

Cultural Discrimination and Behavioural Polarization

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Abstract

This paper analyses discrimination as a trigger for polarization. We distinguish between economic and social aspects of discrimination as well as between individual and regional level. Specifically, we culturally augment an economics of identity model, by explaining the choice of insider or outsider identity based on discrimination and using this choice as a predictor of individual and local degree of polarisation in cultural attitudes. Using data from the German Socio-Economic Panel (IAB- BAMF-SOEP refugee subsample) about Syrian, Iraqi, Afghan and Eritrean refugees in 2016-2019, we employ a unique approach to quantifying the polarization of individual attitudes (i.e. the individual polarization). We find consistent evidence that on individual radicalization and polarization seem to be a culturally sensitive effect on individual level in terms of being associated with perceived experienced discrimination. Yet, on regional level these feelings seem to develop mostly in places that suffer from relative economic deprivation. Finally, a cultural entropy measure for the balance between the traditional and modern attitudes in a place seems to most successfully explain the average levels of polarisation of individuals in a locality.

Keywords: culture; race; discrimination; polarization; radicalization; religion; refugees;

JEL classification: F63, O15, R11, R12, R23

Introduction

Discrimination is not only an event, it is a trigger of an emotional experience for the discriminated that leaves an emotional scar and evokes a behavioural response. Very few studies in economics have looked beyond the documentation of the event into analysing behavioural dimensions of the discrimination process itself (Loury 2003). Even fewer have looked at the behavioural consequences for the discriminated in line with the motivational belief and reasoning approach suggested by Benabou and Tirole (2016).

Meanwhile, an alarming tendency in modern socio-economic development is an intensive and multifaceted polarization of the general public with regard to their attitude to a multitude of topics: race, minority rights, gender equality, science, history, religion, climate change, and politics and with important consequences for economic development (see the literature review in Papyrakis and Mo 2014; Guriev and Papaioannidou 2022; Alesina and Tabellini 2022).

Political polarization has justly attracted a lot of scientific interest with important contributions (Alesina, Stancheva and Teso 2018; Alesina, Miano and Stancheva 2020; McCann 2018, 2019, 2020; Rodriguez-Pose 2018; Dorling 2018; Luca et al. 2023). Yet, the main take from this literature is that people polarize in their political views because they perceive reality differently. Since Becker (1957), the question why people perceive reality differently is either assumed to be a matter of exogenous preference (i.e. tastes) or largely remains unanswered.

The main aim of our study is to test the hypothesis that the subjective experience of discrimination triggers the polarization of individual behaviour mostly in particular socio-economic contexts of relative deprivation (economic context) and discrimination (cultural context). Theoretically, we suggest a culturally augmented identity economics model, using a Culture Based Development (CBD) rationale (following Tubadji 2012, 2013, 2023). Empirically, we use specifically collected survey data for refugees from Syria, Iraq, Afghanistan and Eritrea in Germany. Neglecting the years of the COVID-19 pandemic, we employ data from the first 4 waves of GSOEP data which covers the early period of mass influx of refugees to Germany (2016 – 2019). Employing a unique measurement approach to individual polarization and aggregate (local) polarization process, we find substantial support for the association between discrimination and the polarization of individual behaviour. However, the negative feelings of radicalization and polarization seem to develop mostly when places embed people in a socio-economic context of relative deprivation. To look deeper into the mechanisms of impact from the socio-economic context, we employ the CBD notion of cultural entropy i.e. the balance between traditional and modern views in a place and that it is strongly associated with the local average level of individual polarisation.

This paper has the following structure. Section 2 presents the streams of literature on culture¹ and polarization that our approach brings together. Section 3 presents the main Culture Based Development model and the underlying micro-mechanism suggested therein (i.e. that racial discrimination evokes subjective feelings of deprivation that lead to polarization of the individual's attitudes). Section 4 describes our data and outlines the estimation strategy. Section 5 presents the results. Section 6 concludes.

2 The CBD Behavioural Mechanism of Discrimination and Individual Polarization

We start here from the understanding that polarization of places is an aggregate behaviour that occurs as a function of emotional self-identification of people with opposing cultural narratives (i.e. as supporters of opposing narratives). Put simply, polarization occurs in a place when people start self-identifying with opposing attitudes. We shall define opposing attitudes as an opposing degree of affect toward the same trigger or stimuli for reality – such as the democracy or female rights as a trigger/stimuli on which people to shape an attitude as a function of their affect to the notion.

