

Cooperation Hidden Frontiers: The Behavioral Foundations of the Italian North-South Divide

Maria Bigoni

University of Bologna

Stefania Bortolotti

University of Bologna

Marco Casari

University of Bologna

Diego Gambetta

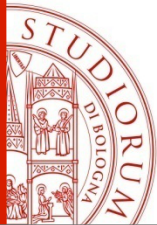
University of Oxford & EUI

Francesca Pancotto

Univ. Modena-Reggio Emilia

Bocconi University, 28 October 2013





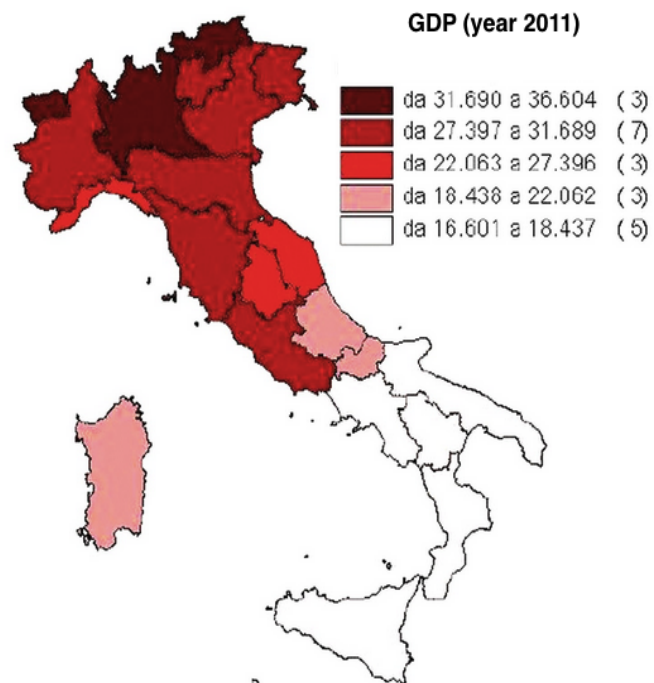
Motivation

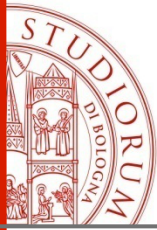
Political borders can make all the difference for the socio-economic outcomes of two otherwise identical regions (e.g. Nogales)

Hidden frontiers: regions under the same formal institutions and next to each other may show sharp discontinuities

Italian North-South divide

Formal institutions, religion, and language shared since over 150 years ...there exists gap along many socio-economic dimensions

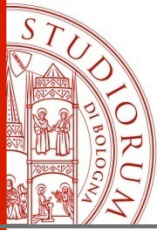




Research questions

In order of importance:

- ① Do people in the North of Italy exhibit an economic **behavior** that is different from people in the South?
- ② If so, exactly in which **dimension** of behavior is there a difference?
- ③ If there is a difference in behavior, what is the **origin** of such difference?



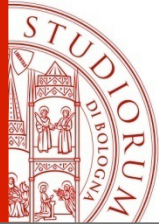
① North-South differences in behavior

Currently: anecdotes, surveys, and field data

Missing: experiments,
a direct measure of behavior without confoundings

Experiments allow to control for institutions, incentives and external factors

People face the same exact situation in all locations



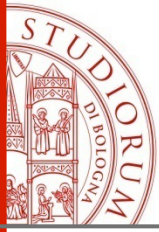
② Which dimensions of behavior

We study behavior with respect to:

Ability to cooperate

Concerns for efficiency and equality

Risk preferences



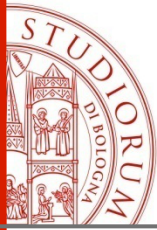
Study design

- CITY SELECTION
- SAMPLE OF PARTICIPANTS
- EXPERIMENTAL TASKS

Design – city selection

- **Few** cities but in-depth study:
two in the North and
two in the South
- **Medium-size** (50,000-100,000)
 - i) known and shared social norms
 - ii) sufficient anonymity
- **Distant** one another
in terms of social capital

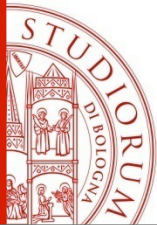




Design – Sample

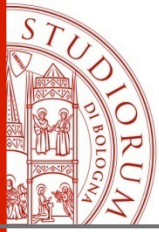
Representative sample of the Italian population by age, sex, occupation

