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What's in a name? Racial identity and altruism in post-apartheid South Africa

Wilhelm Gerhard van der Merwe* and Justine Burns†

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Abstract

This paper reports the results of an economic experiment which was designed to test the effect of racial identity on generosity in a non-strategic setting. A sample of undergraduate University students was recruited to participate in a Dictator game, where surnames of individuals were revealed to convey information about racial identity. Results indicate that compared to a set of control experiments where participant identity was kept anonymous, revealing racial identity has a significant and positive impact on the size of the offers made. However, while Black participants did not vary their offers based on the racial identity of their partners, White participants were more generous towards White partners than Black partners, exhibiting insider favouritism in their offers

1 Introduction

The far-reaching social and institutional changes that have occurred in South Africa since the demise of apartheid provide a unique backdrop against which to examine the impact of social context, as revealed through racial identity, on individual willingness to redistribute resources. While there is a well-established tradition of relying on attitudinal questionnaires and surveys to elicit social capital measures of inter-racial trust, xenophobia, as well as attitudes towards redistribution and affirmative action, these methods suffer from the possibility that individuals may have an incentive to lie or mis-report, particularly when answering questions that are sensitive, or where political correctness may be demanded. Moreover, there may be a divergence between the way individuals answer survey questions and their actual behaviour when confronted with a real-life situation.

In this paper, we rely on an experimental game, namely the dictator game, to provide a behaviourally grounded measure of generosity (or altruism), and explore whether this propensity is affected by knowledge of the racial identity of one's partner. Using surnames to convey racial identity of participants, we find that while White proposers make significantly higher offers than Black proposers, they also tend to exhibit an insider bias in their behaviour, favouring White partners over Black. These results remain robust, even after we control for potential doubt about the credibility of the experiment in the minds of participants.

2 Measuring altruism using the dictator game

The dictator game is one of a series of experiments that has been developed to show that the utility optimizing choice for economic agents is not necessarily the money maximizing choice. In the experimental setting, individuals are asked to make choices that will reveal their behaviour to

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the experimenter. Moreover, these choice decisions are made with real money, which incentivises individuals to reveal their true behaviour. This makes experiments a good means of distinguishing between what people say they would do, and what they actually do.

If one characterizes redistribution as the voluntary non-reciprocal transfer of resources from one individual to another, then the dictator game (Forsythe et al, 1994) provides a good vehicle for examining individual behavior in this regard. In the dictator game, two individuals are paired together. The proposer (first mover) is given a fixed endowment and asked whether they would like to transfer any amount to their partner in a one-way split. There is no strategic interaction here, and the proposer does not stand to benefit materially from sacrificing his resources in order to improve the payoff of his partner. Despite the game theoretic prediction that zero resources should be transferred, there is substantial evidence of non-self-interested behavior in these settings, particularly when initial positions are randomly allocated (Kahneman et al, 1986; Forsythe et al, 1994)¹. There is now a well-established body of results from dictator games that suggest that proposers offer 20% of their allocated endowment on average, with offers ranging from 10 to 25%, and modes at 0 and 50%. (Carpenter 2000)

The compelling evidence of non-selfish behavior in this game suggests that individuals may be motivated by factors other than material gain. A myriad of possibilities suggest themselves here, including the social distance (perceived and actual) between the two individuals (Akerlof, 1997), attitudes about the deservingness of the recipient (Eckel and Grossman, 1996), the extent of inequality aversion on the part of the proposer (Fehr and Schmidt, 1999), as well as ethics and moral codes (Frolich et al, 2001). In a double blind treatment, (where players are anonymous and the experimenter cannot track individual actions) self interest emerges very strongly as 70% of proposers send nothing to the recipient Player B. Once the experiment is changed to a single blind treatment and some information about Player B is revealed, offers rise significantly (Carpenter, 2000). For example, in a study by Eckel and Grossman (1996), in an anonymous treatment, proposers sent an average of 10.6% of their allocated money to their anonymous partner. By way of contrast, in a second treatment, when the proposer was told that they had the opportunity to give to the Red Cross, offers increased significantly to 31%. Knowing something about one's partner in this interaction clearly affected the proposer's offer.

