Fortune and Identity

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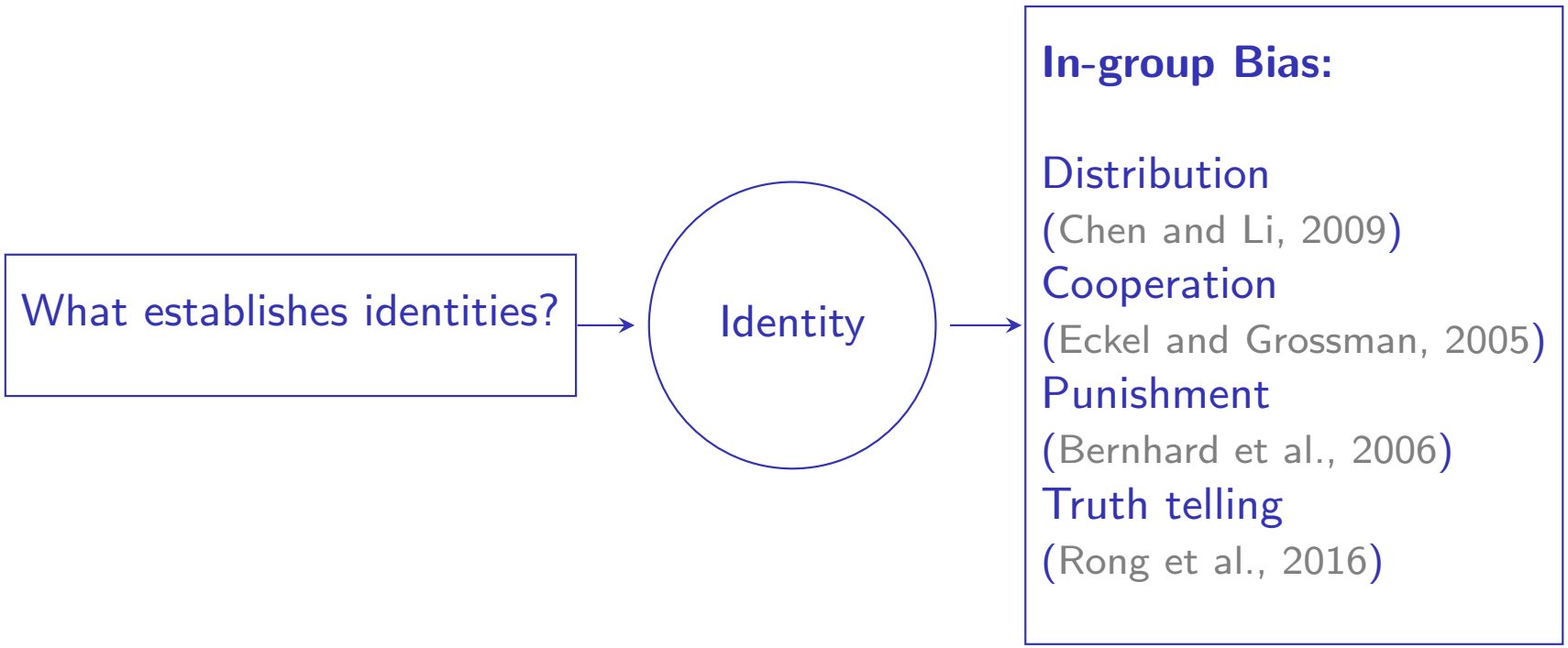
Introduction

In-group Bias:

Distribution
(Chen and Li, 2009)
Cooperation
(Eckel and Grossman, 2005)
Punishment
(Bernhard et al., 2006)
Truth telling
(Rong et al., 2016)

Introduction



Introduction

Approaches to introduce identities:

- Natural identities: gender, race, religion
  Deep-rooted notion establishes identity
  (Benjamin et al., 2010; Chen et al., 2014; Adnan et al., 2021; Bernhard et al., 2006; Hoff and Pandey, 2006)
- Artificial identities:
  random assignment
  labelling establishes identities
  (Rong et al., 2016; Currarini and Mengel, 2016)
  group solving task
  joint work strenthens identities
  (Eckel and Grossman, 2005; McLeish and Oxoby, 2007; Chen and Li, 2009; Charness et al., 2014; Rong et al., 2016)

Introduction

What might be missing in literature?

- Activities that occur naturally might generate group identities
- Shared experience might be a potential candidate. It echoes the natural identity and problem solving task.

Research Question

- Does the $\underbrace{\textit{shared experience}}_{\textit{fortune and misfortune}}$ establish $\underbrace{\textit{in-group bias}}_{\textit{other-other allocation}}$?

