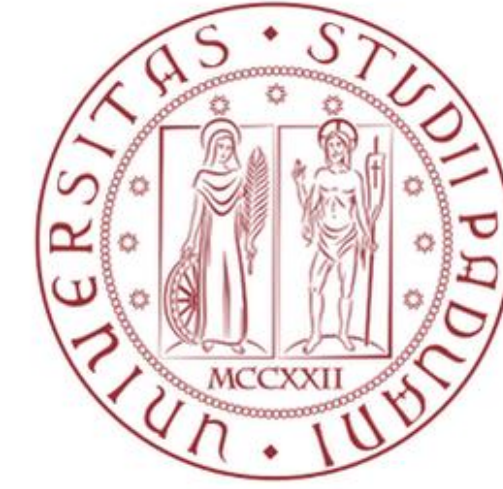


The Development of Social Preferences and Ethnic Paternalism

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OBJECTIVES

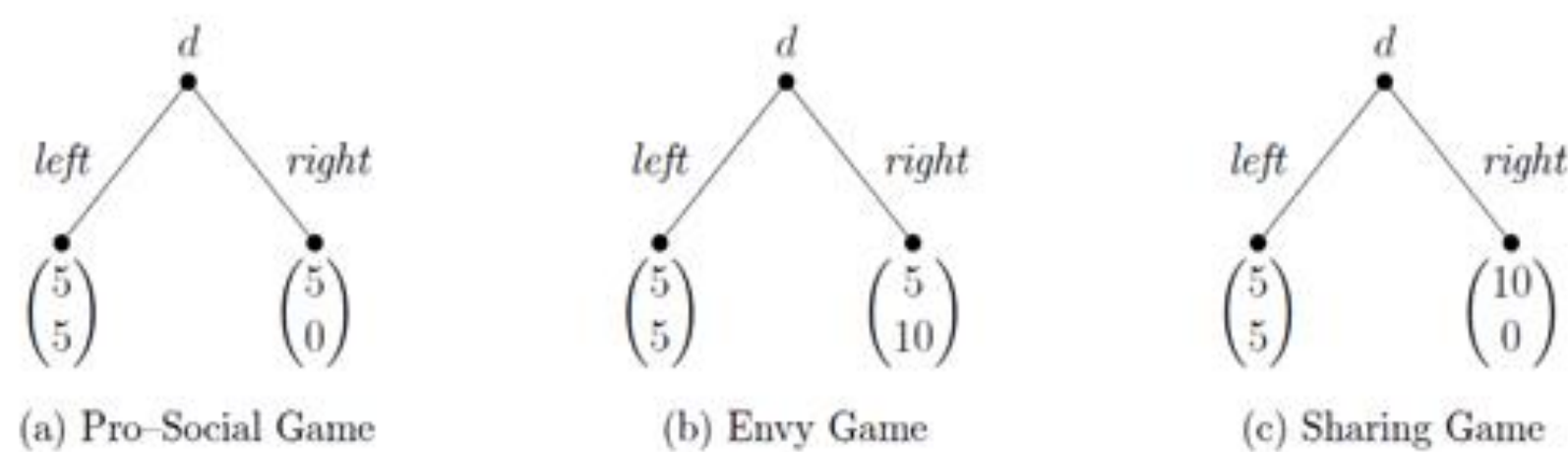
(i) This paper examines **how social preferences and ethnic paternalism develops with age**. (ii) We expand on previous developmental studies of prosociality and parochialism by analysing 665 individuals in **a cross country study** where participants from Spain interact with participants from different ethnic groups.

BACKGROUND

Human social interactions are strongly shaped by social preferences such as prosociality (Fischbacher & Gächter, 2010) or charitable giving (DellaVigna et al., 2012; Falk, 2007). Individuals' concern for others depends on the identity of the person with whom they are interacting (Akerlof & Kranton, 2000; Chen & Li, 2009). There is evidence that subjects behave more charitably (Chen & Li, 2009), cooperatively (Brañas-Garza et al., 2006; Drouvelis & Nosenzo, 2013) and coordinate more efficiently (Chen & Chen, 2011) when interacting with the 'in-group', i.e. someone they identify with, in comparison to the 'out-group'. For instance, regards on ethnicity (Grosskopf & Pearce, 2016; Mujcic & Frijters, 2013). Bernhard et al. (2006) refer to these types of group biases as parochialism. As it has been argued that social preferences are a 'fundamental cornerstone' of humans' ability to cooperate with genetic strangers (Fehr et al., 2013), understanding the extent to which they are contingent on the ethnicity of others and how this dependency develops, is crucial for the design of institutions and their associated incentives in increasingly diverse societies.

