) study discrimination based on **religious identity**. [Chakravarty et al. \(2016\)](#) focus on village-level religious fragmentation among Hindus and Muslims in rural India. They find that cooperation rates in the prisoners' dilemma, and to a lesser extent the stag hunt game, are higher when subjects of either religion play with

in-group members than when they play with out-group members or with someone whose identity is unknown. [Chuah et al. \(2016\)](#) study the effect of religiosity and religious identity in China, Malaysia and the UK. They find that interpersonal similarity in religiosity and affiliation promote trust through beliefs of reciprocity. Religious participants also believe that those belonging to some faith are more trustworthy, but invest more trust only in those of the same religion.

Finally, a number of articles in the special issue study **gender discrimination**. [Gangadharan et al. \(2016\)](#) study the behavioural response to female leaders. Using an artefactual field experiment in Indian villages, they find evidence of significant male backlash against female leaders, which can be attributed to the transgression of social norms and in particular, a violation of male identity, when women are assigned to positions of leadership through gender based quotas. [Krawczyk and Smyk \(2016\)](#) find evidence for gender discrimination in the evaluation of researchers' work and [Heinz et al. \(2016\)](#) use a lab experiment to investigate how competitiveness may contribute to gender wage gaps. [Beaurain and Masclet \(2016\)](#) and [Finseraas et al. \(2016\)](#) focus on ways to curb gender discrimination. [Beaurain and Masclet \(2016\)](#) focus on affirmative action policies (in particular quotas) in a lab experiment. They find that women are ranked unfavorably in the absence of a quota, and the introduction of a quota significantly reduces gender discrimination. [Finseraas et al. \(2016\)](#) focus on exposure. They study discrimination among recruits in the Norwegian Armed Forces. While in a control group female candidates are perceived as less suited to be squad leaders than their identical male counterparts, randomized intense collaborative exposure to female colleagues reduces discriminatory attitudes. This positive effect of exposure is in line with evidence from [Gangadharan et al. \(2016\)](#) who find that sustained exposure to female leaders decreases the extent of gender bias.

The last article in the special issue is a meta-analysis of lab experiments on social identity and discrimination. [Lane \(2016\)](#) finds that discrimination varies depending upon the type of group identity being studied: it is stronger when identity is artificially induced in the laboratory than when the subject pool is divided by ethnicity or nationality, and higher still when participants are split into socially or geographically distinct groups.

In sum, the research articles in this special issue contain overwhelming evidence of discrimination based on ethnic, religious, racial, gender or minimal social identities. Social identity affects behaviour in a range of important situations including market transactions for consumption goods ([List et al., 2016](#); [Zussman, 2016](#)), labour markets ([Mobius et al., 2016](#);

Chmura et al., 2016; Hombres and Nunziata, 2016; Heinz et al., 2016), performance evaluations (Krawczyk and Smyk, 2016) or leadership decisions (Finseraas et al., 2016; Gangadharan et al., 2016). The research also has identified several potentially important mechanisms that seem to contribute to discrimination or discriminatory attitudes. Those include strategic uncertainty (Currarini and Mengel, 2016), lack of education (Hombres and Nunziata, 2016) or perceived threats to the group (Weisel and Zultan, 2016). Exposure reduces discrimination in the case of gender biases (Finseraas et al., 2016; Gangadharan et al., 2016), but more exposure to ethnically diverse neighbors does not always lead to less discriminatory attitudes (Bisin et al., 2016; Chakravarty et al., 2016). We hope that the findings in this special issue will stimulate future research in this interesting and important research area.

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