Evidence that identity or status matters for "social exchange" (Blau, 1964) is not without precedent. There is a large social psychology literature which confirms that even arbitrary (or minimal) group affiliations can affect the way that people treat others. (Tajfel, 1982; Thibaut et al, 1959; Turner et al, 1979), and that individuals act to favor members of their in-group over those whom they perceive to be members of the out-group, however the "group" is defined (Bowles et al, 2001; Loury, 2001). Even relatively superficial contexts or frames affects behavior significantly, as long as the status of the parties involved in the interaction is publicly revealed. (Ball et al, 2001; Hoff and Pandey, 2003; Eckel and Grossman, 1996).

In the limited information setting of social exchange, that publicly revealed identity should matter makes sense. Individuals rely on costlessly observable cues such as race and gender to distinguish between individuals, especially in segmented societies where such characteristics hold some social significance. Moreover, because they are costlessly observable, these visual cues are likely to be privileged over other categorisations, such as class or educational background, even when the latter might be more relevant. (Chandra, 2003; Cornell and Welch, 1996).

Yet, behavioural economists are only now beginning to focus attention on the ways in which personal attributes such as race and gender affect outcomes in social exchange, and the majority of experimental work that has been done has focused almost exclusively on studying the effect that the personal characteristics of the proposer, gender in particular, has on the offers made. In the dictator game setting specifically, Eckel and Grossman (1996, 1998) and Selten and Ockenfels (1998) find evidence that women are more generous than men, while Bolton and Katok (1995) find no

¹However, the dictator game is extremely sensitive to framing effects. For example, dictator games produce more self-interested behavior when framed as a market (Roth, 1995).

significant gender differences in giving. However, Dufwenberg and Muren (2002) find that when the gender of the partner in the dictator game is revealed to the proposer, women receive higher offers than men, particularly from other men. Holm and Engfeld (2001) find that if the dictator knows the gender and income of the recipient, low income women receive considerably higher donations than high income men.

Interestingly, the evidence concerning the impact of racial identity on offers made in the dictator game is more mixed. In a series of dictator game experiments run in South Africa, USA, and Russia, Ashraf *et al* (2003) do not find significant differences in the mean offers made by white and non-white proposers, and more specifically, they do not find significant differences in the mean offers made by white and non-white South African proposers. Note, however, that in these games, proposers did not know the racial identity of their partners in the game. Arguably, in a dictator game setting, the racial identity of the passive recipient may be an important predictor of offers. In a 2002 study, Fershtman and Gneezy recruited Eastern Jews and Ashkenazi Jews in Israel to participate in a dictator game, where names of participants were revealed in order to convey information about ethnic identity. Importantly, proposers in these games knew the surnames, and hence the ethnic identity, of their partners. Fershtman and Gneezy (2002) did not find any significant differences in the average offers made in a dictator game to members of these different ethnic groups in Israel. By way of contrast, in a series of dictator games run with a sample of high school students in the Western Cape, where photographs were used to reveal the racial identity of partners, Burns (2003) finds that while Black and Coloured proposers make significantly higher offers to Black recipients in the game, White proposers make significantly lower offers towards Black partners. Burns (2003) links these differences in altruistic behavior towards black students to differences in attitudes towards redistribution, affirmative action and perceived relative well-being.