EXPERIMENTAL DESIGN

Dictator Game (Fehr et al., 2008, 2013)



<i>Subjects' Age Range</i>	<i>Receivers' Ethnicity</i>					
	<i>East-Asian</i>	<i>Arab</i>	<i>Black</i>	<i>White</i>	<i>Total</i>	
<i>Children</i>	9–11	47	47	33	51	178
<i>Teenagers</i>	15–18	48	54	49	52	203
<i>Students</i>	18–28	50	45	50	39	184
<i>Adults</i>	31–67	23	26	22	29	100
<i>Total</i>		168	172	154	171	665

Table I: Experimental Design Summary

Behavioural Type	Pro-social	Envy	Sharing
Strongly Egalitarian	(5,5)	(5,5)	(5,5)
Weakly Egalitarian	(5,5)	(5,5)	(10,0)
Strongly Altruistic	(5,5)	(5,10)	(5,5)
Weakly Altruistic	(5,5)	(5,10)	(10,0)
Spiteful	(5,0)	(5,5)	(10,0)

Table II: Behavioural Types

TREATMENTS

In-group Condition:

Caucasian (Spain) vs. Caucasian (Spain)

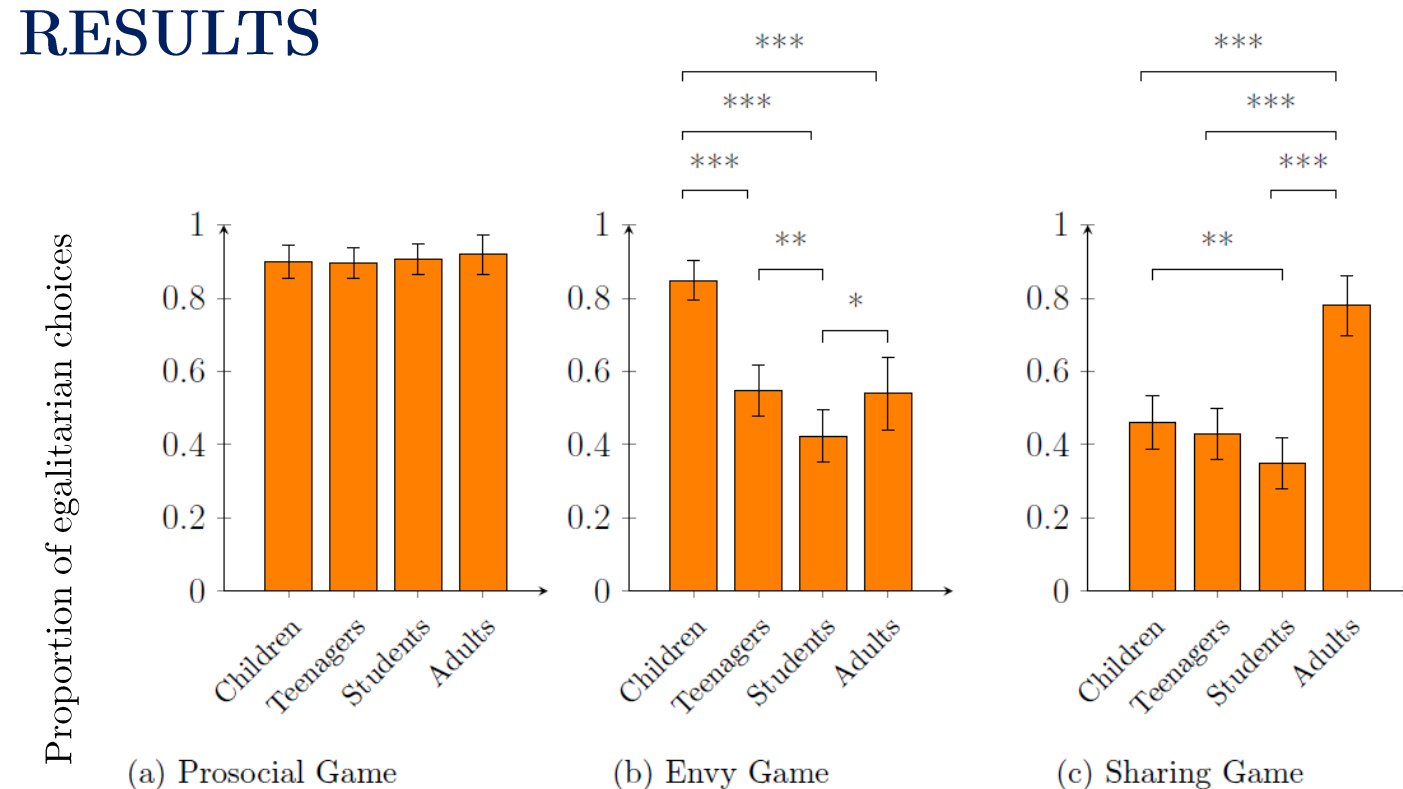
Out-group Condition:

