Evidence from Lagos on Discrimination across Ethnic and Class Identities in Informal Trade

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Abstract. — This paper investigates the determinants of price discrimination in the rice market in one neighborhood of Lagos, Nigeria. There has been little empirical study of how ethnicity and class shape economic outcomes in informal market interactions. We conduct an audit experiment—one of the first audit experiments in Africa—seeking to address this gap. We experimentally manipulate class, with confederates presenting as different classes; this may be the first audit study to take this approach. This is also one of the first in-person audits to have multiple transactions for each buyer and seller, thus allowing for the use of buyer and seller fixed effects. We find little evidence that, all else equal, sharing an ethnicity on its own influences market treatment. Class, however, does have substantial effects, at least for non-coethnics. High-class non-coethnics receive higher prices per unit than low-class non-coethnics. Our findings suggest that the boundaries of group identity appear to be at least partially defined by class in the informal economy.

Key words — discrimination, class, ethnicity, Africa, Nigeria

1. INTRODUCTION

There is substantial evidence that discrimination is a central driver of economic disparities, particularly as regards race (Darity & Mason, 1998; Moss & Tilly, 2001; Pager & Quillian, 2005; Wilson, 1996). We know surprisingly little, however, about the extent to which discrimination occurs based solely on characteristics of one individual or rather based on the intersection of two individuals’ characteristics, for example the shared identity (or lack thereof) between buyers and sellers. We also know little about how potential bases for discriminatory treatment (race, religion, ethnicity, gender, etc.) interact.

One emerging method of studying the dynamics of discrimination is with field experiments, specifically in-person audits (e.g., Pager, Western, & Bonikowski, 2009). There are a number of advantages to these sorts of audits, not least of which is the generation of causally identified findings which can complement qualitative work and provide context for the generation of new theory (Pager, 2007).

Existing in-person audits have been concentrated in the US, particularly in the housing (1977 Housing Market Practices Survey; 2000 Housing Discrimination Study) and employment (Labey, 2005; Pager et al., 2009) markets, though audits have been used more widely to study markets such as that for car repair (Gneezy, List, & Price, 2012).

A limitation of in-person audits is that the salient features in these audits—most commonly race—cannot be manipulated experimentally. This leaves studies vulnerable to the critique that there are characteristics of confederates unobserved by researchers that thus cannot be matched on, and that these unobserved characteristics could be driving the observed effect (Guryan & Charles, 2013; Heckman, 1998). This has led many social scientists to conduct correspondence audits, where inquiries are made by (for example) email, where identity can be manipulated experimentally (e.g., Galarza & Yamada, 2014). These audits are vulnerable to another set of criticisms regarding the relevance of these contexts, given that, for example, few job seekers find employment in a manner (relying instead on personal contact and connections), and there are few domains outside of employment where consequential discrimination might occur without face-to-face interactions. Our audit study is designed partly to address the criticism of unobserved confederate characteristics without sacrificing the critical in-person component.

In Nigeria, as in several other African countries, ethnicity is the most salient identity for a large plurality of citizens. With the literature on the consequences of ethnic salience focus on relatively infrequent political outcomes such as cooperation around public goods and vote choice (e.g., Alesina, Baqir, & Easterly, 1999; Bratton, Bhavnani, & Chen, 2012; Carlson, 2015; Dionne, 2015; Habyarimana, Humphreys, Posner, & Weinstein, 2009; Miguel & Gugerty, 2005), we know little about differential treatment and identity salience in casual interactions in the informal sector, this despite an emerging literature on the political economy of the informal sector (e.g., Auerbach, 2016; Cross, 1998; Gill et al., 2012; Grossman, 2017; Holland, 2016; Levitt & Venkatesh, 2000; Nordman, Rakotomana, & Roubaud, 2012; Williams, Shahid, & Martínez, 2016). In interactions with businesses that are informal—i.e. not registered with all relevant levels of government—prices are typically not listed, leading to substantial space for discretionary treatment. Though these casual interactions are sometimes called “superficial” (Amir, 1969; Sigelman, Bledsoe, Welch, &
The nature of identity and political mobilization has long been a topic of political science theorizing. From Varshney’s (2001) associative engagement to Putnam’s (2002) bridging social capital, the notion that intergroup contact can promote peace and responsive governance has become an under-explored premise of both political science theorizing and external international development interventions, which often focus on fostering cross-group engagement. It is not clear this always need be the case; being treated less well by individuals unlike you may strengthen in-group identification and exacerbate out-group antipathies. Political appeals to class and ethnicity (for example) are often at cross-purposes, and which will be more successful depends on identity salience? Do market sellers—a group that interacts with a large number of people and thus potentially plays a substantial role in identity activation—find salient the class or ethnicity of those who buy from them, a necessary pre-condition to engaging in differential treatment?

Perhaps most importantly, casual interactions speak to identity mobilization. In everyday life, are ethnic and/or class identity salient? Do market sellers—a group that interacts with a large number of people and thus potentially plays a substantial role in identity activation—find salient the class or ethnicity of those who buy from them, a necessary pre-condition to engaging in differential treatment?

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