- These experiments are rare
- Participants born and resident in the county
 - this information was made public to participants (known and shared social norms)
 - 93% with one or both parents born in the province
- 618 participants (about 150 in each county)
- Payed 30 euros to show-up, plus up to 50 for performance



Design – Sample

AGE	18-25	17.9%
	26-39	20.3%
	40-49 (median)	15.8%
	50-59	19.6%
	60 and above	26.3%
SEX	<i>Female</i>	52.3%
	<i>Male</i>	47.7%
OCCUPATION	Worker	32.1%
	Self-employed	9.3%
	Unemployed	13.3%
	Retired	22.6%
	Student or other status	12.8%
	Housewife	10.0%
Elementary school in the province		96%

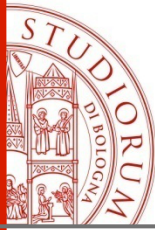


How did we run the experiment



Bologna Laboratory for Experiments in the Social Sciences

BLESS is a mobile lab

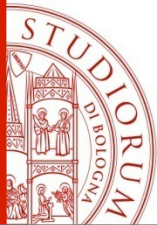


How did we run the experiment

Goal 1: High level of understanding by participants

Goal 2: High comparability across locations

- Simple design and careful instructions (e.g. quiz, choice among few options, etc.)
- Cooperative tasks repeated several times
- Touch screen computers
- Graphical interface
- Same equipment and same experimenters

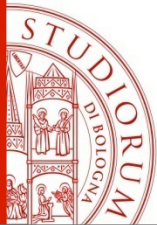


Design – tasks

Sessions type A:

Sessions type B:



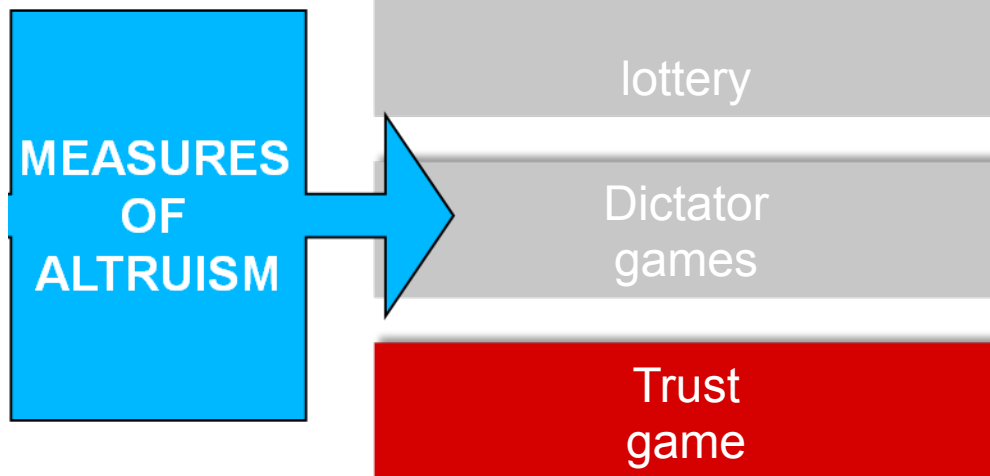


Design – tasks

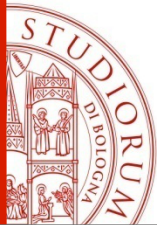
Sessions type A:



Sessions type B:



MEASURES OF ALTRUISM



Design – tasks

Sessions type A:

lottery

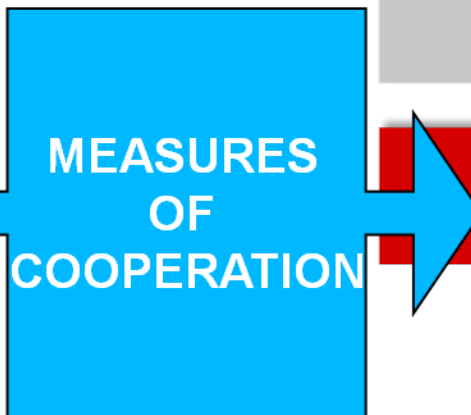
Voluntary
contribution
to a public
good (8 rounds)