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- Does the $\underbrace{\textit{shared experience}}_{\textit{fortune and misfortune}}$ establish $\underbrace{\textit{in-group bias}}_{\textit{other-other allocation}}$?
- Why shared fortune and misfortune: in all corners of life.
  born rich or born poor
  whether gets a job one is qualified for
  Design: same task, random payoffs
- Why other-other allocation: no self-interest confound
  Design: distribute $5 to two other participants

Most Related Work

Cassar and Klein (2019): lottery failures were more likely to favor other lottery failures, and there was no significant in-group favoritism among lottery winners.

- relative performance + final outcomes are in fact randomly decided
- no control

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Difference in our project:

- same task, same performance
- clear control

Experimental Design

Main treatment: elicit distribution decisions with shared experience
Control treatment: elicit distribution decisions with neutral experience

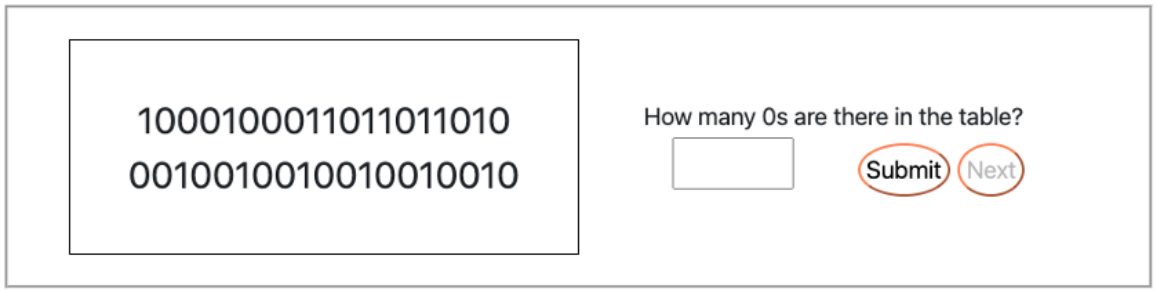
- Stage 1: manipulate experiences
  shared fortune and misfortune/ neutral
- Stage 2: elicit distribution decisions

Experimental Design

Main Treatment

Stage 1: manipulate shared fortune and misfortune.

- Same task (counting 0s), random payments: 2/3 got \$3, 1/3 got \$0.



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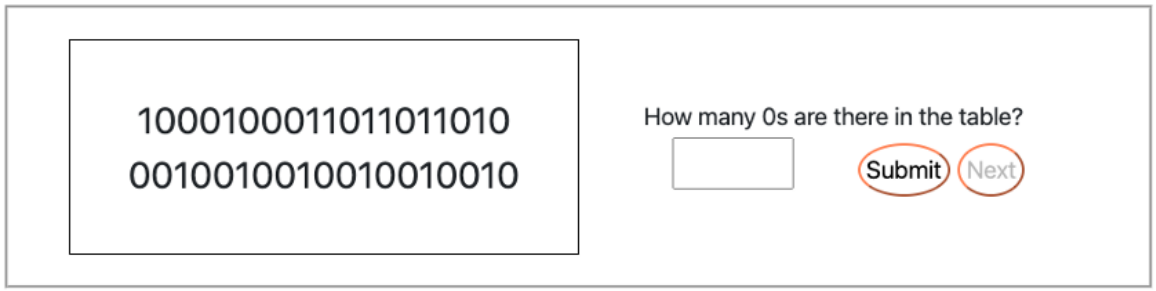
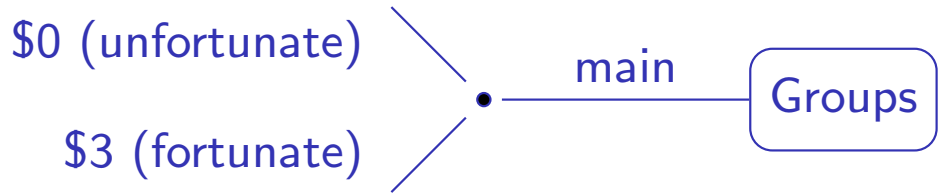