Adopting the above framing of the process we want to model, we base our modelling on Akerlof and Kranton (2010) identity economics model. We argue that Identity Economics can be understood as hinging on the main premise that individuals will choose a different (often opposing) manner of satisficing behaviour depending on whether they perceive their identity as being an insider or an outsider of the group that dominates a place. We interpret this as follows: a person can perceive themselves as insider or outsider and this will lead to them self-identifying with an opposing attitude for the locality: a happy to collaborate (comply with) with the local insiders' cultural attitudes if one perceives one's identity as an insider and an unhappy attitude towards cooperating (unhappy to comply) with the local insiders' cultural attitudes if one perceives one's identity as an outsider.

Our main CBD hypothesis here is that the adoption of an insider or outsider self-identification is a choice of a cultural attitudinal type which is a function of the experienced discrimination locally. This identity type according to cultural attitudinal type defines as follows. If discriminated locally, a person refuses to comply with the attitudinal code of the cultural context i.e. self-identifies as an outsider. If not discriminated locally, a person accepts to comply with the attitudinal code of the local cultural context, i.e. self-identifies as an insider. We also make the

¹ In this study, we consider the literature on race and ethnicity together under the broader umbrella of culture.

testable assumption here, that economically deprived local context exposes an individual more often to discrimination and hence locally a higher polarization of attitudes will be observed in left behind places.

Our culturally augmented model for identity economics can be stated as the below Culture-Based Development (CBD) model of a human behavioural as a behaviour of self-distinction through a type of identity chosen in response to discrimination, where in CBD style there is an individual and context interaction that explains human behaviour (see Tubadji 2012, 2013, 2021). Specifically, we model polarization of an individual's opinion as a function of objective and subjective experiences of discrimination, as stated in model (1):

$$IDENTITY_TYPE_i = \alpha_1 + \beta_1 Objective_D_i + \beta_2 Subjective_D_i + \beta_3 X_i + e, \quad (1.1)$$

$$POLARIZATION_j = \alpha_2 + \beta_4 Objective_D_{ij} + \beta_5 IDENTITY_TYPE_{ij} + \beta_6 X_{ij} + e, \quad (1.2)$$

Where i stands for the individual, j is the place, α_1 and α_2 are the constants, $IDENTITY_TYPE$ is the mode of attitude adopted by the individual, which can be measured on a scale varying between extremes in the spectrum of feelings (affect) on a particular topic (such as views on personal prospects at school and work, level of happiness, general views on democracy and religious leadership, female rights and other attitudes that drive human behaviour and choice), $POLARIZATION$ is the local clustering of people with views on the extremes of the affect in their attitudes on a topic. The objective state of being discriminated is denoted as $Objective_D$ and stands for the vector of variables that are used in a Mincer equation as standard explanatory variables in wage discrimination (following Barrow and Rouse 2005), as well as a control for granted legal status in Germany. $Objective_D$ generally corresponds to Gary Becker's (1957) market discrimination and its related taste for discrimination. The $Subjective_D$ component stands for self-reported feeling of having been discriminated; the X component represents a set of regional controls, describing the locality where the person is situated in Germany, such as place of living and degree of rurality of the place, unemployment rate and commuting or alternatively X is approximated with local development measure (such as GDP growth).

According to CBD and its notion of cultural entropy, the local development X is a function of the local attitudes towards complying (cultural heritage types of local attitudes denoted as CH) and adapting to new attitudes (living culture type of local attitudes denotes as LC). A local cultural milieu where the LC and CH are in full balance (i.e. when cultural entropy is highest and equal to 1) is a local cultural milieu that results in most efficiently flourishing local development X (see Tubadji 2024). We will test this assumption that the regional effect of X on polarisation is

endogenous to the local cultural entropy balance between the CH and LC local cultural attitudes. This reasoning is in line and incremental to the work on endogenous identity economics in intersection with the interactional behaviour modelling (see Oxoby 2004; Eaton, Eswaran & Oxoby 2011; Horst, Kirman and Teschl 2006).

3 Data and estimation strategy

To operationalize model (1), we use data from the German Socio-Economic Panel V36 (IAB-BAMF-SOEP Survey of refugees) for the period 2016-2019 on the individual level, amounting to 5,742 individuals with 13,339 observations. The data is provided by German Institute for Economic Research (DIW Berlin) (see IAB-BAMF-SOEP 2021), which is publicly available on NUTS1 level, however we use it here at NUTS2 level due to special granted access. This allows us augmenting the data with regional indicators on NUTS2 level and implementing multilevel analysis (see Appendix 1).

Our dataset contains information about refugees from Syria, Iraq, Afghanistan, and Eritrea among other refugees, who have been interviewed for the first time in the survey between the period 2016 and 2018. The first questionnaire upon joining the panel contained varied questions about attitudes towards democracy, female rights and general happiness, among others. This questionnaire was used for people who joined the survey between 2016 and 2018. Return respondents in the second wave and onwards were asked annually about their general happiness only. The interviewees are at the age between 18 and 55 at their first interview.

