Lecture 11
Social identity & preferences

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Social identity, norms & engineering:
A political economy perspective

The channels debate: What about ethnicity matters?

Generalizing: Social preferences and inter-group bias

Identity shapes behavior
  How can economists think about social identity and norms in their models? Part I
  An example: Identity & consumption
  How can economists think about social identity and norms in their models? Part II

Research frontiers

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Research frontiers

Last week's papers made claims about a mechanism
But did not test it (and seldom highlighted more than one mechanism)

▶ Burgess et al 2015: No co-ethnic preferences. Simply a distributive politics story, where politicians allocate goods to their core supporters unless rules/institutions give them alternative incentives
  ▷ Introduction of democratic competition leads to less favoritism of coethnic supporters
▶ Hjort (2014) poses a model of taste-based discrimination for co-ethnics ▸ Hjort et al
  ▷ Even suggests that there may be a preference for ethnic inequality or dominance: upstream workers are willing to accept lower own pay to lower the pay of non-coethnic co-workers

What are some of the major possible explanations for co-ethnic cooperation?

1. **Ethnic preferences** (our focus remainder of lecture)
    1.1 Different groups have different tastes (e.g. for public goods) and more heterogeneous societies find it more difficult to coordinate
    1.2 Co-ethnics have "technologies" of cooperation that make it easier to organize collectively for politics, public goods
    1.3 Co-ethnic preferences (parochial altruism)
2. Normal distributive politics
    ▷ e.g. Ethnicity is simply collinear with geography
    ▷ Akin to the ethnic preferences argument where people in the same place have place-specifc preferences for public goods types or locations
3. Shaped by contextual factors
    3.1 Degree/salience of political competition along this cleavage (e.g. polarization)
    3.2 Institutional rules and incentives favoring or punishing distributive politics or ethnic preferences (e.g. democracy)

What does ethnicity do in the lab?
Habyarimana et al 2007

▶ Recruit 300 people in Kampala (capital of Uganda) — representative samples of diverse neighborhoods

▶ Measure taste for public goods

▶ Subjects play a series of games, each designed to isolate a different mechanism

1. Anonymous dictator game (in versus out group altruism)
2. Non-anonymous dictator game
3. Puzzle game (productivity)
4. Finding game (information) – Incentives to find a specific person in your/another ethnic group within X hours
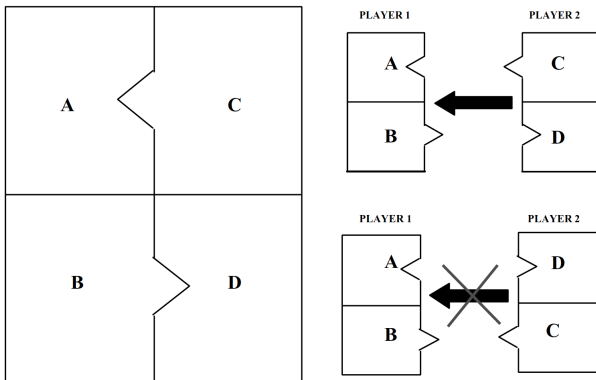
The anonymous dictator game

FIGURE 2.   Public Information Box with Anonymous Offerer
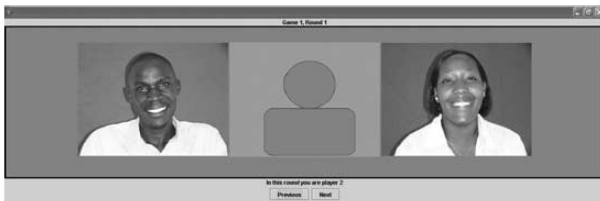
Note: Player 2, the offerer, is anonymous. Note that the images used in this figure are for illustration purposes only and are not the images of our subjects.

The puzzle game

FIGURE 3. The Puzzle Game

One weakness: How to identify coethnic effects without priming ethnicity?