3 Experimental Design

In this study, we follow the Fershtman and Gneezy (2002) design by using surnames of participants to reveal something about the racial identity of participants. Black African and White undergraduate students were recruited from the University of Cape Town to participate in a Dictator Game. Participants were signed up at various points on the campus, while others were signed up during lectures. Of all the participants that signed up, two hundred and forty² were selected³ based on whether or not they had surnames that were clearly identifiable as being typically Black surnames or typically White surnames (See Appendix 1 for examples). The participants were then randomly allocated to two treatments: an anonymous treatment in which the proposer and recipient knew nothing about each other and a race treatment in which proposers were told the surnames of the recipients with whom they were paired. Most participants were aged 18 to 22, and the gender split was almost equal with slightly more females than males in the sample. While half were commerce students, the rest were evenly distributed between all the other faculties.

On the specified day, all participants for a given session met in a classroom. This was done to ensure that once the game began, the proposers had credible evidence that they were in fact paired with a real person. The experimental game was clearly explained and described as a simple decision-making exercise, with care being taken to avoid framing the game in any particular way. Participants were also informed that they would all receive a participation fee of R20 to compensate them for their time. Once participants had completed their consent forms, those players who had been assigned to

²This sample size is comparable to those studies reported in the international literature (Carpenter, 2001).

³It is important to note that little attention has been paid in the international literature to potential selection effects that arise in relation to experimental work. If the characteristics of those who voluntarily sign up to participate differ significantly from those who decline to participate, this may introduce bias into the results. However, we follow international best practice here, by simply recruiting as large a sample as possible, and then randomly selecting from within that group. This also means that the results reported here may not necessarily be generalisable beyond this particular sample.

be the recipient Player B's in the game were taken next door to a separate classroom.

Proposers were then each given an additional endowment of R50 to use in the experiment, and asked if they would like to send any amount to the recipient they had been paired with. Offers could be made in denominations of one rand. The only difference between the anonymous treatment and the race treatment was that in the race treatment, proposers were provided with the surname of the recipient they had been paired with, while in the anonymous treatment, the proposer had no information about their partner. The recipients in these games had no information about their partners in either treatment⁴, and thus, the proposers were aware that they could not be identified in any way, nor be associated with any particular offer made. Once the experiment was completed, all participants were asked to complete a questionnaire that elicited basic socio-demographic and attitudinal information.

4 Results

Table 1 below presents the mean and median offers made in these games.

Result 1: Proposers make significantly higher offers when they know the racial identity of their partner than when identity is anonymous.

The mean offer in the anonymous treatment was R7.32 (or 15% of the endowment) out of R50) while the median offer was zero. By way of contrast, mean offers in the race treatment were significantly higher at R12.60 on average (or 25% of the endowment). The mean and median offers in the anonymous and race treatments are significantly different at the 1% level. This is confirmed by an ANOVA test as well as the Kruskal Wallis and Median test. Thus, simply revealing racial identity (through surnames) is associated with an increase in offer size of more than 70%. This finding is consistent with that of Eckel and Grossman (1996) who showed that when proposers knew something about their partners, this had a significant and positive impact on the size of offers made.

Result 2: White proposers make significantly higher offers than Black proposers, but exhibit insider favouritism whilst Black proposers do not.

Table 1 also presents the offers made conditional on the race of the proposer, as well as for the different combinations of the pairs by race groups. There is a significant difference in the size of offers made by Black proposers relative to White proposers on average, in both treatments. In the anonymous treatment, White proposers offer 17% of their endowment compared to 13% for Black proposers, while in the race treatment, White proposers offer 29% of their endowment on average compared to 19% for Black proposers. These differences are significant.

This difference in levels may arguably be attributable to socio-economic differences between Black and White students. Table 2 presents evidence based on the responses to the survey instrument that suggests that on average, White students in the sample were better off than Black students. Two thirds of Black participants reported being on financial aid at University compared with less than a fifth of White participants. Strikingly, while almost a third of Black participants classified their families as low-income or poor, only 1% of White participants did the same. This is consistent with the self-reports on the employment status of the participants' parents.