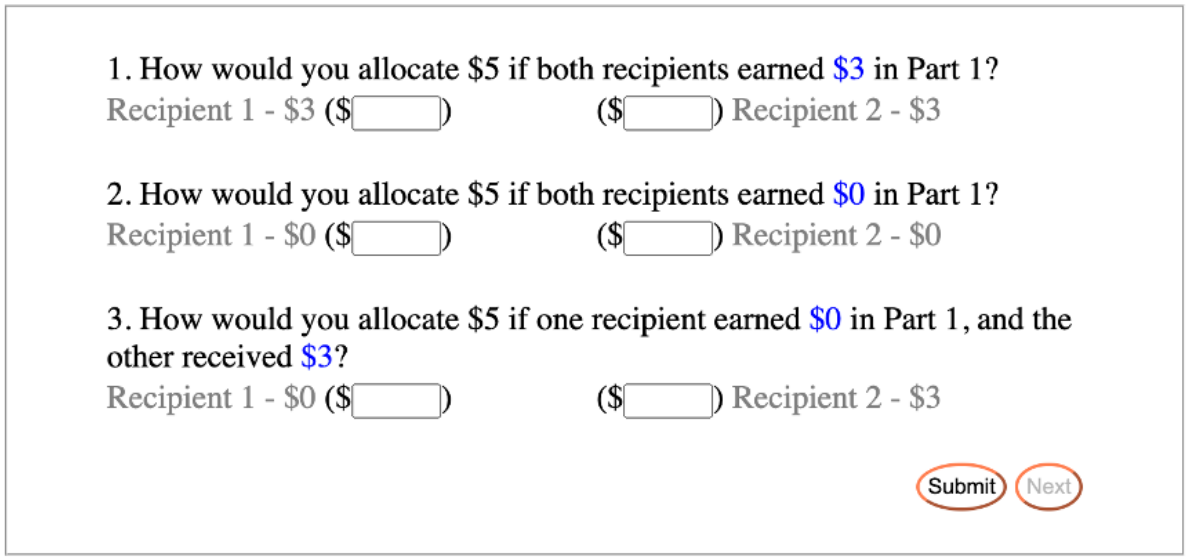
Experimental Design

Main Treatment

Stage 2: elicit distribution decisions in three scenarios:

- fortunate vs. fortunate
- unfortunate vs. unfortunate
- unfortunate vs. fortunate

Randomly pick 1/3 as allocators, and get paid $\$X$.



Experimental Design

Control Treatment

Separate allocators and recipients

- Recipients:
  - Stage 1: inequality generation process as the main treatment
- Allocators:
  - Stage 1: do the same task, and get fixed payment $Y
  - Stage 2: elicit distribution decisions as in the main treatment

Experimental Design

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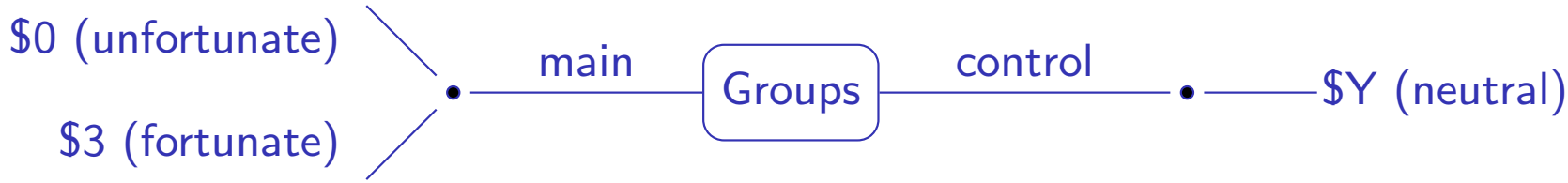
Overall:



- 3 types of allocators, 3 decisions for each type

Hypotheses

Conceptualization

- Symmetric shared experience with recipients: inequality aversion
- Asymmetric shared experience with recipients: inequality aversion + in-group favoritism
- Shared misfortune has a larger effect on people's behaviour than shared fortune (e.g., prospect theory and loss aversion)

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Hypotheses

- Hypothesis 1: If recipients are from the same group, allocators would selected equialized payments.

- Hypothesis 2: If recipients are from different groups, fortunate and unfortunate allocators would favor in-group members compared to the neutral allocators, and unfortunate allocators favor in-group members more.