▶ Rely on subjects to correctly guess ethnicity based on language, speech

▶ Test this post-games by measuring how subjects perceive the ethnic backgrounds of the players with whom they were interacting

▶ Correctly identify them 50% of the time

▶ use multiple people's guesses to generate a measure of "subjective co-ethnicity" estimating the likelihood that an individual of group A believes that an individual of group B is a co-ethnic

No evidence of ethnic preferences

▶ No evidence that ethnic groups in this urban neighborhood
  ▷ Have tastes for different kinds of public goods
  ▷ Exhibit greater degrees of altruism toward co-ethnics (dictator games)
  ▷ That co-ethnics are more productive (puzzle game)
▶ But findability is greatly enhanced by co-ethnicity
▶ Stretch from this finding to suggest that this would facilitate social sanctioning of non-reciprocity —hence facilitating ethnic cooperation

Another larger-scale set of lab experiments in Nairobi
Berge, Bjorvatn, Galle, Miguel, Posner, Tungodden & Zhang 2019

▶ Lab experiments in Kenya in two rounds
  1. July-August 2012 pre-election period
  2. January-February 2013 election period

▶ Lab data at two time points allows us to assess how current events shape cooperation, and compare to impacts of lab "priming"

▶ Large: 600-700 subjects per round

▶ Games:
  1. Standard dictator game (altruism)
  2. Standard public-good game
  3. A new "choose your dictator" game to measure cooperation over time and across ethnic lines (by providing information on other players)
  4. Implicit association tests (IAT) to investigate the average degree of coethnic bias, the underlying "content" (social, psychological) of the primes, and to clarify mechanisms.
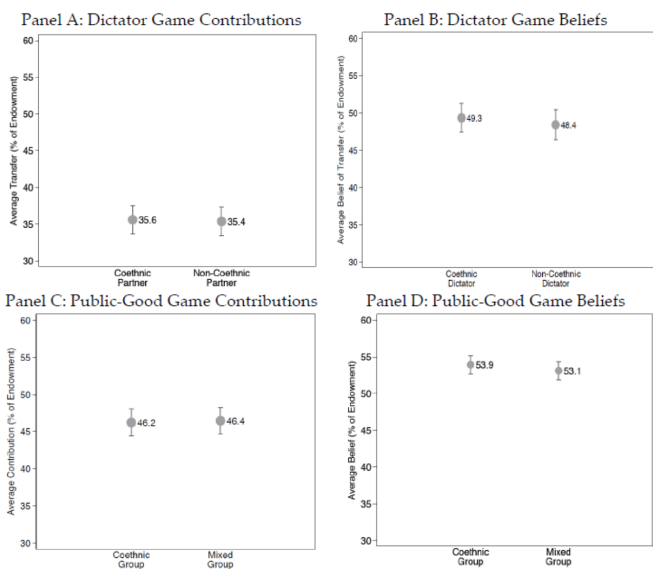
Structure of the experiments

Figure 2: Experimental Laboratory Game Structure
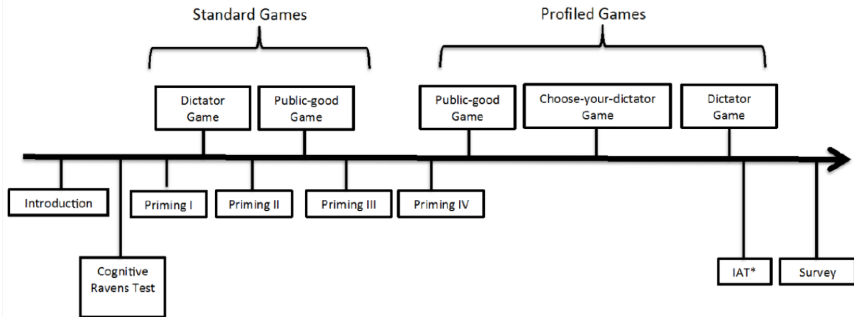
Primes:

1. Politics/elections
2. Ethnic differences in Kenya
3. National pride
4. Neutral

Little evidence for coethnic preference in the dictator, public good, and IAT exercises

No apparent effect of election!

Table 2: Dictator Game Transfers, in Standard and Profiled Games

	Full Sample		No Prime	FWER p-value
	(1)	(2)	(3)	(4)
Coethnic Recipient	-1.51	-1.44	-1.85	0.518
	(1.22)	(1.22)	(2.27)	
Election Round	-5.21***	-5.98***	-6.52**	0.008
	(1.41)	(1.43)	(2.60)	
Election Round * Coethnic Recipient	0.70	0.63	-0.83	0.786
	(1.88)	(1.87)	(3.46)	
Election Round * Non-coethnic Recipient	-1.41	-1.42	-4.54*	0.153
	(1.42)	(1.42)	(2.61)	
Covariates	No	Yes	No	
Observations	2881	2881	748	
Recipient: Coethnic + Election Round * (Coethnic - Non-coethnic)	0.60	0.60	1.86	
[P-value]	[0.67]	[0.67]	[0.48]	

Null effect or small, not powered effect?

