

When do we make un fair decisions?

• VESSELA DASKALOVA • DISCRIMINATION AND SOCIAL IDENTITY

How does social identity influence decisions? Does diversity in committees help reduce discrimination? IAST behavioral economist Vessela Daskalova aims to shed light on these and other pressing questions. Her research provides the first empirical evidence that people might discriminate differently in joint and individual decisions.

Trained as an economist in London and Cambridge, Vessela's curiosity about discrimination stretches her research across disciplinary boundaries. *"The role of social identity has been widely recognized and researched in various fields,"* she says, *"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, they often discriminate between their own and other groups."*

She is interested in whether the decision-making context influences the likelihood or the nature of discrimination. Do individuals behave the same way when deciding alone and when having to coordinate with someone else? Does the identity of co-decision-makers matter?



THE EXPERIMENT

To study these questions, Vessela designed and conducted a controlled laboratory experiment. Participants were randomly divided into two groups, each of which underwent a group identity-building stage.

Decision-makers were given a small amount of money and had to decide whether to assign a project to a candidate. The outcome of the project was uncertain, if the project was successful, the decision makers received a significant financial return.

"To eradicate discrimination, we might need to eliminate not only expectations of negative treatment of the other group, but also the acceptance of favoritism of the own"

Each decision-maker made individual and joint decisions. In the latter, they had a financial incentive to coordinate with a co-decision-maker. The group identity of the candidate and of the co-decision maker was varied in a systematic way. Control sessions were also conducted in which participants were not involved in a group identity-building stage.

Discrimination was measured as differences in hiring rates of own-group versus other-group candidates. Whether discrimination is positive in favor of the own group or negative against the other group was established through a comparison with control sessions.

KEY FINDINGS

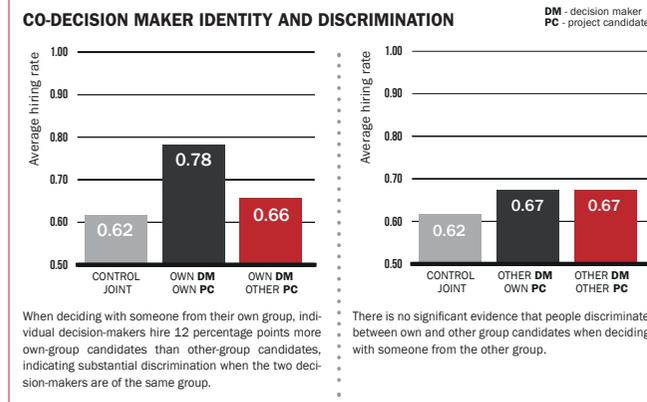
1. Individuals behaved differently when having to coordinate decisions with someone else. In joint decisions, there was strong favoritism of the own group, but there was no negative discrimination against the other group. This contrasts with individual decisions where discrimination, whenever it arose, took the form of negative treatment of the other group.
2. The identity of the co-decision-maker played an important role in joint decisions. While there was no discrimination when deciding with someone from another group, there was strong favoritism of own-group candidates in joint decisions with someone from the same group.

SELF-FULFILLING FAVORITISM

Vessela's results suggest that individual attitudes might not suffice to explain discrimination in joint decisions. She is investigating several potential explanations, including the importance of what economists refer to as higher order beliefs: *"In situations where they have to coordinate with others, decision-makers are forced to consider not only what they individually would like to do, but also what they think the co-decision-maker will do and what they think the co-decision-maker thinks they will do, and so on."*

Expectations of own group favoritism could be self-fulfilling. *"People may act according to what they believe is the expected action in society, since if both players follow such an action, they would be able to coordinate better. My results show positive discrimination in favor of the own group in joint decisions, even if the individual decision-makers do not positively discriminate when deciding alone."*

CO-DECISION MAKER IDENTITY AND DISCRIMINATION



So discrimination could arise in joint decisions, even when those involved have no individual tastes or stereotypes against particular groups. *"To eradicate discrimination,"* Vessela argues, *"we might need to eradicate not only expectations of negative treatment of the other group, but also the acceptance of positive treatment of the own group."*

TWO SIDES OF A COIN

Accusations of discrimination are often countered with the argument that the other is being treated according to their "objective" characteristics. This may be true in some situations. For example, Vessela finds no negative discrimination in joint decisions. *"However, positive and negative discrimination may be two sides of the same coin,"* she warns, *"and favoritism may be no less harmful in terms of long-run efficiency and fairness. Furthermore, arguments have been made that while negative discrimination is expected to disappear in the long run, positive discrimination is expected to persist."*

By investigating discrimination in collective decisions in a controlled setting, Vessela's study is an important addition to existing research. Previous non-experimental literature shows that diversity might be beneficial in some contexts but not in others.

A tentative interpretation of her findings is that, by countering mutual expectations of own-group favoritism, diversity in committees might help reduce discrimination.

FURTHER RESEARCH

By developing new theory and conducting further experiments, Vessela hopes to learn more about which institutional set-ups are conducive to discrimination and which can help to prevent it. She believes that the study discussed here is just a first step towards a better understanding of this complex but important question and is keen to investigate different decision-making rules, such as unanimity and majority voting, and to conduct experiments using social identities such as gender, race and religion. ■

FIND OUT MORE

To see more of her research on microeconomic/game theory and behavioral/experimental economics, visit www.vesseladaskalova.com

Vessela's paper 'Discrimination, Social Identity, and Coordination' has recently been accepted for publication in *Games and Economic Behavior*.

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