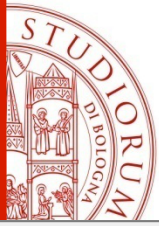
Sessions type B:

lottery

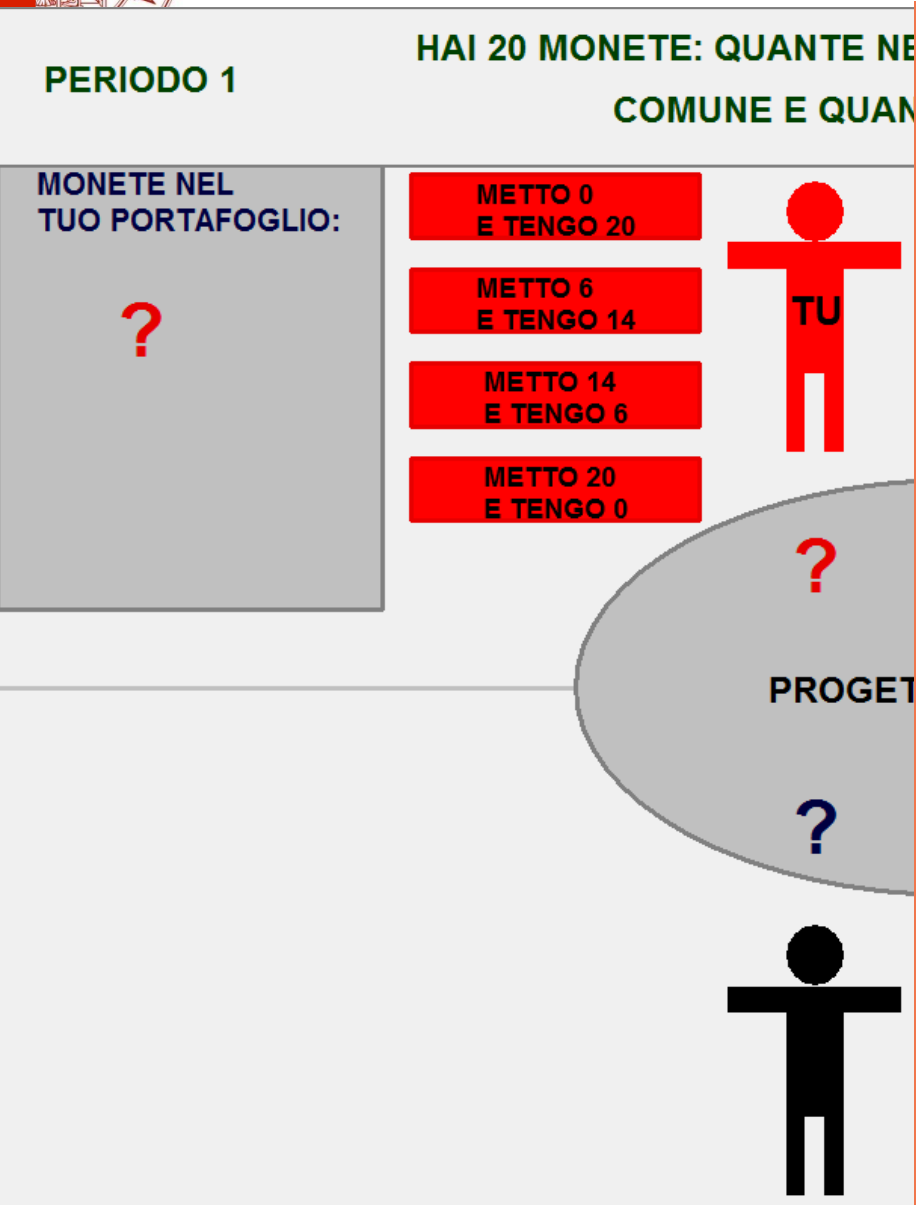
Dictator
games

Trust
Game (10 rounds)

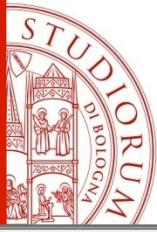




Contribution to a public good



- Group of 4 members
- Each member has 20 tokens and can contribute 0, 6, 14, or 20
- each token kept = 1 token for you
- each token contributed = 2 tokens for the group
- Max social welfare: contribute 20
- Nash equilibrium: contribute 0
- 8 rounds with stranger matching