However, in spite of the differences in the magnitude of the offers made by proposers, it is also apparent that White proposers exhibit an insider bias, making significantly higher offers to partners with White-sounding surnames, than compared with partners with Black-sounding surnames. The median offer in a White-White pairing is double the median offer in a White-Black pairing. This is consistent with the results found by Burns (2003) cited earlier. By way of contrast, this insider bias appears to be absent in the behaviour of Black proposers in this sample, with median offers in Black-

⁴Note, however, that the recipients had the same information about the game as the proposers. In other words, they were informed that the proposers had each been given an additional endowment of R50 and were being asked to decide whether to transfer any of this amount to them. Proposers were also aware that the recipients had this information.

Black pairings being identical to that in Black-White pairings, and very small (and insignificant) differences in mean offers.

These results are confirmed in the Tobit⁵ regression results presented in Table 3. These results pertain to the data generated in the race treatment only. Note that in the pooled sample presented in Column 1, Black proposers make significantly lower offers than White proposers. Similarly, the results presented in Columns 2 and 3 confirm that White proposers make significantly lower offers to Black recipients, while Black proposers do not exhibit any significant bias in their offers.

While socio-economic differences may help explain the difference in magnitude of the offers made by proposers, it is less apparent why it should be the case that these features should also result in differences in offers being made conditional on the race of the recipient. Indeed, one could plausibly argue that if it is in fact socio-economic status as opposed to racial identity that drives behaviour in this game, one might expect that offers to Black recipients should be significantly higher than to White recipients in all cases.

5 Do surnames convey racial identity?

Given the fact that this experimental design relies on surnames to credibly convey information about racial identity, it is worth questioning whether the surname treatment conveyed the race information as desired and whether participants found the experimental setting credible. Table 4 presents evidence from the post-game surveys that suggests that the overwhelming majority of proposers indicated that the surname of their partner revealed information about the recipient's ethnic or racial background. Importantly, surnames appeared to convey information about ethnic or racial identity as opposed to cultural or religious identity, at least in the minds of these participants. When asked to explain why they thought the surname provided information about the racial identity of the recipient, most participants correctly specified the race group of the recipient with whom they were paired. Answers ranged from “*Obviously he is black*” to “*It is a Xhosa surname which mean hello*” or “*It is a European surname, so he must be white*”.

A series of additional questions were also asked in order to assess whether proposers found the experimental setting credible, and to measure possible doubt on the part of participants. This follows work by Frohlich and Oppenheimer (2000) who have argued that doubt about the validity of the experiment can affect the outcome of the Dictator Game, usually biasing offers downwards⁶. In our sample, the results suggest that most participants trusted that the experiment was being run the way it was described and believed they were paired with a real partner. While between 20-30% of participants thought there was a trick going on, we control for this in the regression results presented in Table 3, and find that our main findings concerning the association between racial identity and offers made in the game remains robust. Interestingly, Black proposers who said they trusted the experimental procedure, made significantly lower offers. This suggests that they understood the experiment to be a non-strategic setting and they behaved more selfishly (as one might expect). By way of contrast, White proposers who thought there was some trick made significantly higher offers. This is contrary to what one might expect. Frohlich and Oppenheimer's work suggest that when participants doubt the validity of the experiments, they tend to respond by sending less. However, it is conceivable that these players thought there was a strategic element in the experiment and that they would somehow be rewarded for making higher offers. Despite this, the race result continues to hold.

⁵ Given the problem of censoring at zero in this data, Ordinary Least Squares results would provide biased estimates. Hence standard practice in this literature is to use Tobit regressions. (Carpenter et al 2001; Fershtman et al 2001 and 2002.)

⁶ Frohlich and Oppenheimer (2000) demonstrate that when participants doubt the credibility of the dictator experiment, they tend to display more selfish behaviour and make lower offers. This is attributed to the fact that if proposers doubt the existence of a partner, or believe there is a trick going on that they are not fully aware of, they rationally choose to keep their endowment for themselves.

6 Conclusion

This paper contributes to the small but growing literature in the field of behavioral economics in South Africa. While we do not wish to claim that our sample is in any way representative of the South African population at large, this study does provide interesting evidence on the lingering impact of racial identity on social interactions.

