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**IN-GROUP FAVOURITISM AND OUT-GROUP  
DISCRIMINATION IN NATURALLY OCCURRING GROUPS**

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# **In-group favouritism and out-group discrimination in naturally occurring groups**

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We study in-group favouritism and out-group discrimination in a multiplayer dictator game. An allocator divides a large sum of money among three groups of 20 recipients each and Self. Allocations to groups are divided equally among the group members. The three groups are supporters of the two rival political movements in Thailand (“yellow shirts” versus “red shirts”) and politically neutral subjects. A control treatment with artificial groups (“group A”, “group B”, and “non-affiliated”) is also conducted. We find that allocators strongly favour their own group and discriminate against supporters of the rival party. Despite a strong anti-corruption stance of the yellow-shirt movement members of both political groups are indistinguishable in both favouritism and discrimination. Allocators tend to be rather selfish: On average 45% of the pie is given to Self, despite the large number of recipients.

## **Introduction**

Inter-group favouritism and out-group discrimination behaviours are observed around the world, but the motivations which drive these behaviours are still not well understood. In this paper, we use an economic experimental method to systematically address this question. In-group favouritism is defined here as a positively biased treatment given to a person or a group at the expense of others, whilst discrimination is defined as a negatively biased treatment given to a person or a group. Our focus is on in-group favouritism and out-group discrimination behaviours because such behaviours have a number of important economic and social implications, including distorting entry to jobs and access to resources; causing a mismatch between productivity and resources; reducing economic efficiency; worsening income inequality and social segregation which can exacerbate conflicts between groups even further. In-group favouritism can also be considered as a form of corruption when public officials abuse their power in order to distribute positions and/or resources to their own groups at the expense of the public at large (Kaufmann, 2004; Kaufmann et al., 2006). We carried out the experiment with naturally occurring and politically conflicting groups in Thailand. The recent and ongoing political crisis in Thailand between the Red Shirts - also known as ‘the United Front of Democracy Against Dictatorship (UDD)’ and the Yellow Shirts or ‘the People’s Alliance for Democracy (PAD)’ provides a perfect opportunity for us to study inter-group behaviour in a natural environment.

The Thai conflict appears to be deeply rooted in contesting notions of political legitimacy which has been attributed to a long period of widening inequality between Bangkok and the rural parts of Thailand. On the one hand, there is a traditional conception of a stratified paternal state where power emanates from the king promotes the state ideology of “nation, religion, king” which is the political standpoint of the Yellow Shirts. The Red Shirts, on the other hand, takes an opposing tradition which is rooted in popular sovereignty as the basis of legitimacy (Dressel, 2010). The Red-Yellow conflict is appropriate for our study of in-group

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favouritism and out-group discrimination because the two groups have based their movements on accusations of the rival group of these behaviours. The well-educated Yellow Shirts who mostly live in Bangkok have accused the exiled former Prime Minister Thaksin Shinawatra and his cronies of abusing their power and breaking the rules of law to give favours to their friends and families at the expense of the public. On the contrary, the Red Shirts - fierce supporters of Thaksin - have accused that the royalist Bangkokians of discriminating against the rural population, particularly those in the northern and north-eastern parts. Our objective here, however, is not to analyse the causes or the consequences of the conflict, but to offer an insight into the extent to which the members of conflicting groups behave when they have to make decisions which have significant economic consequences for themselves, their own group, the rival group, and the public at large. In Box 1 we provide a brief background of the conflict.

Inter-group behaviours have been extensively studied by social psychologists (Allport, 1954; Sherif, 1966; Tajfel et al., 1971; Brewer, 1979; Tajfel and Turner, 1986; Abrams and Hogg, 1988; Vignoles and Moncaster, 2007) and more recently experimental economists who have used laboratory and field experiments to study the impacts of group membership on economic decisions (Glaeser et al., 2000; Ploner and Soraperra, 2004; Bornstein et al., 2004; Fershtman et al., 2005; Bernhard et al., 2006a; 2006b; Brandts et al., 2006; Capra and Li, 2006; Goette et al., 2006; Charness et al., 2007; McLeish and Oxoby, 2007; Guth et al., 2008; Chen and Li, 2009; Klor and Shayo, 2010). These studies have shown that people have a natural tendency to treat their own group more favourably than the out-group. However, it was not clear where the underlying motivation of such an inter-group biased behaviour comes from i.e. whether it is triggered by the in-group members' willingness to treat their own group better than the rival group (in-group favouritism) or from their willingness to treat the rival group worse than their own group (out-group discrimination).

In this paper, we design an experiment to systematically disentangle in-group favouritism and out-group discrimination. Specifically, we examine whether individuals behave differently towards their own group and the rival group differently compared to how they treat the neutral subjects who do not belong to any group in a multi-recipient dictator game. The presence of the neutral group allows us to distinguish in-group favouritism from out-group discrimination. Using the neutral group as a benchmark, in-group favouritism is observed if the in-group is treated more favourably than the neutral group and out-group discrimination is observed if the out-group is treated worse than the neutral group. If there are only an in-group and an out-group, then the two behaviours are indistinguishable and therefore, we believe that our design offers a cleaner test of the motivations for in-group favouritism and out-group discrimination.

