Beyond our parochialism

Virgil Henry Storr and Michael R. Romero*

Department of Economics, George Mason University, Fairfax, VA, USA
*Corresponding author: Michael R. Romero, E-mail: mromero@mercatus.gmu.edu.

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Abstract

Parochialism, by which we mean in-group preferences and out-group prejudice, has the potential to influence public policy. In-group preferences and out-group prejudice can lead individuals to evaluate a policy based on how that policy affects the groups they belong to rather than on the basis of their ideological priors or the impact of that policy on society at large. Unchecked, parochialism likely leads to problematic policies and perverse social outcomes. While the evidence suggests that this bias can be mitigated if issues are framed in ways that encourage reflection as opposed to unreflective immediate responses, policy makers face incentives to leverage parochialism rather than combat it. The solution may instead require limiting policy makers and our ability to make decisions for others and promoting an institutional environment that encourages our interacting with diverse others rather than insularity. Stated another way, limited government and open society may be the path beyond our parochialism.

Keywords: parochialism; behavioral economics; public policy; in-group; out-group

Introduction

Human beings are often assumed to be rational actors, meaning that their choices are always or at least tend to be rational. According to standard, neoclassical economics, a rational choice is one that is consistent with an actor’s true, deliberative preferences (Rizzo & Whitman, 2020: 45). Behavioral scientists, however, have identified dozens of cognitive biases, or systematic mental errors, that influence our decision-making and hinder our ability to make rational choices.1 Although our planned choices may appear consistent with our true preferences, ex ante, we sometimes experience regret, ex post, for having made a choice that was inconsistent with what we truly prefer.

Public policy, in principle, can help us counteract or, at least, channel our cognitive biases so that we may satisfy our true preferences, up-front, and avoid the regret we feel from pursuing false preferences. Take, for example, our choice about whether to

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1Rizzo and Whitman (2020: 381) note that Kreuger and Funder (2004: 317, table 1) present a partial list of 42 biases identified since 1985 and that a more recent Wikipedia list presents 185 biases (List of cognitive biases, n.d.).
order dessert at a restaurant, given that we are hoping to lose weight. Because of present bias, which makes us overvalue our fleeting preference for dessert, and hyperbolic discounting, which makes us undervalue our deliberative preference for losing weight, we may mistakenly order the dessert only to be subsequently disappointed in ourselves for our lack of self-control. Our true preference to lose weight, in other words, was blinded by our biased-influenced preference for dessert. Arguably, policies can raise costs, discourage, or limit our making the wrong choices considering our true preferences.

Policies that attempt to correct for our biases are inspired by what is often termed new, soft, or behavioral paternalism, or what Sunstein and Thaler (2003) famously termed “libertarian paternalism” to qualify their approach as “liberty-preserving” (Oliver, 2017: 109). Sunstein and Thaler’s (2003) preference for liberty preservation is based on their belief that retaining people’s freedom to choose is “the best safeguard against a misguided policy intervention” (Oliver, 2017: 109). The new paternalism that Sunstein and Thaler (2003) and their followers endorse is – at least in principle – intended to guide policies that respect the right of individuals to make their own choices.

If all goes according to plan, public policy can help us ameliorate our “negative internalities” – i.e., our self-imposed harms – by changing our contexts of choice (Oliver, 2017: 111). Rather than being faced with the choice of ordering dessert, we can implement policies that encourage restaurant owners to only offer dessert options upon customer request. Customers would have to opt-in, in other words, to hear their dessert options. Because we often do not realize we are harming ourselves until after the fact, policy makers can “nudge” us in the right direction, so that we are more satisfied with our choices in hindsight (Thaler & Sunstein, 2008). Although behavioralists believe that our abilities to make decisions “automatically and almost unthinkingly each day by following some innate rules of thumb …” are powerful cognitive tools, they also believe that some of our decisions “will lead us in directions that if we really thought about it, we would prefer not to take” (Oliver, 2017: 109).