Our first result demonstrates that White proposers make significantly higher offers than Black proposers, in both treatments. A plausible explanation for this difference may lie in the socio-economic differences between Black and White participants in our sample. However, in order to demonstrate this case convincingly, future experimental work will need to take the issue of measuring socio-economic status across participants far more seriously. This is particularly difficult with University students, since trying to obtain credible measures of household income status can be quite difficult (and indeed, proved to be the case in this study), particularly for students living in residence far away from home.

Secondly, we show that while White proposers make significantly higher offers than Black proposers on average, White proposers exhibit an insider bias, making significantly higher offers to White partners. In our study, while we are able to demonstrate that this result is robust even after one controls for doubt in the minds of participants about the experiment, we are not able to provide any causal explanation for why White proposers might favour insiders while Black proposers do not. Again, this is a task for future research work in this area. Examining features such as the racial composition of peer groups, attitudes towards redistribution and affirmative action, participation in religious activities, and the role of social capital explanators such as participation in extra-curricular groups are all potentially useful avenues of investigation. It would also be useful to replicate these results with larger sample sizes, and perhaps with groups that are not comprised of University students. Finally, utilising additional experiments that incorporate a strategic element, and allow us to distinguish whether these kinds of insider biases reflect prejudice (or Becker’s “taste for discrimination”) as opposed to some other behavioural explanation such as statistical discrimination is a key area for further research in this field⁷. Understanding these behavioral phenomena will help us evaluate the state of South Africa’s transition to democracy better.

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⁷The authors would like to note that the original data used in this study is not available on request. This arises due to corruption of the data that occurred ex-post the analysis and production of this paper.

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Table 1: Mean and Median Offers of Proposers in Dictator Game, by Treatment

	Mean (rands)	% of endowment	Median (rands)	% of endowment	Number of pairs (n)
Anonymous Treatment					
Offers by White proposer	8.21	17%	2.50	5%	14
Offers by Black proposer	6.42	13%	0.00	0%	14
Combined offers	7.32	15%	0.00	0%	28
Race Treatment					
Offers by White proposer	14.50	29%	15.00	30%	44
Offers by Black proposer	9.53	19%	10.00	20%	43
Combined offers	12.60	25%	10.00	20%	87
White to White	17.00	34%	20.00	40%	21
White to Black	12.30	25%	10.00	20%	23
Black to White	9.13	18%	10.00	20%	20
Black to Black	10.00	20%	10.00	20%	23

Table 2: Selected socio-economic characteristics of participants

	Participant is White	Participant is Black
I am on financial aid to be at university.	17.20%	66.70%
My family is better off than most South African families.	83.00%	41.10%
Family's financial situation: Rich and Upper income (self reported)	48.00%	14.40%
Family's financial situation : Lower income and Poor (self reported)	1.00%	32.40%
My father is employed	98.4%	66.9%
My mother is employed	74.1%	23.2%

Notes: These statistics include all participants, namely, proposers and recipients.

Table 3: Offer made, controlling for racial identity and doubt

Dependant variable: Amount Sent						
	All		Proposer is Black		Proposer is White	
	(1)		(2)		(3)	
Constant	-47.36 -(0.36)		-76.44 -(0.42)		-151.68 -(0.75)	
Proposer is Black	-4.66 -(2.26)	**				
Recipient is Black	-2.09 -(1.08)		2.15 (0.82)		-4.78 -(1.69)	***
Age of proposer	5.53 (0.44)		9.03 (0.50)		15.04 (0.78)	
Age Squared of proposer	-0.13 -(0.42)		-0.23 -(0.52)		-0.34 -(0.75)	
Proposer is Female	0.96 (0.45)		-5.26 -(1.66)	***	3.93 (1.25)	
Proposer believes he is paired with a recipient	1.38 (0.57)		5.44 (1.50)		0.42 (0.01)	
Proposer expected a Trick going on	3.13 (1.35)		-1.86 -(0.59)		5.99 (1.85)	***
Proposer trusted the experiment was conducted as explained	-1.50 -(0.59)		-7.63 -(1.68)	***	0.13 (0.04)	
Sigma	4.26		-1.50		-1.50	
LogL	-277.49		-126.54		-145.52	
N	87.00		43.00		44.00	
R2 anova	0.11		0.08		0.21	
R2-decomp	0.11		0.08		0.21	