Though this is the first experimental study to systematically distinguish in-group favouritism from out-group discrimination in naturally occurring groups, our work is related to several strands of literature. Several studies have compared other-regarding behaviour in naturally occurring versus artificial groups in public good games (Croson et al. (2008), Norton and Isaac (2008)) and trust games (Fershtman and Gneezy (2001), Buchan et al. (2005), Falk and Zehnder (2007), Banuri et al. (2011)). The latter studies find evidence for differential treatment behaviour depending on the partner a subject is matched to, which can be interpreted as

### **Background: The Thai Red-Yellow divide**

Thailand was established as a modern kingdom in 1932 when the country was transformed from absolute to constitutional monarchy. Since then Thailand's politics has been dominated by the military and elite royalists (Forsyth (2010)), who have benefited the most from Bangkok's rapid economic growth since the 1970s. Changes in government often came by military coups. The country has a long history of corruption which is deeply embedded in the Thai culture (Baker and Phongpaichit, 2005).

The key player who significantly changed the political playing field was Thaksin Shinawatra who became Prime Minister in 2001. Thaksin was not in the military and did not have any royal connection. He was born in the Northern part of Thailand to a lower class family. He was a police officer before entering politics. Then he started his own telecommunication business where he built his fortune from securing procurement contracts to the government in the 1980s and 1990s (Phongpaichit and Baker, 2004; Forsyth, 2010). Thaksin was one of the new generation of Thailand's business elite whose success did not depend on ties to the army or the royal family (Forsyth, 2010). The success of Thaksin and his Thai Rak Thai ('Thais Love Thais') party in the 2001 election sparked a sharp conflict with the old Bangkok elites. His populist programmes, which targeted the rural poor, won overwhelming support from the rural voters, but were perceived by the old elites as attempts to dilute their power. Thaksin was also criticised for his tendency to disregard the rule of law, particularly in his 'war on drugs' and brutal campaign against insurgents in the southern provinces. After winning a second term in 2005, he came under severe attack for corruption when he sold the shares of his telecoms company for \$1.9 billion, without paying any tax (the New York Times, 2006). This event led to widespread calls for his impeachment.

During this time, Thailand saw the first movement of the 'People's Alliance for Democracy' (PAD) led by Sonthi Limthongkul, a businessman who, like Thaksin, made his fortune in telecommunications. Dressed in yellow shirts to signify their loyalty to the King (yellow represents the royal family), the PAD – also known as the 'Yellow Shirts' – organised high-profile anti-Thaksin protests. They accused Thaksin and his government of corruption and being anti-monarchy and demanded his resignation. Thaksin was eventually forced out of power in September 2006 when the military seized power in a bloodless coup. However, Thaksin's new proxy party, 'The People Power Party (PPP)' regained power by winning the general election in December 2007. Between 2007 and 2008 Thailand saw increasing political turmoil. The yellow-shirt protests reached a climax in October 2008 when Bangkok's two airports were seized by the anti-government protesters. The PPP was eventually found guilty of vote-buying during the 2007 election and was dissolved, resulting in a new coalition government led by the Democrat party.

On 15 December 2008, Oxford-educated Abhisit Vejjajiva became the Prime Minister of a newly formed coalition government. This gave rise to a new anti-government movement who emerged dressing in red shirts and calling themselves the United Front for Democracy against Dictatorship (UDD). The 'Red Shirts' now demanded that Abhisit resign from the Premiership and that the Thaksin's government to be restored. In March 2009, they invaded a meeting of the Association of Southeast Asian Nations and sites in Bangkok, causing embarrassment to the government and a strong police response. The Red Shirt protests escalated into a violent clash in 2010 resulting in 21 dead and many injured. In July 2011 another Thaksin proxy party won the general election and his sister became Prime Minister.

Whilst some analysts claim that the conflict has stemmed from the class war between the rich and middle-class Bangkokians and the less fortunate population in the northern and north-eastern parts of Thailand. Some have claimed that the red-shirt demonstrators have been funded by pro-Thaksin parties who offered large payments cancellation of village debts if the new party were elected. Others have cited the multiple cleavages in Thai society, for instance between the old and the new elites; those from the north and northeast against those from Bangkok and the south; and people with close connection to the monarchy against those who no longer trust the institutions (Kurlantzick, 2010).

### **Box 1**

favouritism or discrimination. In trust games, a preference to favour the own group is always interlinked with expectations about the partner's behaviour, which our multi-recipient dictator game approach can disentangle.

Social psychology studies often used artificially created groups based on some basic tasks - known as 'minimal group paradigm' (Tajfel, 1971) to study inter-group behaviour and found that subjects did treat the in-group more favourably than the out-group. Some economic experiments have also applied this method (Charness et al., 2007; Chen and Li, 2009) but not all have found the same effect when the decisions are incentivised with money. Our main treatment utilises the naturally occurred conflicting groups in Thailand to create salient group identities, but we also have a control treatment in which subjects are simply labelled as groups A, B, and the neutral group is not labelled. The reason to have the minimal group as a control treatment is to check whether the behaviours observed in the natural group treatment is merely due to the labelling effect. If this is the case, we should not observe any significant difference between the treatment and the control. However, if political conflict has a deeper psychological impact on the group members, we should see different results in the naturally occurring group treatment. We are also interested in how inter-group behaviours and self-interest preference interact by examining whether an individual is more or less selfish in the presence of inter-group conflict.

## **2. The experimental design**

In our multi-recipient dictator game, an allocator divides a large sum of money (15,000 Baht, approx. \$495) among three groups of players, and Self. One group consists of supporters of the yellow-shirts movement; another is formed by red-shirt supporters. The third group are subjects who have indicated that they support neither of the movements. In our setting we can observe in-group favouritism among red and yellow supporters as the difference between allocations to the own camp and the neutral group, out-group discrimination as the difference between allocations to the group of the political opponent and the neutral group.