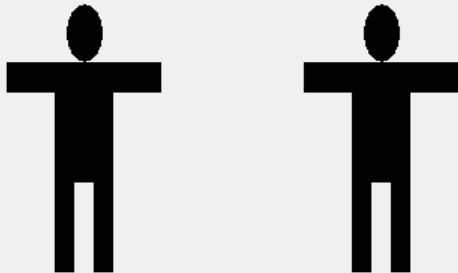


Trust game

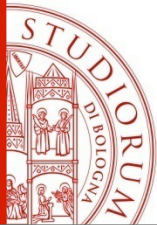
CICLO 1

COSA VUOI F
TENERE

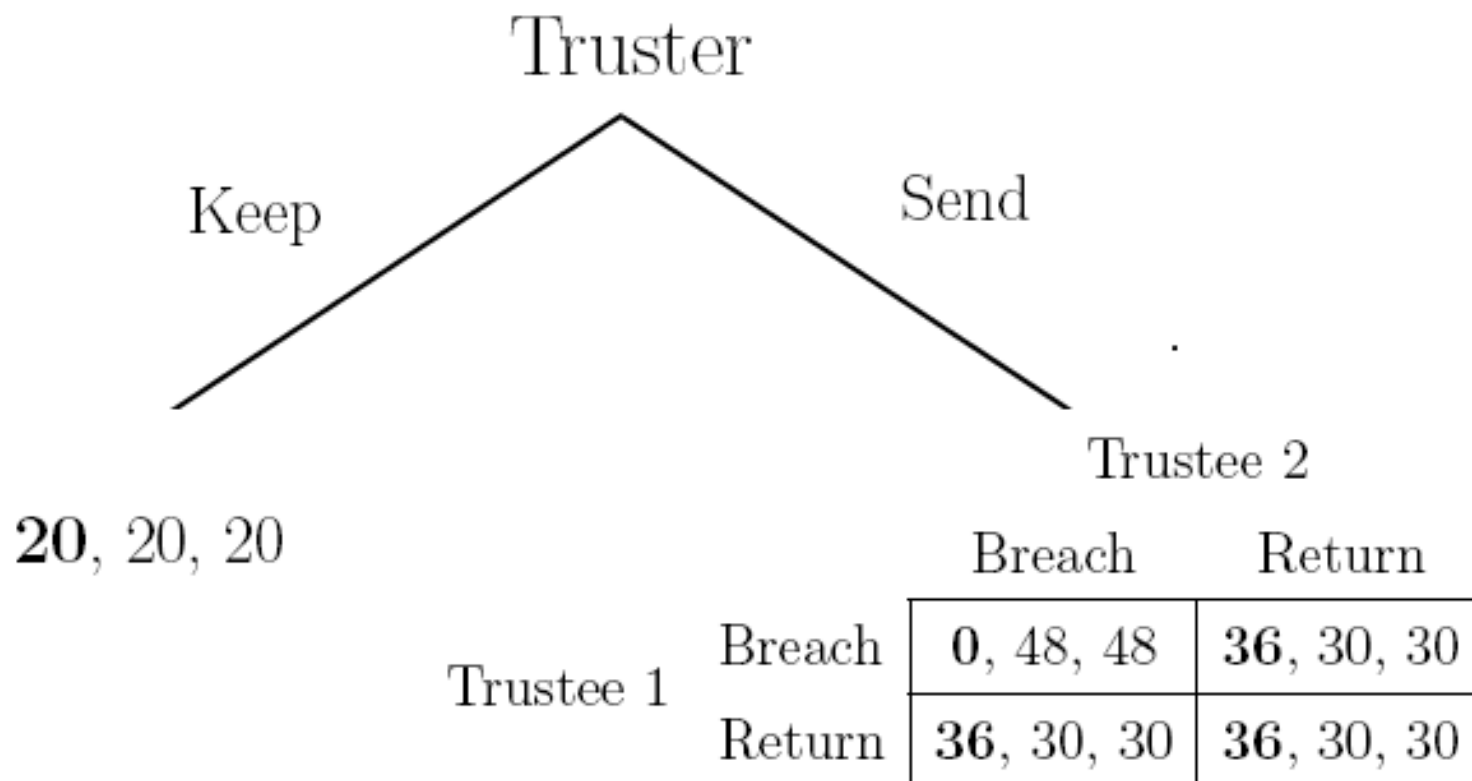
PASSARE



- Group of 3 members
- Truster chooses first, then Trustees choose simultaneously
- Amount sent $\times 2.8$
- Binary decisions
- **No trust:** everyone 20 tokens
- **Trust:** Truster earns 0 if both trustees do not return
Otherwise: 36 tokens
- **10 rounds with stranger matching and random roles**

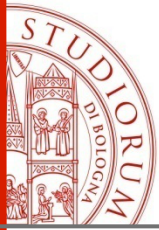


Trust game

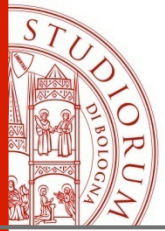


Pure strategies NE: (Keep, Breach, Breach)