Table 3: Public-good Game Contributions, in Standard and Profiled Games

	Full Sample		No Prime	FWER p-value
	(1)	(2)	(3)	(4)
Coethnic Group	2.22*	2.22*	-1.73	0.984
	(1.33)	(1.33)	(2.54)	
Mixed Group	0.65	0.65	0.32	0.988
	(1.18)	(1.18)	(2.29)	
Election Round	-2.97*	-3.95**	-6.03*	0.321
	(1.76)	(1.81)	(3.37)	
Election Round * Coethnic Group	-1.67	-1.68	2.00	0.984
	(1.89)	(1.89)	(3.39)	
Election Round * Mixed Group	2.00	2.00	2.30	0.984
	(1.85)	(1.85)	(3.59)	
Covariates	No	Yes	No	
Observations	2939	2939	763	
Coethnic Group - Mixed Group	1.57	1.57	-2.05	
[P-value]	[0.16]	[0.16]	[0.35]	
Election Round * (Coethnic Group- Mixed Group)	-3.67	-3.67	-0.30	
[P-value]	[0.027]	[0.027]	[0.93]	

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Research frontiers

Are you a Kandinsky or Klee type of person?
Tajfel et al (1971)

Psychologists consistently find evidence of in-group favoritism and out-group discrimination

▶ Induce group identity using "minimal group paradigm", creating groups by trivial criteria or tasks

  ▷ Subjects are more likely to give rewards (e.g. in dictator game) to those with the same label, even when anonymous AND no impact on own payoffs (e.g. other-other allocations)

  ▷ Subjects also report higher opinions of members of their own group

▶ Parallel findings on "empathy bias" (e.g. Cikara et al 2014)

  ▷ Starting in infancy, humans recognize sadness, fear and pain in others, experience congruent emotions ourselves, and are motivated to alleviate others' distress

  ▷ People often feel less empathy for strangers who belong to a different racial, political, or social group

  ▷ In certain contexts, people may even experience pleasure in response to out-group members' adversities (Schadenfreude) and displeasure in response to their triumphs

Simplified social preferences (no social identity)
Charness & Rabin *QJE* (2002)

II. Social Preferences

In this section we outline a simple conceptual model of social preferences in two-person games that embeds different existing theories of social preferences as different parameter ranges, and allows for the estimation of these parameter values in our empirical analysis below.[7] Letting π_A and π_B be Player A's and B's money payoffs, consider the following simple formulation of Player B's preferences:

$$U_B(\pi_A, \pi_B) \equiv (\rho \cdot r + \sigma \cdot s + \theta \cdot q) \cdot \pi_A$$
$$+ (1 - \rho \cdot r - \sigma \cdot s - \theta \cdot q) \cdot \pi_B,$$

where

$r = 1$ if $\pi_B > \pi_A$, and $r = 0$ otherwise;
$s = 1$ if $\pi_B < \pi_A$, and $s = 0$ otherwise;
$q = -1$ if A has misbehaved, and $q = 0$ otherwise.

ρ, σ are distributional preferences
$\theta = $ reciprocity

Estimated social parameters with dictator and response games among UPF & UCB students

<div align="center">

TABLE VI

REGRESSION ESTIMATES FOR B BEHAVIOR ($N = 903$)

</div>

Model	Restrictions	ρ	σ	θ	γ	LL
Self-interest	$\rho = \sigma = \theta = 0$	—	—	—	.004	−593.4
					(9.07)	
Single parameter— "altruism"	$\rho = \sigma, \theta = 0$	.212	.212	—	.005	−574.5
		(7.20)	(7.20)		(8.65)	
Single parameter— "behindness aversion"	$\rho = \theta = 0$	—	.118	—	.004	−591.5
			(1.76)		(8.53)	
Single parameter—"charity"	$\sigma = \theta = 0$	.422	—	—	.014	−527.9
		(25.5)			(11.6)	
ρ,σ model without reciprocity	$\theta = 0$	.423	−.014	—	.014	−527.7
		(25.5)	(−0.73)		(11.6)	
"Reciprocal charity"	$\sigma = 0$	.425	—	−.089	.015	−523.7
		(27.9)		(−2.98)	(11.3)	
ρ,σ model with reciprocity	none	.424	.023	−.111	.015	−523.1
		(28.3)	(1.10)	(−3.11)	(11.6)	

t-statistics are in parentheses. γ is the precision parameter, and LL is the log-likelihood function.
Games where A's entry is SWP-misbehavior are 1, 5, 11, 13, 22, 27, 28, 30, 31, and 32.