Our experiment is, to our knowledge, the first that uses a dictator setting with large groups as recipients. We do so to emphasise the responsibility an allocator has for his or her kind, be it the own camp or the student population as a whole. Each group consists of approximately 20 subjects. We deliberately kept the exact number vague. Since one of the subjects would be chosen as allocator, and we would not know in advance which group the allocator would come from, the allocator's recipient group had inevitably one fewer member. We were worried that if one group consists of exactly 19 subjects and the other two of exactly 20, this could lead some subjects to develop fairness norms that incorporate this, however minor, imbalance. This becomes less salient if the number of members in each group is only approximately known. We further mitigated possible distortions by including the allocator in the recipient group. Thus, the allocator would also receive his portion of the share that he or she allocates to the own group.

We did not have to worry that this feature could generate a bias towards allocations to the in-group. If subjects wanted to shift money to themselves, they could easily do so by increasing the share for Self. Subjects were free to allocate any amount to Self, even the entire sum. We

kept this feature from the traditional dictator game to be able to detect differences in selfishness across the political camps. The yellow movement has a more market-liberal stance with respect to economic policy, while the red movement is more left-wing, promoting redistribution to the poor. It could be hypothesised that this would be reflected in different attitudes in a conflict between pro-self and pro-social motives.

As a control treatment, we also conducted sessions in which we did not label the groups as red, yellow and neutrals. In this treatment the groups were called “group A”, “group B” and, to keep the parallelism with the natural-group treatment, “individuals who do not belong to either group A or group B”. Note that these labels are entirely artificial. There is no other ground on which an allocator is connected to any of the groups than the label that was arbitrarily attached to him or her. Thus our group formation procedure is even weaker than the traditional minimal-group paradigm (Tajfel, 1971), in which bonds between subjects are created through mutual preferences (such as choosing preferred paintings), pre-play communication or other forms of interaction.

We conducted the experiment at two Bangkok universities, Chulalongkorn and Thammasat. The experiment took place in November 2009, which was a relatively calm period in the Thai political conflict, well before the 2010 riots. Subjects were recruited well in advance. They registered their availability to take part in an experiment. At that time they filled in a survey questionnaire in which we asked for a number of personal characteristics, among them their political sympathy for one of the two movements. Shortly before the experiment we rang subjects to invite them to take part in one of the sessions, where we kept track to have a balanced number of approximately 20 subjects in each group.

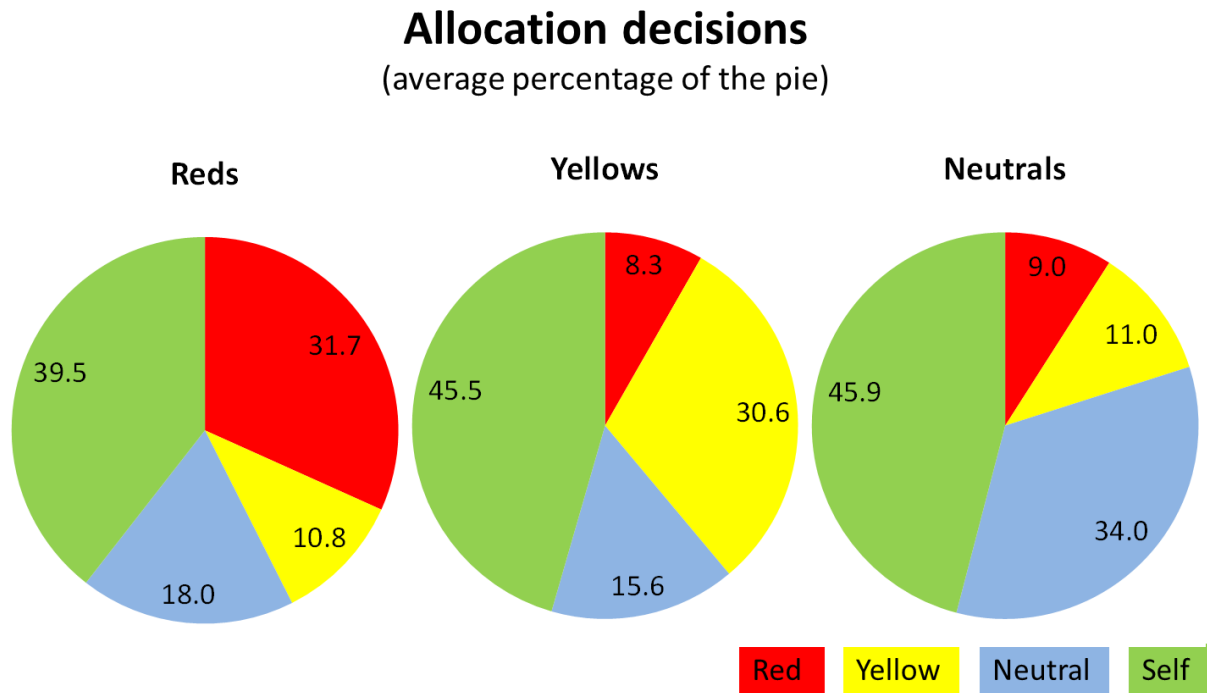
In the sessions subjects were first seated in a large classroom. One of the experimenters read out the instructions. After all questions were answered, subjects were called one by one to make their decisions in ballot booths that we had set up in the corridor. They were asked to fold their decision sheet and place it in a ballot urn, before re-entering the classroom through a separate door. After all decisions were collected, we randomly drew one that would determine the final payoff allocation. We prepared an envelope for each subject in which we placed the subject’s payoff in cash, including a 70 Baht show-up fee. When leaving the session, the subjects collected their envelopes from the experimenters. The lowest a participant could earn was the 70 Baht show-up fee if his or her group had not been allocated any money, the highest was 15,070 Baht if a chosen allocator gave all to him/herself. At the time of the experiment, the exchange rate to other major currencies was US-\$3.01, €2.02, ¥268 and RMB20.6 for 100 Baht.

