

Social identity, rent-seeking, and redistribution

Citation for published version (APA):

Zaunbrecher, H. W. (2021). *Social identity, rent-seeking, and redistribution: essays in experimental economics*. [Doctoral Thesis, Maastricht University]. ProefschriftMaken.
<https://doi.org/10.26481/dis.20211028hz>

Document status and date:

Published: 01/01/2021

DOI:

[10.26481/dis.20211028hz](https://doi.org/10.26481/dis.20211028hz)

Document Version:

Publisher's PDF, also known as Version of record

Please check the document version of this publication:

- A submitted manuscript is the version of the article upon submission and before peer-review. There can be important differences between the submitted version and the official published version of record. People interested in the research are advised to contact the author for the final version of the publication, or visit the DOI to the publisher's website.
- The final author version and the galley proof are versions of the publication after peer review.
- The final published version features the final layout of the paper including the volume, issue and page numbers.

[Link to publication](#)

General rights

Copyright and moral rights for the publications made accessible in the public portal are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognise and abide by the legal requirements associated with these rights.

- Users may download and print one copy of any publication from the public portal for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the URL identifying the publication in the public portal.

If the publication is distributed under the terms of Article 25fa of the Dutch Copyright Act, indicated by the "Taverne" license above, please follow below link for the End User Agreement:

www.umlib.nl/taverne-license

Take down policy

If you believe that this document breaches copyright please contact us at:

repository@maastrichtuniversity.nl

providing details and we will investigate your claim.

Impact Paragraph

This thesis contributes to the understanding of social identity, group contests, inequality, and redistributive preferences. Chapter 3 advances the understanding of social identity and minimal groups by showing that the most consistent method to create an ingroup bias is to pit a people against an opponent. In our experiment, it is sufficient to explain participants that they compete against another group and to let them decide how hard they want to compete to trigger this ingroup bias. However, we can also show that how we measure this ingroup bias might have an effect on what we measure. As this can confound studies of social identity, researchers should carefully consider how their measurement method interacts with their treatment effects. Another contribution to the social identity literature comes from chapter 4. We show that groups that compete against each other have a persistent ingroup bias in social preferences, even when the group composition changes and allies of today can be enemies of tomorrow. This suggests that the important factor for a strong social identity is not so much who my allies are or who the enemy is, but just that there is a common enemy. Recently, this was observable in protests against COVID regulations in Germany. While usually these groups have very little in common, the COVID regulations brought Hippies, Anti-Vaccers, and Neo-Nazis together to protest shoulder to shoulder against mask requirements and other restrictions that were passed by the German government.

We also contribute to the literature on overcontribution in contests. The literature generally shows that individuals contribute more than the amount that would maximise their expected profit in contests. This is even more pronounced in group contests. However, most studies use fixed groups that repeatedly compete against each other which is not always the case in the field. Employees change employers, football players change teams, and soldiers can defect to the enemy. We hypothesised that if the enemy of today can be a friend tomorrow and vice versa, individuals would contribute less to a group contest than if groups are fixed and the allies of today are also the allies of tomorrow.

We show that people hardly decrease their competitive efforts when the group composition changes. When we switch group members with their opposition, the contest contributions only decrease slightly. When we let group members decide for themselves if they want to go to the opposing group, contest contributions actually increase.

Chapter 2 provides additional insights into drivers of social preferences. While it is well established that income inequality can explain preferences for redistribution, less is known about the effect of income changes on redistributive preferences. We investigate how wage decreases both in absolute terms and relative to the wage development of another person affect redistributive preferences. We find that decreasing absolute and relative wages result in more selfish redistribution choices. This effect is particularly pronounced for individuals who have a higher income than the person they are matched with and even holds when their own wage is stable and the low earner has a wage increase that puts them on an equal footing. As the pool of resources that the participants redistribute is actually generated by taxing their wages in a task that takes some effort to accomplish, the high earners effectively appropriate resources from the low earners to compensate themselves for the relative wage decrease. In practice this means that policies that aim to close earnings gaps between groups—such as between minorities and whites, and men and women—are likely to be met with resistance by members of the traditionally better off group who are averse to income trends inequality. Similarly, the decrease in generosity when faced with an absolute wage decrease can increase the rich's opposition to fiscal stimuli with redistributive aspects during economic downturns. As economic downturns usually have a particularly strong effects on the lower percentiles of the income distributions—and thus require even more redistribution than in normal times—this should be of special concern to policymakers.