

The Anatomy of Distributional Preferences with Group Identity

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This paper dissects distributional preferences with group identity in a modified dictator game. I estimate individual-level utility functions with two parameters that govern the trade-offs between equity and efficiency and giving to self and to other. Subjects put on average less weight on income of the out-group, but overall only a minority behaves completely selfish. Giving to the out-group also renders subjects more accepting of inequality. The experiment however also uncovers a large heterogeneity of preferences. It seems that those who are social become slightly less social in the presence of the out-group. The number of selfish individuals is instead hardly affected. Moreover, choices in both treatments overwhelmingly stem from well-behaved, yet systematically different underlying social preference functionals. Hence this experiment suggests that the rational choice approach, which is predominantly used in the literature, is a useful tool to understand social preferences with group identity. Interestingly, I also find that the weight on self, but not the individual equity-efficiency trade-off, predicts political left-right self-assessment as more conservative voters are more selfish. I also document gender differences: females put less weight on self, are more inequality averse and react more strongly to the treatment.

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