Results

Data collection

- Experimental and Behavioral Economics Laboratory at UCSB, Feb.-Apr. 2022.
- 31 unfortunate
- 62 fortunate
- 25 control allocators, 50 control recipients
- $9.5 on average, 20 minutes

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Test 1: when recipients are from the same group

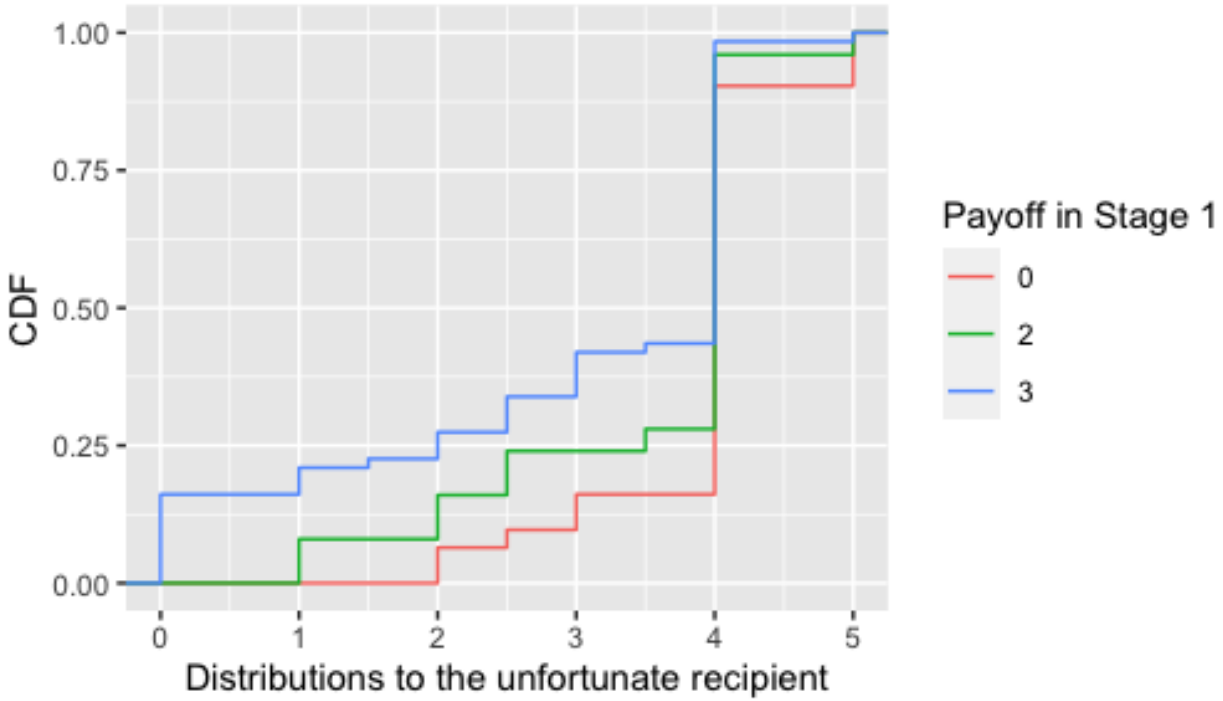
Hypothesis 1: equalized payoffs.

- 74% of allocators chose equalization when there is no group issue.

Results

Test 2: when recipients are from different groups

Hypothesis 2: in-group bias.



Main results:

- Significant difference of CDF between fortunate and unfortunate allocators. (one-tailed ks test p=0.045, two-tailed ks test p=0.089, two tailed Wilcoxon rank sum test p=0.006)

Results

Model

$$Y_i = \alpha + \beta_1 U_i + \beta_2 F_i + \epsilon_i$$

- Y_i: how much allocated to the unfortunate recipient
- $U_i = 1$ if the allocator is unfortunate, 0 otherwise
- $F_i = 1$ if the allocator is fortunate, 0 otherwise
- α: the mean allocated to the unfortunate recipient by the neutral allocator
- β_1: the difference of decisions between the unfortunate allocator and the neutral allocator
- β_2: the difference of decisions between the fortunate allocator and the neutral allocator
- ϵ_i: random noise

Results

OLS Regression

	Dependent variable: Distribution to the unfortunate recipient ($)
unfortunate (β_1)	0.355
	(0.342)
fortunate (β_2)	-0.597**
	(0.301)
Constant (α)	3.500***
	(0.254)
Observations	118
R^2	0.098
Adjusted R^2	0.083
Residual Std. Error	1.272 (df = 115)
F Statistic	6.261*** (df = 2; 115)

Note: stardard error in the parenthesis, $^{*}p < 0.1$; $^{**}p < 0.05$; $^{***}p < 0.01$

Main result:

- Only shared fortune has significant effects on distribution decisions.

Discussion

Summary of the Results

- Preference for equality has a strong effect.
- Shared fortune generates in-group bias, but shared misfortune does not.

Potential Explanation:

shared experience $\not\Rightarrow$ group affiliation, some other mechanism matters

- legitimization (Cherry et al., 2002; Oxoby and Spraggon, 2008)