### **3. Results**

Our design allows us to distinguish in-group favouritism from out-group discrimination, by comparing allocations to the in-group and the out-group with a third benchmark which is neither in-group nor out-group. The subjects who have stated that they neither support the red nor the yellow movement serve this purpose in our experiment.

#### ***3.1. In-group favouritism and out-group discrimination***

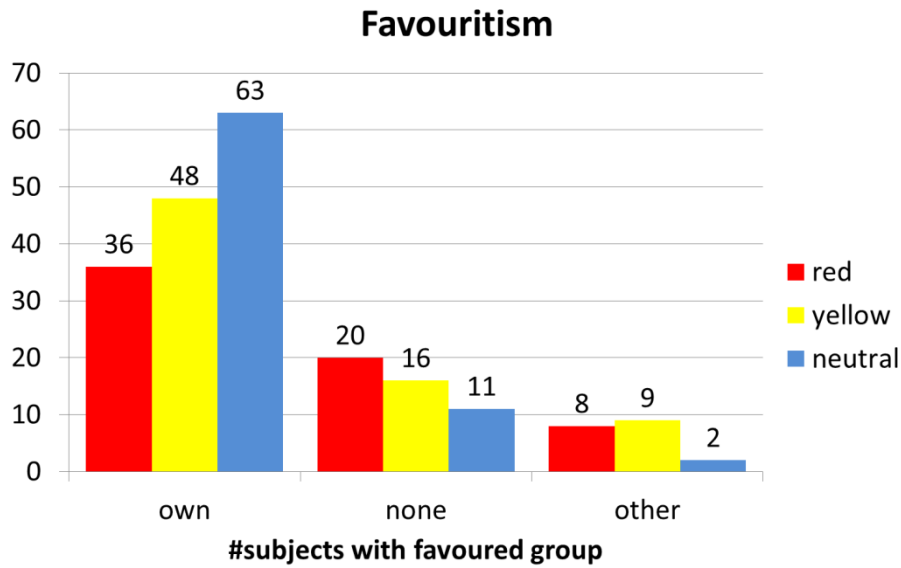
Figure 1 shows the average shares members of the three natural groups allocate to the groups and to themselves. The figure shows clear evidence for both in-group favouritism and out-group discrimination. Yellow allocators give substantially more to the yellow group than to neutral individuals, whilst the red allocators favour the red group over neutrals.



**Figure 1**

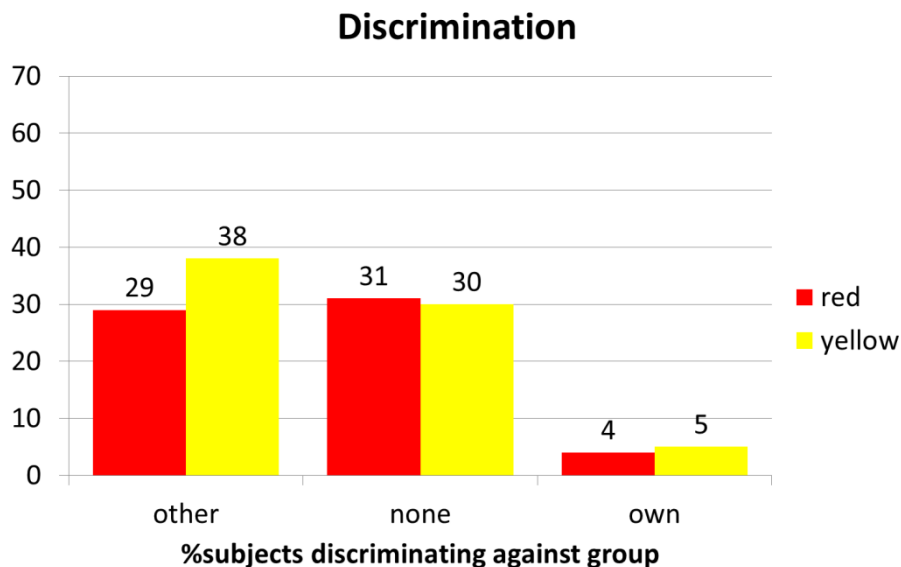
Figure 2 shows the number of subjects who allocate more to the own group than to the neutrals. Favouritism among the red and the yellow subjects is evident: In both groups a large number of subjects give more to their own group than to the neutrals, but few show the opposite pattern. For both reds and yellows this difference is significant. The binomial test rejects the null hypothesis of in-group and neutrals being equally likely to be favoured at a one-sided  $p < 0.00001$  for both groups.

For the neutrals, favouritism and discrimination are indistinguishable, since the benchmark group that we use to differentiate between the two is also their in-group. The numbers shown for them in figure 2 is the number of subjects who allocate more, equal or less to their own group than the average of their allocation to the red and yellow groups. Their bias towards the own group is even more pronounced than that of the red and yellow supporters (and highly significant as well).



**Figure 2**

Figure 3 shows the incidence of out-group discrimination in the yellow and the red group (we did not reproduce the figures for the neutrals – discrimination and favouritism are the same for them). It shows the number of subjects who allocated less, equal or more to the out-group than the neutrals. For both the reds and the yellows we see a clear bias towards discrimination against the out-group. About half of the subjects allocate less to the group of the political opponent than to the neutral individuals, but very few show the opposite pattern. This bias is highly significant ( $p < 0.00001$ ).

