



## EUI Interdisciplinary Experimental Working Group (ECO/SPS)

**Thursday, 22<sup>nd</sup> November 2018**

Seminar Room 2

17:00 – 19:15

**Béatrice Boulu-Reshef (Univ Paris 1)**

*"Signaling Trustworthiness with Impact Investments: An Experimental Study"*

The paper is jointly co-authored with Graciela Kuechle, Luise Rohland

Abstract: Entrepreneurs may differentiate their ventures and attract investments by advertising that their firm produces positive externalities for society. Such signaling of entrepreneurs' trustworthiness may be a prevalent practice in these investment opportunities which are casually referred to as "impact investment" by practitioners. This paper investigates this possible signaling by studying the interplay of altruistic, fiscal, and reputational motives that characterizes these investments in a laboratory experiment. In the experiment, the investor may transfer money to the entrepreneur, who may then invest some, all or none of this money onto a conventional investment opportunity or an impact investment opportunity involving a spillover, and then decide whether or not to transfer some of the funds back. Entrepreneurs choose a type of investment and their choice is visible to the investors. The results are that the choice alone of an impact project does not increase investors' transfers to impact investments but a higher spillover does as long as the tax from possible gains is not too high. Pro-social entrepreneurs do not announce higher rates of spillovers. In the presence of tax, entrepreneurs internalize that a too high spillover could scare away investors. The experiment shows that the presence of impact investments helps investors coordinate onto different investment types. It identifies the mechanisms behind investors believing that socially-oriented entrepreneurs will be more trustworthy. Specifically, as investors' transfers react to the effective societal impact and not to the mere project type, making that quantitative information visible allows investors to differentiate between investment opportunities.

**Javier G. Polavieja (IC3JM)**

*"Racial Discrimination in Europe: Results from a Comparative Field Experiment in Germany, the Netherlands and Spain"*

The paper is jointly co-authored with Ruud Koopmans, Bram Lancee, María Ramos, Susanne Veit & Ruta Yemane

Abstract: We present the first large-scale comparative field experiment on phenotypic discrimination in employment carried out simultaneously and with a harmonised methodology in three European countries: Germany, the Netherlands, and Spain. Using an unpaired fractional design, we sent fictitious résumés to real vacancies advertised on online platforms in each country, randomly varying the treatments for ethnicity (measured using country of ancestry and ethnic names) and phenotype

(measured using applicants' photographs). Fictitious applicants are young-adult country nationals of both native (24%) and foreign-born parents (76%) from 44 different countries of ancestry (N≈12,000). We examine the average difference in call back rates across four 'racial' groups comprising eight different photographs carefully matched in dimensions of attractiveness and likeability. We discuss and test three micro-level hypotheses i) racial in-group favouritism, ii) racial hierarchies and iii) race as a marker of ethnicity. Drawing on contact theory, realistic competition and institutional approaches, we also test the expectation that racial discrimination should be highest in Spain and lowest in Germany. We find evidence of discrimination against minority racial groups in all three countries studied yet only in the Netherlands there is some indication of racial hierarchies for applicants of non-Western ancestry. Racial discrimination seems to add to ethnic discrimination but we find no clear evidence that applicants' 'race' interacts with ethnicity by increasing ethnic salience. Finally, our findings suggest racial discrimination could indeed be lowest in Germany but, contrary to our expectations, it seems highest in the Netherlands, not in Spain.