Caucasian (Spain) vs. Black (Senegal)

Caucasian (Spain) vs. Arab (Morocco)

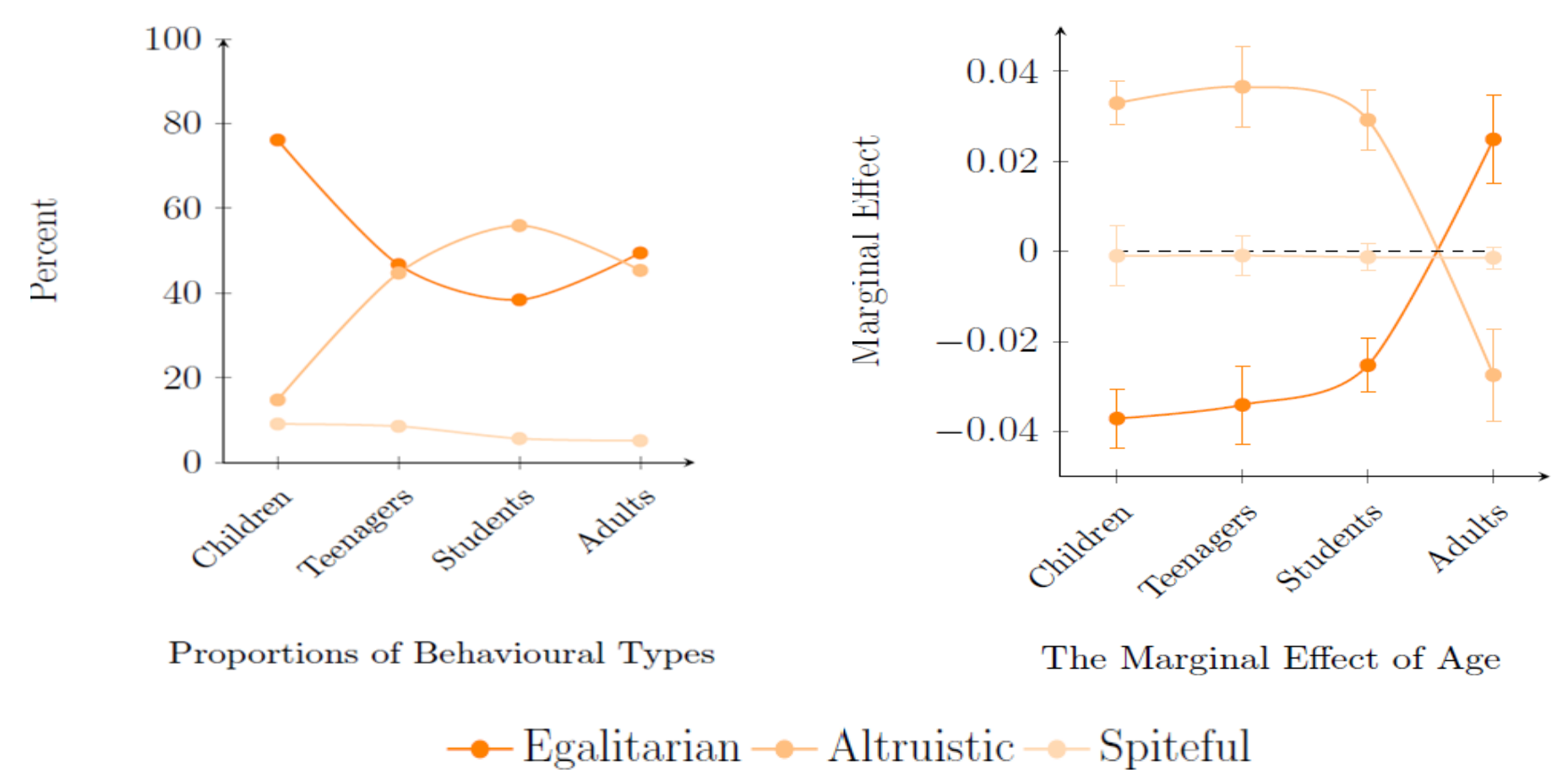
Caucasian (Spain) vs. East-Asian (China)