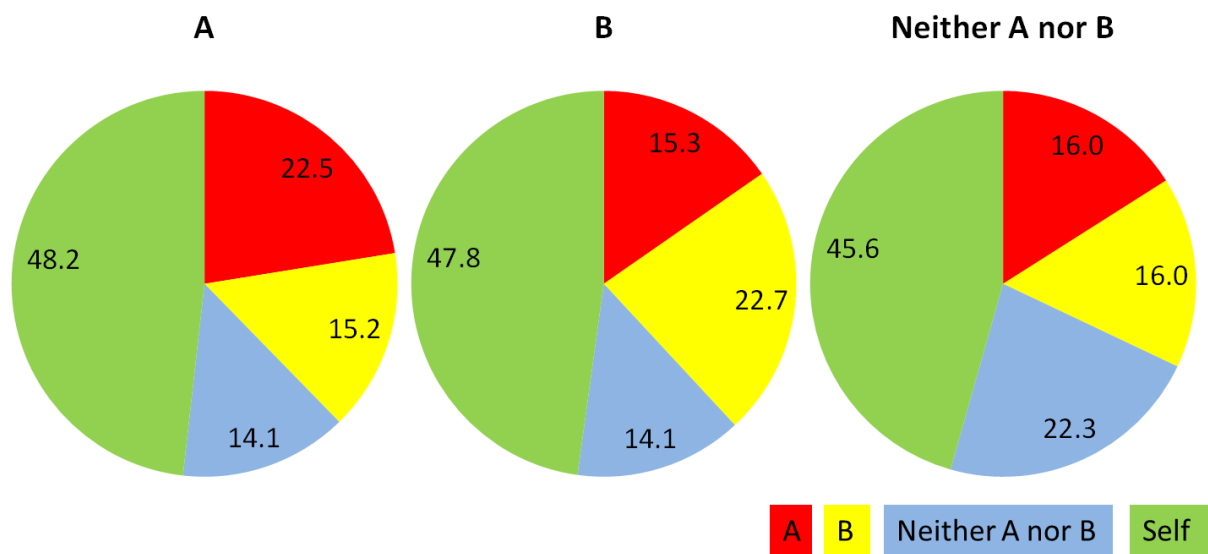


**Figure 3**

Clear evidence for different behaviours across the groups in terms of either favouritism or discrimination cannot be found. Figures 2 and 3 suggest both more favouritism and more discrimination among the yellows. The above figures may suggest that the reds tend to discrimi-

nate less than the yellows (48 yellows but only 36 reds favoured the in-group, 38 yellows but only 29 reds discriminate against the out-group. Fisher’s exact test, applied to those figures as opposed to the number of subjects who do not favour (discriminate), rejects the null hypothesis at a weak significance (one-sided  $p=0.098$  for favouritism and  $p=0.071$  for discrimination). However, if we take into account the amounts that subjects give less to the opposite group than to the neutrals, then any statistical significance vanishes. Fisher’s two-sample randomisation test applied to the individual differences in allocated amounts does not detect any statistical significance ( $p=0.349$ ).

### Allocation decisions (average percentage of the pie)

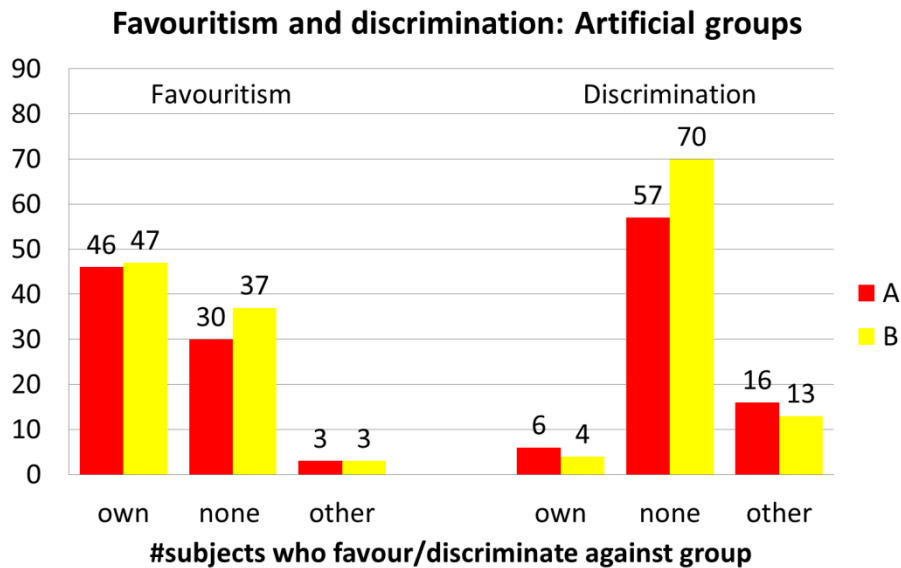


**Figure 4**

### 3.2. Artificial groups

Our experiment is designed to identify attitudes towards in-group and out-group members in naturally occurring groups. It is of course possible that the differential treatment we observe does not reflect such attitudes, but is just an artefact that stems from the experimenter labelling subjects as belonging to a group. Our second treatment allows us to identify whether and to what extent this is the case. In this condition the allocation task is the same, but the groups are now labelled “group A”, “group B” and “individuals who do not belong to group A or B”. Figure 4 shows the average shares members of the artificial groups allocate to the groups and to themselves. We can observe that participants subject the groups to differential treatment even if groups are completely meaningless, nothing more than a label the experimenter has attached to the subject. Hence, we cannot rule out that a small part of the favouritism we observe among the natural groups is due to mere labelling. However, the effects are much smaller and largely restricted to favouring the in-group slightly. Figure 5 shows favouritism and discrimination among those subjects labelled A or B in the artificial groups treatment, in the same fashion as figures 2 and 3. Though figure 4 suggests that favouritism is much

smaller in magnitude, the data still show a clear pattern. Allocations favouring the own group are much more frequent than those favouring the artificial out-group (significant at  $p < 0.0001$ ).