Chen & Li play the same games but prime players with minimal group identities

APPENDIX: SEQUENTIAL GAMES WITH SELF-OTHER ALLOCATIONS

TABLE A1—GAMES AND SUMMARY STATISTICS

	A stays out	If A enters, B chooses	Control				Percent A Diff	Percent B Diff
			Out	Enter	Left	Right		
Two-person dictator games								
Dict 1		(400, 400) vs. (750, 400)			0.33	0.67		0.26
Dict 2		(400, 400) vs. (750, 375)			0.82	0.18		0.26
Dict 3		(300, 600) vs. (700, 500)			0.76	0.24		0.24
Dict 4		(200, 700) vs. (600, 600)			0.50	0.50		0.29
Dict 5		(0, 800) vs. (400, 400)			0.64	0.36		0.24
Two-person response games: B's payoffs identical								
Resp 1a	(750, 0)	(400, 400) vs. (750, 400)	0.29	0.71	0.32	0.68	0.21	0.22
Resp 1b	(550, 550)	(400, 400) vs. (750, 400)	0.70	0.30	0.39	0.61	0.32	0.24
Resp 6	(100, 1000)	(75, 125) vs. (125, 125)	0.30	0.70	0.35	0.65	0.21	0.24
Resp 7	(450, 900)	(200, 400) vs. (400, 400)	0.83	0.17	0.13	0.87	0.14	0.17
Two-person response games: B's sacrifice helps A								
Resp 2a	(750, 0)	(400, 400) vs. (750, 375)	0.59	0.41	0.73	0.27	0.30	0.15
Resp 2b	(550, 550)	(400, 400) vs. (750, 375)	0.95	0.05	0.64	0.36	0.14	0.20
Resp 3	(750, 100)	(300, 600) vs. (700, 500)	0.82	0.18	0.55	0.45	0.19	0.24
Resp 4	(700, 200)	(200, 700) vs. (600, 600)	0.55	0.45	0.23	0.77	0.30	0.27
Resp 5a	(800, 0)	(0, 800) vs. (400, 400)	0.81	0.19	0.45	0.55	0.24	0.18
Resp 5b	(0, 800)	(0, 800) vs. (400, 400)	0.00	1.00	0.64	0.36	0.04	0.29
Resp 8	(725, 0)	(400, 400) vs. (750, 375)	0.74	0.26	0.83	0.17	0.24	0.15
Resp 9	(450, 0)	(350, 450) vs. (450, 350)	0.74	0.26	0.87	0.13	0.22	0.08
Two-person response games: B's sacrifice hurts A								
Resp 10	(375, 1000)	(400, 400) vs. (350, 350)	0.38	0.62	0.95	0.05	0.26	0.06
Resp 11	(400, 1200)	(400, 200) vs. (0, 0)	0.82	0.18	0.91	0.09	0.21	0.07
Resp 12	(375, 1000)	(400, 400) vs. (250, 350)	0.22	0.78	0.96	0.04	0.11	0.15
Resp 13a	(750, 750)	(800, 200) vs. (0, 0)	0.83	0.17	0.91	0.09	0.08	0.10
Resp 13b	(750, 750)	(800, 200) vs. (0, 50)	0.74	0.26	0.83	0.17	0.13	0.14

Other-Other allocations in Chen & Li 2009

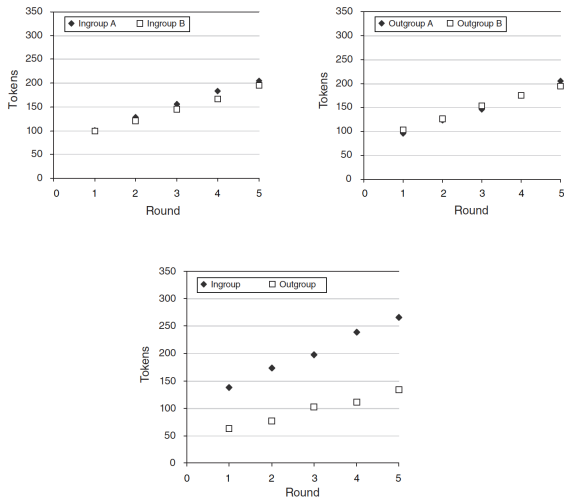Allocate a given number of tokens between two other anonymous participants