* 1% significance **5% significance *** 10% significance t-values are reported in brackets

Table 4: Experimental validity in the minds of participants

	Proposer is White	Proposer is Black
Player B's surname indicated the ethnic or racial group that Player B belongs to.	79.50%	90.70%
Player B's surname indicated the religious or cultural group Player B belongs to	36.40%	20.90%
I trusted that the experiment was being run the way it was described to me.	70.50%	90.50%
I thought that there was a trick going on that I wasn't being told about and this affected my decision.	29.50%	19.00%
I was unsure whether money would really be sent to Player B.	8.60%	23.60%
I was unsure that I was really paired with someone.	10.30%	21.40%

Appendix 1: Examples of Surnames

White-Sounding Surnames	Black-Sounding Surnames
Burman	Zakeyo
Griffin	Gozo
Higgins	Moyo
Hopwood	Mokowyane
Einhorn	Mokhine
Abbot	Makhalima
Krynauw	Nyemba
Martin	Mnwana
Bradfield	Matwa
Langmann	Khambule
Petersen	Mbeke
Helm	Chandalala
Rasmussen	Skosana
Giles	Mathibe
Butler	Sekhesa
Cohen	Mollo
Bartmann	Khoza
Neale	Mbanjwa
Sutherland	Dlamini
Fransman	Baisitse
Funke	Mabyang
Loxton	Bani
Krynauw	Manda
Hutton	Sifunda
Corrigan	Vusi
Hart	Giyose
Henshall-Howard	Viwe
Carr	Motsoaledi
Armstrong	Magudulela
Lloyd	Takalani
Stern	Magudulela
Meadon	Nthangeni
Pastoll	Sidumo
Watkins	Maketa
Smith	Zulu
Kartstel	Nyoni
Chandler	Kakana
Hurwitz	Mbonambi
Palmer	Cetshana
Alcock	Mokhine
Hosly	Khumalo
Ingwersen	Tsotetsi
Lawson	Unathi
Einhorn	Gqagqa

The Southern Africa Labour and Development Research Unit

The Southern Africa Labour and Development Research Unit (SALDRU) conducts research directed at improving the well-being of South Africa's poor. It was established in 1975. Over the next two decades the unit's research played a central role in documenting the human costs of apartheid. Key projects from this period included the Farm Labour Conference (1976), the Economics of Health Care Conference (1978), and the Second Carnegie Enquiry into Poverty and Development in South Africa (1983-86). At the urging of the African National Congress, from 1992-1994 SALDRU and the World Bank coordinated the Project for Statistics on Living Standards and Development (PSLSD). This project provide baseline data for the implementation of post-apartheid socio-economic policies through South Africa's first non-racial national sample survey.

In the post-apartheid period, SALDRU has continued to gather data and conduct research directed at informing and assessing anti-poverty policy. In line with its historical contribution, SALDRU's researchers continue to conduct research detailing changing patterns of well-being in South Africa and assessing the impact of government policy on the poor. Current research work falls into the following research themes: post-apartheid poverty; employment and migration dynamics; family support structures in an era of rapid social change; public works and public infrastructure programmes, financial strategies of the poor; common property resources and the poor. Key survey projects include the Langeberg Integrated Family Survey (1999), the Khayelitsha/Mitchell's Plain Survey (2000), the ongoing Cape Area Panel Study (2001-) and the Financial Diaries Project.

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