RESULTS



Observation 1. Children tolerate disadvantageous inequality less than other age groups (Envy Game)

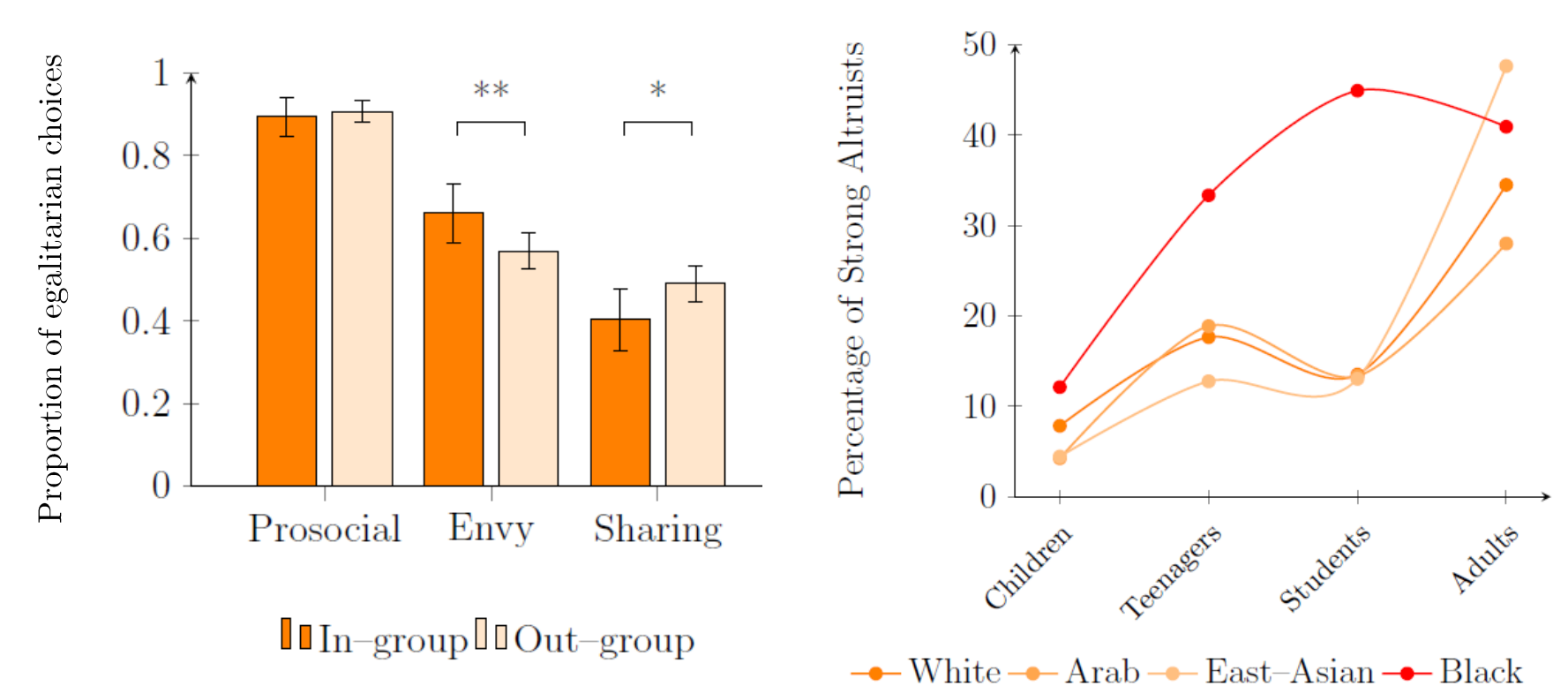
Observation 2. Adults tolerate advantageous inequality less than other age groups. They are more willing to sacrifice their payoff in order to increase receiver's payoff (Sharing Game).



Observation 3. “U-shaped” relationship between age and egalitarianism. Inverse “U-shaped” relationship between age and altruism.