Figure 1. Other-Other Allocations in the Original Treatment

Panel A:	Charity	Envy				
	ρ	σ				
Control	0.427	−0.049				
($N = 536$)	(0.022)***	(0.025)**				

Panel B:	Outgroup charity	Outgroup envy	Ingroup charity	Ingroup envy	Identity parameters	
	ρ_o	σ_o	$\rho_o(1+a)$	$\sigma_o(1+b)$	a	b
Treatment	0.323	−0.112	0.474	−0.008	0.467	−0.931
($N = 1,896$)	(0.021)***	(0.019)***	(0.018)***	(0.021)	(0.112)***	(0.192)***

Notes: Panel A reports estimates for the control sessions without identity, while panel B reports estimates for treatment sessions with identity.
   *** Significant at the 1 percent level.
   ** Significant at the 5 percent level.
   * Significant at the 10 percent level.

Figure: Participants exhibit charity (envy) when their match receives a lower (higher) payoff than they do. Their charity (envy) toward an ingroup match is significantly greater (less) than that toward an outgroup match.

So why didn't we see evidence of ethnic preferences?
In Uganda (Habyaimana et al) & Kenya (Burge et al)

So why didn't we see evidence of ethnic preferences?
In Uganda (Habyaimana et al) & Kenya (Burge et al)

1. Publication bias?
   - ▷ Maybe social psychologists have mainly published positive findings
   - ▷ Hard to square with large, careful studies like Chen & Li

2. Intergroup bias is highly contextual?
   - ▷ Known that bias greater under competition, salient categories
   - ▷ It seems like ethnicity should be salient in these Africa games, but perhaps not. (For instance these are assimilated urban populations)

3. Group identity wasn't clear in Nairobi and Kampala?
   - ▷ Uganda relied on subjects playing one another to recognize co-ethnics on sight or by interaction, while Kenya ethnic profile was subtle

4. Intergroup bias in minimal groups is not about ingroup preferences?
   - ▷ Identity may act as a focal point or a coordinating device, especially in low-information settings (Habyarimana et al 2005)

Social identity, norms & engineering:
A political economy perspective

So how to think about social identity?

▶ Recall Fearon & Laitin (2000): Social categories are sets of people given a label (or labels) and distinguished by two main features:
  1. **Rules of membership** that decide who is and is not a member
  2. **Content** such as beliefs, desires, moral commitments, and physical attributes thought to be typical or expected of members

▶ Tajfel and Turner (1979) see social identity as having 3 components:
  1. **Categorization** of people into categories, including ourselves
  2. **Identification** is process of associating ourselves with certain groups
  3. **Comparison** is the process by which we compare our groups with other groups, creating a favorable bias toward the group to which we belong

To summarize: 2 key assertions of social identity theory

Once someone adopts an identity, s/he derives self-esteem from that group membership and:

1. **Develops intergroup bias:** Because of evolved biological or cultural traits to privilege in-group members

2. **Changes behavior in accordance with self image:** Because they receive positive emotions (psychic rewards) for behaving in accordance with that identity, and negative ones for deviations

Each of these can increase with the salience of ethnicity, perceived competition between the groups, and competitive relative status

Akerlof Kranton (2000): A utility function with identity

▶ Identity is based on social categories, C, and each person j has an assignment of people to these categories, c,

    ▷ Thus each j has a conception of her own categories and that of all other people

    ▷ Some C may have higher or lower social status

    ▷ "Identity" describes both a person's self-image as well as her assigned categories

▶ e.g. There is a set of categories C, "economists" and "anthropologists", and each has prescribed forms of dress, language, seminar behavior, research methods, and so forth

▶ Prescriptions P indicate the behavior appropriate for people in different social categories in different situations

    ▷ The prescriptions may also describe an ideal for each category in terms of physical characteristics and other attributes

What are some examples

▶ Examples of actions that may be shaped by identity

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- Examples of actions that may be shaped by identity
  - ▷ Body manipulation (tattoos, diets, plastic surgery, steroid use)
  - ▷ Men who avoid a career in nursing despite high demand
  - ▷ Supporting a measure you know little about but is endorsed by your political party/identity
- Why do actions of others matter?