Although present bias, status quo bias, loss aversion, confirmation bias, optimism bias, hyperbolic discounting, and dozens of other biases, rules of thumb, or cognitive tools may get in the way of us living productive lives, paternalist policies – although well-intentioned in principle – can often hinder our ability to learn from our mistakes (Rizzo & Whitman, 2020). Additionally, if we continue to rely on policy to alter our choice contexts, policy makers may adopt policies that are increasingly restrictive of our individual choices. Although the new paternalism, in other words, is intended to be liberty-preserving, it is nonetheless subject to a slippery slope in which liberty-preserving policies become less preserving of liberty over time (see, e.g., Rizzo & Whitman, 2020: 349–397).

There is another, albeit less explored, challenge to using policy to counteract cognitive biases. Specifically, policy makers are themselves subject to the same cognitive biases which they seek to ameliorate for their constituents. One important bias that is particularly likely to plague policy but that is rarely stressed is parochialism. In-group preferences and out-group prejudice can lead individuals to evaluate a policy based on how that policy affects the groups they belong to rather than on its impact on society at large or even on their ideological priors. Unchecked, parochialism can lead to problematic policies and perverse social outcomes.
The problem of parochialism

Parochialism is similar to what social psychologists often refer to as in-group favoritism, in-group bias, in-group preference, or intergroup bias. The terms in-group and out-group were largely coined by Tajfel (1970, 1974, 1982) and Tajfel et al. (1971), in their development of social identity theory. Social identity consists of “those aspects of an individual’s self-image that derive from the social categories to which he perceives himself as belonging” (Tajfel & Turner, 1986: 16). We cultivate a social identity through our repeated interactions with members of a group who come to share key aspects of our identity. We tend to identify ourselves with the group, over time, through our relationships. The essential criteria for in-group membership, according to Tajfel and Turner (1986: 15), “are that the individuals concerned define themselves and are defined by others as members of a group.” Since in-group members share an identity, they seek to distinguish themselves from the members of other groups who they interact with based on their distinct, group characteristics (Turner et al., 1987: 120; Everett et al., 2015). Importantly, someone’s in-group can be based on almost any conceivable association or social category. Parochial lines – separating in-groups from out-groups – have been drawn throughout history along a variety of social categories, such as ethnicity, nationality, religion, or political affiliation.

Social categories, in general, serve to “segment, classify, and order” an individual’s social world while affording her “a system of orientation for self-reference: they create and define the individual’s place in society” (Tajfel & Turner, 1986: 15–16). Social groups, Tajfel and Turner (1986: 16) explain, “provide their members with an identification of themselves in social terms,” one that is largely “relational and comparative: they define the individual as similar to or different from, as ‘better’ or ‘worse’ than, members of other groups.” Although preference and prejudice can be influenced by the conflicting goals of the in-group and the out-group, experimental evidence suggests that in-group prejudice toward the out-group does not necessarily stem from “incompatible group interests” (Tajfel & Turner, 1986: 13). According to Tajfel and Turner (1986: 13),

the mere perception of belonging to two distinct groups – that is, social categorization per se – is sufficient to trigger intergroup discrimination favoring the in-group. In other words, the mere awareness of the presence of an out-group is sufficient to provoke intergroup competitive or discriminatory responses on the part of the in-group.

Even when the differentiation between two groups is minimal, Aronson et al. (2019: 424) explain, “being in the in-group makes you want to win against members of the out-group and leads you to treat the latter unfairly, because such tactics build your self-esteem and feeling of ‘belongingness.’” Being a member of an in-group, in other words, leads to the development of an in-group preference, a tendency to view one’s in-group more favorably than out-groups (Tajfel & Wilkes, 1963; Hirshleifer & Teoh, 2017: 95). Being a member of a winning group can also strengthen one’s “feelings of pride and identification with that group” (Aronson et al., 2019: 424).