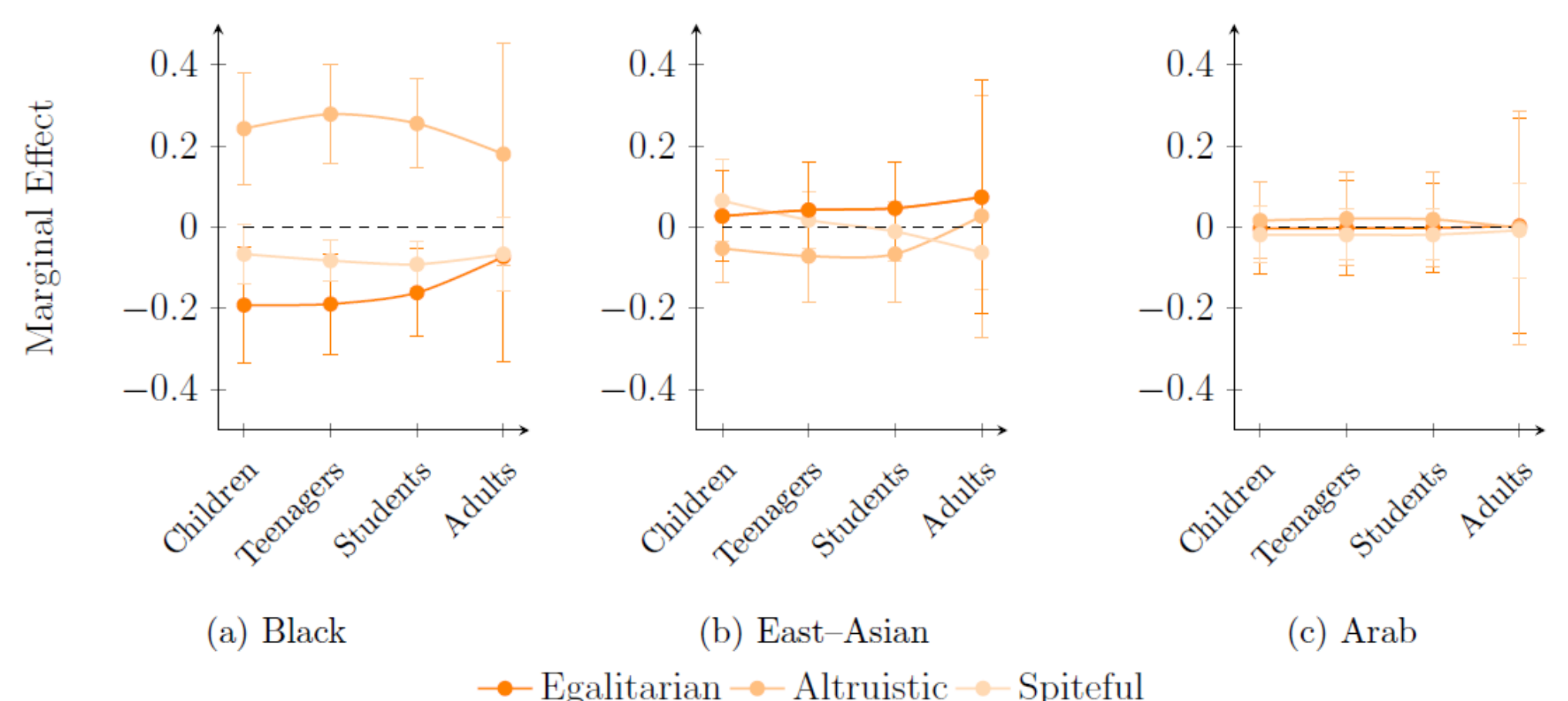
Observation 4. Negative marginal effect of age on the probability of being classified as egalitarian for all age groups but adults. Opposite result for altruism.

Observation 5. No evidence of age effect on spitefulness. Probably due to the small proportion of spiteful individuals.



Observation 6. Subjects tolerate disadvantageous inequality less, and advantageous inequality more, in in-group interactions in comparison to out-group interactions. This is driven by allocations to Black receivers (**Ethnic Paternalism**).

Observation 7. Children, Teenagers and Students are less likely to be an egalitarian type, but more likely to be an altruistic type, when the receiver is Black in comparison to when the receiver is White. Adults are unaffected by the receivers' country of origin.



Observation 8. The marginal effect of Black on the altruistic behavioural type is positive and significant for Children, Teenagers and Students. The inverse is true for the egalitarian behavioural types. The other countries have no significant marginal effect on behaviour for any of the age groups. Adults do not differentiate between receivers based on ethnicity.

CONCLUSIONS

We report evidence of **positive discrimination expressed uniquely towards Black receivers** but in adults. This finding contrasts with results in the literature in which in-group favouritism and out-group discrimination is observed (Lane, 2016). It is also found a U-shaped relationship between social preferences and age, with egalitarianism found to diminish with age, but then to increase as individuals grow older. The inverse U-shaped relationship is true for altruism.