What are some examples

- ▶ Examples of actions that may be shaped by identity
  - ▷ Body manipulation (tattoos, diets, plastic surgery, steroid use)
  - ▷ Men who avoid a career in nursing despite high demand
  - ▷ Supporting a measure you know little about but is endorsed by your political party/identity
- ▶ Why do actions of others matter?
  - ▷ A "traditional" male may feel disutility, or his identity may lower in relative status, when women practice as doctors or lawyers
  - ▷ Someone's insults or actions "dishonor" a person by questioning or lowering the status of their identity
  - ▷ Other members of the identity group adopt a new set of practices (economists using beamer)

Akerlof Kranton (2000): A utility function with identity

▶ Utility function: $U_j = U_j(a_j, a_{-j}, I_j)$
  ▷ Utility depends on j's identity or self-image I_j, as well as on the usual vectors of j's actions, a_j, and others' actions, a_{-j}
  ▷ Since a_j and a_{-j} determine j's consumption of goods and services, these arguments and U_j are sufficient to capture the standard economics of own actions and externalities
  ▷ The social status of a category is given by the function I_j, and derives utility from higher status

▶ Propose Identity $I_j = I_j(a_j, a_{-j}; c_j, \epsilon_j, P)$.
  ▷ Depends on j's assigned social categories c_j
  ▷ I_j depends on the extent to which j's own and others' actions correspond to prescribed behavior indicated by P
  ▷ Also depends on the extent to which j's own given characteristics ϵ_j match the ideal prescriptions of j's assigned category, P

Akerlof Kranton (2000): A utility function with identity

▶ An individual j chooses actions to maximize U_j, taking as given c, ϵ_j, and P and the actions of others a_{-j}

  ▷ e.g. An economist, aware of the value placed on technical and mathematical work, observes other economists beginning to use Beamer instead of PowerPoint, and invests in learning the new software
  ▷ An anthropologist writes using elaborate prose and jargon, and attempts to invent a new term for the phenomena they have observed in their village

Akerlof & Kranton 2000 (p.719): We use the verb "choose" advisedly. We do not presume one way or another that people are aware of their own motivations, as in standard utility theory which is agnostic as to whether an individual shopper is aware or not of the reasons for her choices.

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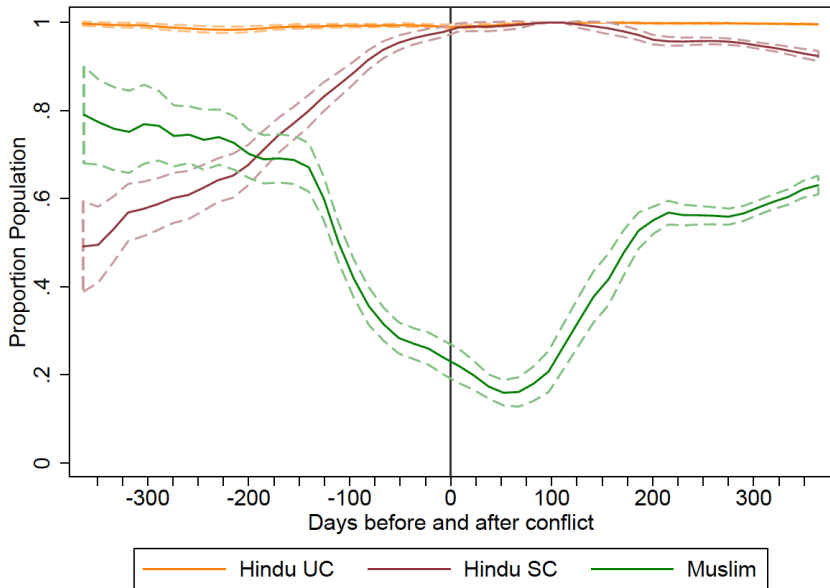Research frontiers

Atkin et al 2018: Identity and consumption

Specifies similar utility function $U_{jJ} = U_{jJ}(X_j, y_j, \kappa_j, \bar{X}_J)$

- ▶ An individual j chooses consumption bundle X in consideration of the prescribed consumption of group J, $\bar{X}_J$
- ▶ X is Akerlof & Kranton's a, and $\bar{X}_J$ is Akerlof & Kranton's I_j
- ▶ Introduces κ_j, the *salience* of j's membership in group J
  - ▷ Hindu-Muslim conflicts exogenously increase κ_j, leading to a shift in consumption towards $\bar{X}_J$

- ▶ Makes more explicit y_j, the *status* of group J
  - ▷ Positive shocks to group status (proxied by returns to group's occupations) associated with a shift in consumption towards $\bar{X}_J$