Social psychologists have also argued that competition – whether it be over scarce resources, political power, or social status – is a key source of in-group prejudice.
toward out-groups (Jackson, 1993). Arguably, the institutional context within which competition takes place will influence the consequences of competition. The institutional context, in other words, can shape the social repercussions of parochial actions. Individuals in both private and public decision-making capacities tend to favor their in-group while remaining prejudiced toward their out-groups. But their institutional context of choice will have varying effects on how parochialism impacts their lives and the lives of others in their society. In an open society, for example, with secure property rights and limited government, there is some evidence of in-group preference and out-group prejudice. Guiso et al. (2009) explain how lower trust between members of different social groups can lead to less intergroup, commercial exchange. Romano et al. (2021) also provide evidence of people’s willingness to cooperate more with people from their own nation. Similarly, Kumar et al. (2015) find that U.S. investors are less likely to invest in mutual funds managed by people with foreign-sounding names. Choi et al. (2019) also provide evidence that prejudice toward immigrants can be driven by religious differences between immigrants (the out-group) and natives (the in-group). Although parochialism may influence someone’s choice to not associate with someone from an out-group, parochial actors (when engaged in private action) ultimately bear much of the costs of their actions. The person who succumbs to parochialism, in other words, foregoes any benefits he may have otherwise enjoyed through his association with an out-group member. Parochialism when confined to private action is, thus, most harmful to the individuals who behave parochially. This is not to suggest that some members of the out-group (i.e., those who might have benefited from interacting with the parochial actor) are not also harmed. But, when confined to individuals choosing for themselves, there are limits to the social harm that results from parochialism.

When parochialism moves beyond solely influencing individual’s decisions on behalf of their self, however, and influences the adoption of policy, it can result in policies that benefit members of the in-group that hold political power at the expense of members of the out-group. Because we live in political systems in which people make decisions for others, we run the risk of decisions being made which are prejudiced toward certain groups of people. Parochialism can lead individuals to evaluate a policy based on how that policy affects the groups they belong to rather than on its impact on society at large or even on their ideological priors. Hirshleifer and Teoh (2017: 88–89), for example, describe “how psychological bias on the part of the designers of regulation and accounting policy (voters, regulators, politicians, media commentators, managers, users, auditors, and financial professionals) has shaped existing regulation.” They explain that certain groups can be turned into villains (the out-group) or victims (the in-group) by policy makers. Financial rules and regulations are consequently designed to harm the out-group and benefit the in-group.

The cost associated with voting for parochial policies also tends to be outweighed by the psychic, non-monetary benefits that voters get from voting in accordance with their systematic biases (Caplan, 2007). Some of the typical biases of voters, which Caplan (2007: 23–49) identifies, include anti-market bias, anti-foreign bias, and pessimistic bias, which tend to influence their support for parochial policies. Trade policy, for instance, is one area that might be impacted by parochialism. Of course, some citizens only care about the price or quality of a product and not about the social
identity of its seller (e.g., her ethnicity, nationality, and religion). These citizens might generally favor an open trade policy. We can imagine others, however, who do care about the social identity of their suppliers as well as the suppliers of their fellow citizens, who wish to encourage or protect domestic industries, and who may, thus, support restrictions on transactions with foreign suppliers who belong to certain out-groups. Such policies may ban international trade or at least make it more costly through the imposition of tariffs and other types of limits on imports. If policy makers and/or a large enough portion of a country’s citizens hold parochial views, they may favor protectionist policies to limit trade between their fellow citizens and foreigners. These protectionist policies are costly to both the host country and foreign countries (in terms of higher consumer prices domestically and lost export revenue in foreign countries) and are especially unfair to citizens who do not hold parochial views regarding their trading partners.

This same pattern of policies motivated by parochial views imposing costs on society writ large and being particularly onerous on members of the out-group and members of the in-group who do not hold parochial views plays out in several policy spaces. Think of the apartheid laws that once existed in South Africa and the Jim Crow laws that once existed in the Southern United States of America. Think also of laws that still exist in some countries which limit the economic activities of women. Consider too laws that do not on the surface appear to be aimed at some particular out-group but nonetheless have something of a parochial appeal.