Only a minority discriminated against one of the groups, the majority treated the out-group and the unattached individuals the same. Interestingly, among those who discriminate between out-group and individuals, there are more subjects who actually treat the out-group better than the individuals (significant at  $p = 0.0262$  for group A,  $p = 0.0245$  for group B). It seems that group A (B) members feel more attached to other persons who are also members of some group than to people declared as loose individuals. However, though the effect is significant, the effect is very small in magnitude.

### 3.3. Allocation patterns

Allocators in our experiment are considerably selfish, perhaps surprisingly so. On average 43.8% of the pie in the natural group treatment and 47.2% in the artificial treatment are allocated to Self. Allocations to Self seem to be slightly higher in the artificial treatment. Within the natural groups, yellows and neutrals look slightly more selfish than reds. However, none of the pairwise comparisons are statistically significant, not even when we pool all allocators in the natural and in the artificial treatment.

Table 1 shows the five allocations chosen most frequently, across both treatments and all groups. Indeed, the modal allocation is the one that allocates the whole pie to Self, which has been chosen by 35 subjects.<sup>2</sup> The second most frequent allocation divides the pie into four equal shares and allocates the same to each of the four “groups”. This could be fairness oriented subjects with a strong self-serving bias. It seems fair if each group receives the same,

<sup>2</sup> All top-five allocations are non-favouring and non-discriminating. This is remarkable given the majority of subjects exhibited favouritism, discrimination, or both. However, symmetric allocations are more prominent, and it is technically more likely that the same symmetric allocation is chosen by several people. So not too much should be interpreted into this result.

and convenient to overlook that the “group” of Self is only one person, while each of the other groups consists of about 20 people.<sup>3 4</sup>

**Table 1. The five most popular allocations**

Red/A	Yellow/B	Neutrals/ Neither A nor B	Self	Frequency
0	0	0	100	35 (7.5%)
25	25	25	25	31 (6.7%)
30	30	30	10	20 (4.3%)
20	20	20	40	18 (3.9%)
10	10	10	70	15 (3.2%)

### 3.4. Other determinants of behaviour

At the end of the experiment, we asked subjects to complete a post-experimental questionnaire which asked questions about their socioeconomics background; how close they felt towards other individuals measured by a psychometric test called ‘Inclusion of Other in the Self Scale (IOS scale)’ (Aron et al., 1992; Cialdini et al., 1997); their beliefs about the behaviours of other individuals within the same session (not incentivised); group-related attitudes; trust-related attitudes; and a number of political and corruption perceptions questions. We examine the extent to which these variables explain the subjects’ behaviours observed in the experiment which also tests the internal validity of our design.

Our main results are shown in Table 2. Whilst we ran regressions for all variables included in the questionnaire, we only report the key variables in the table which include socioeconomic backgrounds; the IOS scales; the beliefs; and whether subjects consider group membership as important and provide discussion of other results. Models (1) to (5) report the results for in-group favouritism behaviour and models (6) to (7) for out-group discrimination behaviour. Recall that in-group favouritism is operationally defined as the difference between the amount given to the in-group and that given to the neutral individuals, whilst out-group discrimination is the difference between the amount given to the neutral individuals and the out-group.

#### *In-group favouritism*

None of the socio-economics background variables is significant, except for studying economics as a major subject in model 5 when the importance of group membership is also controlled for. No group identity effect is observed as the coefficient of the Yellow Shirts dummy is not significant. Closeness towards other in-group members positively affects the propensity to allocate more to the in-group than the neutral group and the results are robust

<sup>3</sup> Note that the allocator would always receive the share of the allocation to his or her group. Hence, to implement an equal distribution he or she would not need to allocate anything to Self.

<sup>4</sup> When individuals are faced with competing norms of fairness, they often tend to select the one that is advantageous to themselves as the one, not necessarily the one that would be dominant in society. Such self-serving biases are well-established in behavioural research (Loewenstein et al (1993), Babcock et al. (1995)).

across all, except for model (5) when the important of group membership enters the regression. This variable has a large and positive coefficient and is significant at 1% level which confirms our intuition that subjects who consider being part of a group as very important are more likely to treat the in-group more favourably compared to the status quo (neutral individuals). Beliefs about the amounts the other in-group members allocate to the in-group as well as the amount that the rival group allocate to their own group also affect the amount each subject allocates to their own group. The larger they think the other in-group members allocate to the in-group and the larger they think the rival group members allocate to their own group, they reciprocate (positively in the former case, and negatively in the latter case) by favouring their own group as well. Finally, the closer they feel towards the neutral group, the less likely that they would favour their own group. None of the other trust attitudes, group attitudes or political views variables are significant. We also run separate regressions for the Yellow Shirts and the Red Shirts with the same controls to see if we would find any subject pool-specific effects that have not been picked up by the dummy variable. For most of the control variables, the results are the same but interestingly for the Yellow Shirts we also find that subjects who consider vote-buying as corruption (the question was “*If politicians distribute money to the public during election time, would you regard this incident as corruption/not corruption?*”) are less likely to favour their own group. The coefficient is very large (72.3) and significant at 1% level. This variable is also not significant in the Red Shirts analysis which, to some extent, appears to support the Yellow Shirts’ anti-corruption stance. However, other corruption perception variables, which present scenarios concerning bribery (public offices and police department), tips to speed up the work by government departments, and political-business connection, are not significant. For the Red Shirts, the variables which have positive and significant effect on in-group favouritism are the importance of group membership (coefficient is 16.7 and significant at 1% level) and the beliefs about the amount that the rival group give to their own group (negative reciprocity). Interestingly, both of which are not significant in the Yellow Shirts regression. Another different result is that the closeness towards the in-group is positive and significant across all specifications for the Yellow Shirts but this variable is not significant for the Red Shirts. Only the closeness towards other individuals which produce the same negative effect on in-group favouritism in both groups. It seems that for the Yellow Shirts in-group favouritism is driven by how close they feel towards the other in-group member, whilst for the Red Shirts the degree of closeness does not matter as much long as they belong to a group and if they think that the rival group favour their own group, they would retaliate by doing the same.