Atkin et al 2018: Identity is endogenous and affects behavior

▶ Revealed preference: Illustrates how consumption behavior (food taboos) can be an indicator of social identity

▶ Constructivist consumption: Indians can "choose" to identidy with their regional ethno-linguistic identity (e.g. Gujarati, Tamil) or their religious identity (Muslim, Hindu)

▶ Impacted by relative status and group salience
  ▷ "Shocks" to salience from religious tensions/violence

▶ Food choice has real costs in terms of household budget and caloric intake
  ▷ Hindu-Muslim conflict affects salience of Hin/Mus religious identity.
  ▷ Show: Hindus and Muslims respect religious taboos more following Hindu-Muslim riots in the vicinity...
  ▷ Show: And shift away from ethnic bundle towards religious bundle.

Beef avoidance before and after conflict (riot) events

Pork avoidance before and after conflict (riot) events

Figure: Y-axis "Proportion Population" (from .7 to 1), X-axis "Days before and after conflict" (from -300 to 300). Legend: Hindu UC, Hindu SC, Muslim.
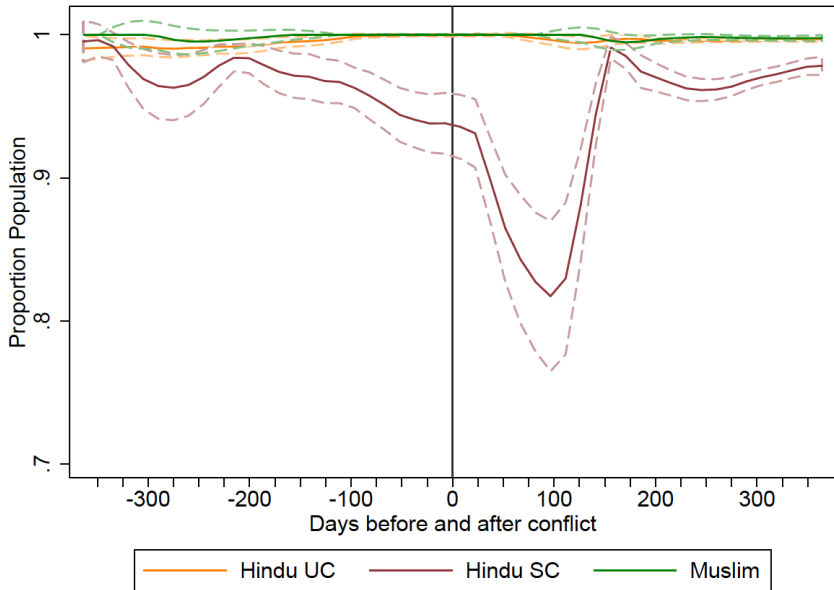
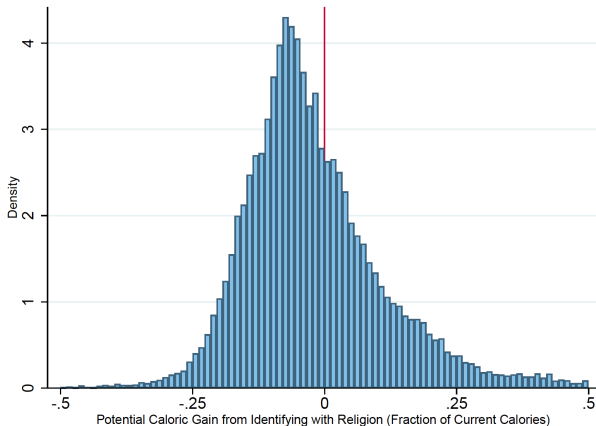# Potential Caloric Gains from Identity Changes 1987-2000

Figure: Major changes in India 1987–2000 spurred by 1991 economic reforms. Use estimates to quantify impacts of status, price and conflict changes on: (1) Identity choice, (2) Caloric gains, and (3) Welfare

Social identity, norms & engineering: A political economy perspective

Also parallels to personality psychology & economics
Almlund, Duckworth, Heckman & Kautz 2011

▶ Individuals j have preferences over goods, X

▶ But individuals also have preferences over the actions or tasks they undertake, a, the output of these actions Π, and the effort devoted to these actions, e

▶ All of these preferences are summarized by the parameter ψ, which in turn depends on one's identity I