Apartheid laws existed in South Africa from 1948 to 1994. In accordance with the Population Registration Act and the Group Areas Act of 1950, South Africans were required to register as either white, colored, Bantu (black African), or other, which determined where they could work and own property (Dubow, 2014: 37). Apartheid, in practice, generally kept non-white Africans (the out-group) from settling in urban areas (Dubow, 2014: 62). Jim Crow laws in the American South, from about the 1890s to the 1960s, similarly segregated black Americans (the out-group) in “public carriers, restaurants, telephone booths, residential areas, workplaces, public parks, and other recreational spaces” (Winter, 2020: 342). Rather than being “separate but equal,” as indicated in the Supreme Court’s (1896) famous Plessy v. Ferguson ruling, in practice, state policies often resulted in unequal and even oppressive treatment of the out-group.

Laws that limit the economic activities of women can also be found throughout the world. In 18 countries, for example, women must get permission from their husbands to work (CFR, 2022); in 88 countries, women are banned from certain professions (OECD, 2019: 117); and, in 75 countries, women’s property rights are generally more limited than men’s (CFR, 2022). In some countries, widows and daughters receive fewer inheritance rights than widowers and sons (CFR, 2022). And, using a different dataset than CFR, the OECD (2019: 17) found that in 123 countries throughout the world, “traditional, religious and customary laws and practices limit women’s freedom to claim and protect their land assets”. Restricting the ability of women to own land restricts what would otherwise be an important means of collateral for starting a business (OECD, 2021).

Parochialism can be a particular problem during economic, political, or social crises. Aronson et al. (2019: 428) explain how in-groups can blame the out-group for the crisis...
itself, or problems associated with the crisis, which can result in policies that target out-groups in many instances and that cause intra-group conflict in extreme cases. In 2016, for example, President Duterte of the Philippines blamed a surge in unemployment on the fact that too many government resources were allocated toward helping drug addicts instead of toward the creation of government-subsidized jobs (Aronson et al., 2019: 428). President Duterte was appealing to parochial sentiments, with drug addicts pegged as the out-group. This scapegoating of out-groups (often along racial and ethnic lines) as a way of gaining political advantage, especially during a time of crisis, is unfortunately a common political move. Although evidence suggests that parochialism can be mitigated if issues are framed in ways that encourage reflection as opposed to unreflective immediate responses, Hallsworth et al. (2018: 18) explain that “the pull towards in-group identity makes policy makers reject arguments coming from other groups, even if they are good ones.” Policy makers also face incentives to leverage parochialism rather than combat it (Everett et al., 2015: 9).

When crafting policy, Hallsworth et al. (2018: 39) explain, members of the in-group may believe that people who disagree with them “are biased, through ideology, self-interest, malice, or stubbornness” and believe that although “we have considered the issue carefully, they are just proceeding from dogma.” Members of the in-group may, thus, “reject ideas, compromises, and dialogue that could lead to a better outcome for all” (Hallsworth et al., 2018: 39). There is also a tendency for people to believe that the out-group’s views are “more extreme than they actually are,” which Hallsworth et al. (2018: 39) explain, “falsely makes the group [appear] more distant and different” than their group (see also, Robinson et al., 1995).

Arguably, when the policy is not general and equally applicable but prejudiced toward out-groups, people view policy not simply as a rule-making institution, but as a tool to control out-group members who supposedly would otherwise make decisions prejudicial to the in-group. The policy arena inevitably becomes a space for prejudice and conflict rather than mutually beneficial exchange and peace. The influence of parochialism on social outcomes, of course, varies with the institutional sphere in which it influences human choice. When affecting private decisions, the costs associated with parochial decisions are more fully borne by the parochial actors. When affecting political and policy decisions, the costs associated with parochial decisions are borne by society writ large, and especially by members of the out-group and members of the in-group who do not have parochial views. Although there is evidence that parochialism can be overcome through deliberation within groups (see, e.g., Hallsworth et al., 2018), limiting the ability of policy makers to make decisions for other people in the first place – especially if the decisions are made that directly impact members of out-groups – is, arguably, a more effective way to solve the problem of parochialism.