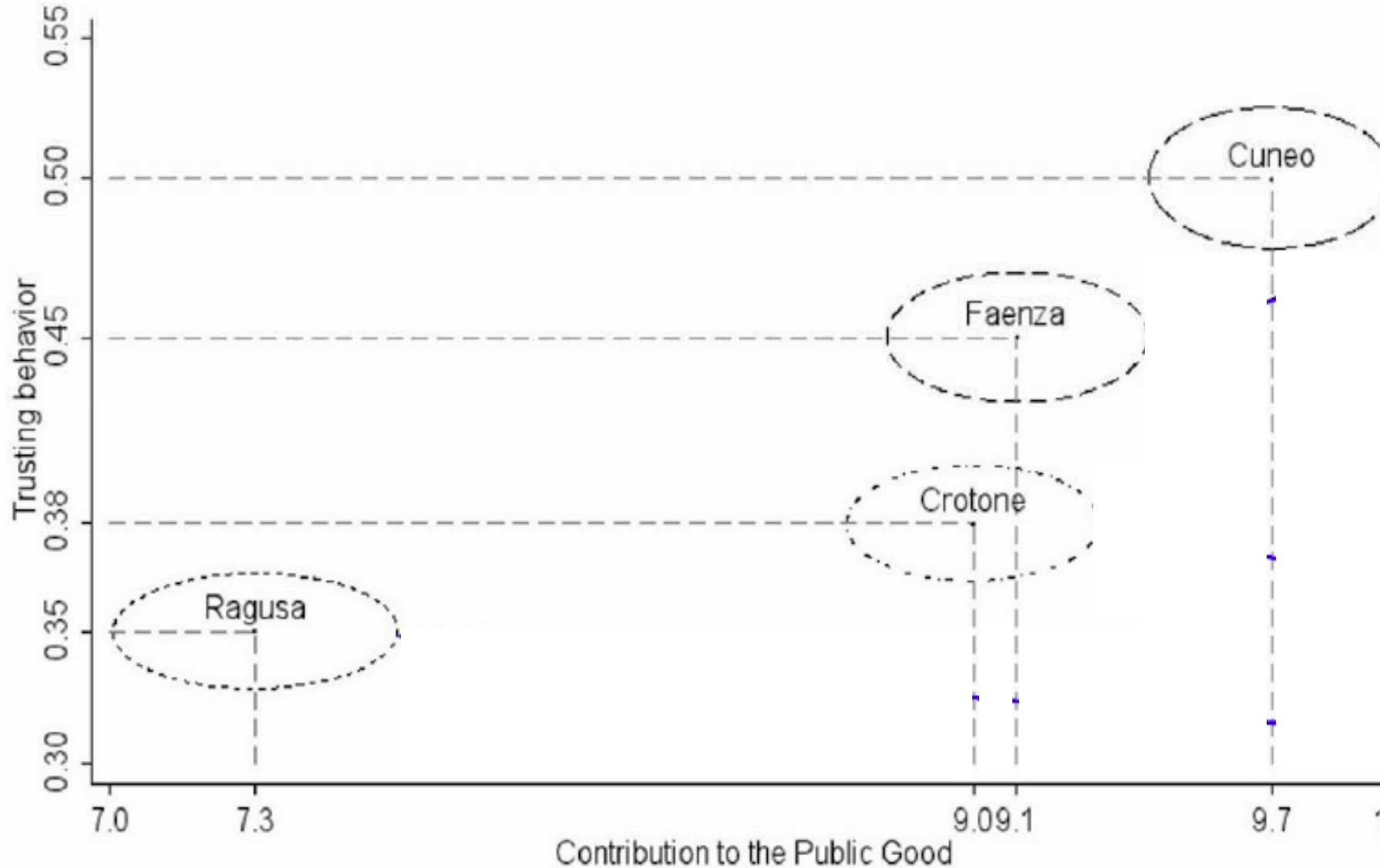
Send, Return, Return does not survive elimination of weakly dominant strategies

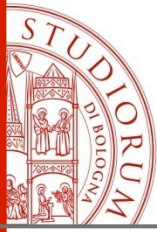


Four results



Result 1: Contributions to the public good and trust move in unison





Result 1: Contributions to the public good and trust move in unison

Main lesson:

Differences in civic norms of cooperation across cities are robust

The city ranking does not change despite

- Different tasks (PGG and Trust game)
- Different participants in different tasks