▶ Output Π is a function of a, e and productive traits θ

▶ One's personality is the vector of traits θ, ψ and the sum of effort over all actions $\bar{e}$

▶ Thus individuals with a given identity and personality maximize:

$$U = U\left(X, a, \Pi, e \mid \psi\right) \mid I$$

An amalgamation

As we examine different papers on identity change and social norm change, we can start to think about what parameters are being manipulated.

$$U_j(a_j,\, a_{-j},\, y_J,\, \kappa_J,\, I_j \mid \psi_j)$$

$$I_j(a_j,\, a_{-j};\, c_j,\, \epsilon_j,\, P_J).$$

- ▶ Others' observed action a_{-j}?
- ▶ Group status y_J?
- ▶ Group salience κ_J?
- ▶ Internalized values/preferences of group J, ψ_j?
- ▶ Own assignment/association with group c_j?
- ▶ Own characteristics ϵ_j?
- ▶ Prescriptions of group P_J?
- ▶ Existence of identity group I with prescriptions P?

Social identity, norms & engineering:
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Research frontiers
Wide open and so difficult to predict directions

▶ "Minimal group identity" paradigm fragile?
  ▷ Do people act differently when real identities are involved? Real situations?
  ▷ Publication bias?

▶ What is the effect of identity on motivated reasoning and information processing/avoidance?

▶ Nationalism and other imagined communities
  ▷ Demonstration of purposive identity change
  ▷ Understanding effectiveness of techniques and reasons for this

▶ Is ethnic identity different from other social categories?
  ▷ Why do several recent experiments show no evidence of ethnic preferences even though other situations (including minimal groups) provoke in-group bias

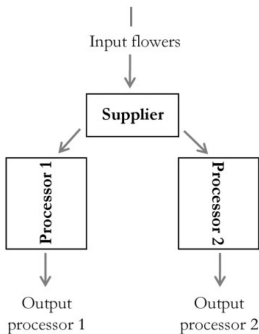# Hjort 2014: How does productivity respond to ethnically diverse teams in a Kenyan flower firm?

Figure I

Organization of Team Production

The supplier does some sorting and cleaning of the cut flowers, and then distributes them to processors

Given supplier, three types of teams: (i) homogeneous (2 coethnic processors), (ii) horizontally mixed (1 coethnic), (iii) vertically mixed (0 coethnics)

Several notable aspects of this paper

▶ Detailed individual level worker productivity data
▶ Unusually simple team work setting allows for realistic theoretical modeling of incentives (i.e., N=3 per team)
▶ Most importantly, two natural experiments during the period
   1. Election violence along ethnic lines in late 2007 / early 2008
   2. Move from an individual piece rate to a team based piece rate contract for workers shortly later

◂ Back

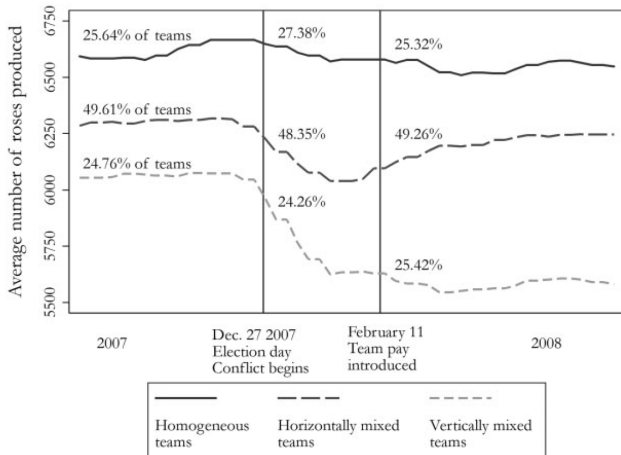# N=924 workers observed daily over 2007–8 = 200k obs

FIGURE II

Output in Homogeneous and Mixed Teams across Time

How to explain this?

▶ Rotation system of workers seems quasi-random, and (surprisingly) that supervisors are unaware of the consequences of diverse teams (even after conflict?)

▶ No direct evidence of mechanism, but Hjort postulates a model of taste-based discrimination at work

▶ Predicts that discriminatory suppliers in mixed teams will lower total output by "misallocating" flowers:

   ▷ Vertically, by undersupplying downstream workers of the other ethnic group
   ▷ Horizontally, by shifting flowers from non-coethnic to coethnic downstream workers

▶ What kind of evidence would you want to collect to test this hypothesis?

▶ What other mechanisms are conceivable?

◂ Back