#### *Out-group discrimination*

For socioeconomic variables, we observe a gender effect in model (1) in which female subjects are less likely to discriminate, although the effect disappears once other controls enter the model. Unlike in-group favouritism, the closeness towards the other in-group members does not significantly affect discrimination. Instead, it is the closeness towards the rival group and the neutral individuals which influence their discriminatory behaviour. The closer the subjects feel towards the rival group, the less likely that they would discriminate, whilst the closeness towards neutral individuals have the opposite effect. In addition, subjects

who consider group membership as very important are less likely to discriminate which is contrary what we observed in the in-group favouritism model. None of the other controls are significant. Therefore, our results suggest that the motivations for in-group favouritism and out-group discrimination are different. It appears that in-group favouritism is more ‘inward looking’ as it is the closeness and the important of group membership which drive this behaviour, whilst out-group discrimination is ‘outward-looking’ and is driven by the distance between Self and the out-group members. From our results, people who value group membership would favour their group, but not discriminate against the out-group. Hence, the two behaviours are not two sides of the same coin. We run a similar exercise with discrimination behaviour to check for subject pool-specific effects between the Yellow and the Red Shirts. We observe a strong gender effect among the Yellow Shirts. Female subjects are significantly less likely to discriminate and the results are robust across all specifications. Similar to the pooled data analysis, the closeness towards the rival group also has a negative and significant effect on discrimination. We find no gender effect for the Red Shirts models but in the baseline with only socioeconomic variables, we find that people who grew up outside of Bangkok are more likely to discriminate, but the effect disappears once other controls enter the model. The rest of the results are similar to the Yellow Shirts and no other controls is significant.

#### *Selfish behaviour*

Table 3 reports the results for selfish behaviour. On average students with economics major appear to be significantly more selfish than other students which confirm previous findings and the results are robust across almost all of the specifications. In addition, the amounts given to themselves also depend positively on the subjects’ beliefs about what the other in-group members and the rival group members give to themselves (models 3 and 4). The more they believe the other in-group members and the rival group members give to themselves, the more they allocate to Self. Subjects who think that some groups are inferior than others and should stay in their place (models 8 and 9) are also significantly more selfish. On the contrary, those who felt closer towards individuals with no group affiliation (model 2) and more trusting (models 6 and 7) allocate significantly less amount to Self. Interestingly, the beliefs about the amounts given to the rival group by the in-group members and the amounts given to the in-group by the rival group members also have a negative effect on the amounts given to Self. We test whether in-group favouritism and out-group discrimination affect the amounts allocated to Self or not but the coefficients are not significantly different from zero. Finally, subjects who consider military/police officers being board members of private companies while still in the office as corruption are less selfish than others, although other corruption perception variables are not significant.

#### **4. Discussion**

This paper studies in-group favouritism and out-group discrimination using naturally occurring and politically conflicting groups in Thailand. Our objective is to systematically disentangle in-group favouritism and out-group discrimination by designing a novel experiment which introduces a benchmark by which in-group favouritism and out-group discrimination

can be measured against, namely the *neutral individuals* who do not belong to any group. When there are only an in-group and an out-group, the two are indistinguishable, the neutral individuals provide the ‘status quo’ against which in-group favouritism and out-group discrimination are measured. If the in-group is treated more favourable than the status quo, we observe in-group favouritism. If the out-group is treated worse than the status quo, we observe out-group discrimination. We believe that this is the cleanest way to distinguish in-group favouritism from out-group discrimination. We use a multi-recipient dictator game with large groups of about twenty subjects in each group and also a large stake. The two politically conflicting groups are very appropriate to study in-group favouritism and out-group discrimination because these two behaviours are central to the conflict. Both groups accuse each other of favouritism and discrimination. In addition, the Yellow-shirts also claim to be anti-corruption, particularly vote-buying, whilst the Red-shirts claim to be pro-democracy and political legitimacy. Our results show clear evidence of in-group favouritism in both groups. A large number of the red and yellow subjects give more to their own group than to the neutrals. We observe no statistically difference in this behaviour across groups. Both the red and yellow subjects also discriminated against the out-group by allocating significantly less to the group of the political op-opponent than to the neutral individuals. When we looked at the number of red and yellow subjects who favoured or discriminated against the out-group, it appeared that more people in the yellow group both favoured and discriminated against the red subjects. However, when the actual amounts given the in-group/out-group are taken into account, we did not find any statistically significant difference. The weaker effects observed in our artificial groups treatment confirmed that the strong results in the natural groups treatment was not due to labelling alone. The fact that subjects were made aware of their political groups intensified both behaviours, particularly out-group discrimination. A much smaller proportion of the subjects in the artificial groups treatment gave less to the out-group than the neutral subjects as compared to those in the natural groups treatment. Overall, allocators in our experiment are considerably selfish and the modal allocation is the one that allocates the whole pie to Self. The second most frequent allocation divides the pie into four equal shares and allocates the same to each of the four “groups”. This could be fairness oriented subjects with a strong self-serving bias and thus, considered Self as one of the groups even though it only consists of one person. Finally, we performed econometrics analysis of subjects’ socio-economic backgrounds, trust-and group-related attitudes as well as corruption perceptions. We found no significant effect of group identity (red vs. yellow) or trust attitude. Most of the socioeconomic variables were also not significant, except that there was a weak gender effect in discriminatory behaviour. Female subjects appeared to be less likely to discriminate against the out-group, but this was not the case for in-group favouritism. In-group favouritism was significantly influenced by the subjects’ attitude towards group membership (the more they considered group membership as important, the more they favoured the in-group), their beliefs about the amounts that the other in-group members allocate to the in-group and the amount that the rival group allocate to their own group, and how close the subjects felt towards the in-group. An interesting result was that among the yellow shirts, subjects who considered vote-buying as corruption were less likely to favour their own group. But this variable was not significant amongst the red group. For out-group discrimination, as