**Solutions to parochialism in the policy space**

Once we recognize that parochialism can and often will bias policy makers’ decisions, the policy menu should arguably become much smaller. Buchanan and Tullock ([1962] 1999) made a similar argument in explaining why the number of policies decided upon collectively will be necessarily limited in a diverse, pluralistic
society. This is because only a limited set of policies avoid privileging some in-group at the expense of some out-group. This way of dealing with parochialism, admittedly, places real limits on both policy makers and our capacity to make decisions for others. The only solution to parochialism in the policy arena, however, may be limited government and an open society. This would mean that instead of looking to policy makers to make decisions for us and others, we must learn to interact with diverse others without asserting dominion over them or ceding dominion to them (Boettke, 2021: 239). Avoiding the socially harmful effects of parochialism in the policy space may require that we only allow people to indulge their parochial attitudes in their private sphere.

Arguably, the promotion of an institutional environment that encourages our interaction with diverse others as equals will likely lead to increased exchange, reciprocity, and understanding. Indeed, the promotion of an institutional environment that encourages people to interact with diverse others can lead to increased appreciation for alternative values and greater respect and understanding of different ways of life. What might be called “cosmopolitan” or international liberalism, as Boettke (2021) put it, may be the answer to parochialism. It would tap into the knowledge and creativity of diverse individuals and lead to the realization of “productive specialization and peaceful social cooperation” (Boettke, 2021: 279).

We observe this in the commercial sphere, where the exchange is not only wealth enhancing but contributes to peace within and between nations (e.g., Gartzke, 2007; Strong, 2010; Lee & Pyun, 2016; see Weede, 2011 for empirical literature reviews) and cultivates personal relationships between people who might otherwise be strangers (Storr, 2008). In an institutional environment that limits our ability to act on our parochial sentiments by enacting policies that favor some at the expense of others, we can enhance societal welfare by making use of our individual knowledge, diverse talents, and unique perspectives.

When we are likely to support policies that are biased in favor of our in-group, it makes sense to limit the range of policies that we can adopt. When we cannot agree on everything, it also makes sense to reduce the things we must agree on. General rules applicable to all serve as the foundation within which diverse individuals can make their own decisions and decide whether they wish to interact with socially distant others. Reducing the things that we must agree on in diverse societies can, arguably, lead to more peace and less conflict. According to Hayek (1944: 103), “[w]e can rely on voluntary agreement to guide the action of the state so long as it is confined to spheres where agreement exists.” And, as Boettke (2018: 274) put it,

If we rule out as impossible an all-inclusive scale of values on which we can agree, our public deliberation will be limited to a discussion of the means by which a diversity of ends can be pursued within society. We can, in essence, agree to disagree on ultimate ends, but agree about the way we can acceptably engage with one another in disagreement.

Disagreement on specific issues does not necessarily entail conflict if different views are held by members of society without one group being able to impose their views on others.
The problem with parochialism in the policy space is not that policy makers or their supporters can be prejudiced. It is that people being prejudiced within an institutional environment where they can make decisions for others leads to more contention than would otherwise occur if neither group could make decisions on the other’s behalf. The solution to parochialism, then, ultimately requires that people be responsible for their own decisions – be they parochial or not. And, that the political power of the groups you belong to does not allow you to curtail the liberty of others nor does it determine the sphere of liberty you can enjoy.

Conclusion
Behavioral public policy is subject to several critiques, many of which make sense when we realize that policy makers are subject to the same cognitive tendencies as other members of society. One important critique is that soft paternalist policies can degenerate – in a step-by-step process of policy implementation – into hard paternalist policies that are more restrictive of individual autonomy and do not simply alter the choice structure of individual actors (see Rizzo & Whitman, 2020).

We find another critique of policy makers and the policies that are adopted by focusing on one bias which has the potential to influence policy, i.e., parochialism, what we understand as in-group preferences and out-group prejudice. Assuming that policy makers are subject to parochialism, then the extent to which we can make collective decisions at the policy level must be limited if we are to avoid parochial extremes in which in-groups impose policies that are prejudiced against out-groups.

References