expected, subjects who felt closer to the rival group were less likely to discriminate and those who valued group membership also did not give less to the out-group compared to neutral subjects. In conclusion, our novel design clearly distinguished between in-group favouritism and out-group discrimination behaviours and the underlying motives which drive these behaviours. Although related, we have shown that the two behaviours are not simply two sides of the same coin.

**Table 2. Regression results**

Dependent variable	In-group favouritism					Out-group discrimination				
Independent variable	Model [1]	Model [2]	Model [3]	Model [4]	Model [5]	Model [6]	Model [7]	Model [8]	Model [9]	Model [10]
Yellow Shirts	0.81 [4.42]	1.05 [4.13]	3.10 [4.10]	1.82 [4.13]	0.21 [3.89]	-0.38 [2.61]	-0.14 [2.32]	-0.24 [2.35]	-0.57 [2.40]	0.11 [2.29]
age	0.02 [1.30]	-0.77 [1.23]	-0.85 [1.20]	-0.93 [1.20]	-1.74 [1.19]	-0.25 [0.77]	0.41 [0.69]	0.38 [0.69]	0.38 [0.70]	0.70 [0.70]
gender	1.20 [4.34]	0.59 [4.14]	1.42 [4.10]	0.39 [4.02]	2.17 [3.91]	-6.43* [2.57]	-3.62 [2.32]	-3.84 [2.36]	-3.68 [2.33]	-4.08 [2.30]
grow	-0.23 [1.00]	-0.48 [0.95]	-0.41 [0.95]	-0.59 [0.92]	0.01 [0.90]	-1.11 [0.59]	-0.73 [0.53]	-0.77 [0.54]	-0.73 [0.54]	-0.87 [0.53]
econ	5.81 [5.31]	7.78 [4.98]	6.43 [4.97]	8.04 [4.95]	10.65* [4.73]	-3.48 [3.14]	-4.79 [2.79]	-4.98 [2.86]	-5.29 [2.87]	-5.62 [2.78]
fam_income	-2.01 [2.29]	-0.82 [2.15]	-0.25 [2.11]	-0.39 [2.10]	0.16 [2.04]	0.80 [1.36]	0.36 [1.21]	0.18 [1.22]	0.43 [1.22]	0.07 [1.20]
religious	-0.09 [5.31]	-0.22 [4.96]	0.44 [4.90]	-2.52 [4.87]	-0.76 [4.66]	-0.04 [3.14]	-0.80 [2.76]	-0.58 [2.82]	-1.30 [2.81]	-0.65 [2.74]
circle_own		2.90* [1.32]	3.27* [1.31]	3.78** [1.31]	1.60 [1.28]		0.39 [0.74]	0.27 [0.75]	0.50 [0.76]	0.77 [0.75]
circle_other		-0.23 [2.18]	0.20 [2.20]	1.12 [2.17]	-0.58 [2.06]		-5.43** [1.22]	-4.87** [1.27]	-5.24** [1.26]	-5.33** [1.21]
Circle indiv.		-6.11** [1.38]	-6.75** [1.38]	-6.68 [1.37]	-5.26** [1.32]		4.25** [0.77]	4.08** [0.79]	4.29** [0.79]	4.00** [0.77]
Belief your group members giving to themselves			0.04 [0.12]					-0.05 [0.07]		
Belief your group members giving to own group			0.39** [0.15]					-0.02 [0.08]		
Belief your group members giving to rival group			-0.17 [0.28]					-0.29 <sup>†</sup> [0.16]		
Belief rival group members giving to themselves				0.01 [0.10]					-0.04 [0.06]	
Belief rival group members giving to their own group				0.35** [0.12]					0.00 [0.07]	
Belief rival group members giving to your group				-0.17 [0.23]					-0.20 [0.13]	
Consider group membership as important					10.51** [2.51]					-3.06* [1.48]
Number of obs	137.00	137.00	137.00	137.00	137.00	137.00	137.00	137.00	137.00	137.00
R-squared	0.02	0.17	0.23	0.24	0.27	0.09	0.31	0.33	0.32	0.33
Adj R-squared	0.03	0.11	0.15	0.16	0.21	0.04	0.26	0.26	0.25	0.27

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