Our main outcome of interest is the polarization of feelings with the respondent. We approximate this polarization of feelings in three ways: more directly with the dependent variable “happiness” (i.e. the attitude to one’s current life conditions) and alternatively with the attitudes on two politically relevant topics (democracy and female rights). The happiness variable approximates utility in pure form in its most volatile on the spur of the moment state i.e. the utility that is polarizing is best approximated by this measure. The other variables serve to triangulate the results obtained with the happiness measure. See Appendix 1 for more details about each variable.

Our descriptive statistics hint at great spatial variation. Therefore, we explore the distribution of our main independent and dependent variables across space with more attention here. Figures 1 presents twoway scatter plots for the first year when the questions related to all our outcome variables were asked. Figures 2 & 3 show maps on aggregate local level, presenting the existing relationship (in levels and as regression coefficients with fixed effects) between discrimination and the level of our main outcome variables: happiness, pro-democratic views and pro-female right views.

{Figures 1, 2 & 3}

We see a very different spatial pattern emerging for every variable. Clearly, it seems that the refugees actually experience lower happiness in the Western part of Germany, which is more affluent than the Eastern part, in spite of the ultra-right party being mostly supported in the Eastern parts of the country. We assume that this must be because happiness is associated with relative economic deprivation. The pro-democratic views seem to have some spatial clustering to the West of the country. Most notably, female rights appear strongly supported in the Northern and Eastern part of the country rather than in the South Western.

Finally, we control for age, gender, education, parental education, labour market status and legal status in Germany (approved, in the process or denied) in model (1) as they are related to the Mincer equation. Further, we control for contextually relevant variables, such as Bundeslander, level of regional unemployment rate, regional migrant rate, community size, sensitive questions answered, and third persons at interview.

Appendix 1 shows the precise definitions of all variables used in our analysis, with corresponding descriptive statistics. Summary of our World Value Survey augmentation of the IAB data with cultural variables and the quantification of local cultural entropy are available in Figure 4 and Appendix 2.

Estimation strategy

Testing PART 1

Our estimation strategy as *PART 1* focuses on testing part (1.1.) of model (1) and employs first the strengths of the data in terms of having various attitudes over which the refugees are observed to polarize. Next, we move towards methodological strengthening of our findings, using the fact that one of the attitudes-related variables, namely general happiness (life satisfaction), was collected in every wave of the survey, thus a short panel dataset is available. Finally, we offer some robustness checks based on a subset of the sample to reduce heterogeneity in the tested sample.

The main tested assumption of our CBD model (1) in the empirical *PART 1* of our study is the assumption that insider identity is equivalent to feeling generally happy and satisfied with one's life in a locality resulting in positive affect and compliance in your attitude with the local cultural attitudes to any array of stimuli such as democracy, female rights etc. questions of attitude. Respectively, this is the same as saying that polarizing attitudes of self-identifying as an outsider are parallel to noncompliance with the local attitudes for democracy, female etc questions of attitude and coincide with feeling generally unhappy and dissatisfied with one's life locally. Put simply, we want to empirically crosscheck the assumption that what determines general

unhappiness and life-dissatisfaction is in big part the most strongly associated explanatory factor for polarisation.

Hence, our first step entails using as alternative quantifications for polarizing attitudes the variables: attitudes to one's general happiness, attitude to democracy, attitude to female rights. Following model (1), we explain these alternative outcomes with the Mincer equation, augmented with information for the objectively granted legal status in Germany and the subjectively reported feeling of having been discriminated. The latter are not very strongly correlated so using them together does not create collinearity or endogeneity issues. The regressors include also regional dummies and control for rurality of the recipient locality. We conduct first regression using the level of the outcome variable; then we use three transformations of the dependent variable to capture polarization in a different manner.

In a second step, we move towards examining the dynamics of polarization over time, by exploiting the panel structure of the waves. We shall use the same outcome variable for polarization with regard to being in the extreme, but we will compare the behaviour of the individual in the beginning and the respective subsequent period ($t+1$) of individuals' participation at the survey. With this approach we aim to explain the main drivers of the dynamic change in the polarization of behaviour over time, using the same set of explanatory variables and controls as in our above-described cross-sectional analysis.

We implement also two robustness checks. These robustness checks address the potential unwanted ethnic heterogeneity of the sample. We set to handle this potential source of bias by dividing the sample between only Syrian population sub-sample and others. We do this for two reasons: the Syrian group is the biggest group in the sample. The Syrian behaviour was always very different from the behaviour of the other two groups. Thus, we compare the behaviour of this sample to the behaviour of the other three ethnic groups (Afghan, Iraqi and Eritrean) pooled together (for explanatory power of the estimations with this last pooled dataset). Syrians were the main ethnic group seeking refuge due to the political change in their country of origin.

Testing PART 2

Our empirical PART 2 focuses on part (1.2) of model (1) and regards testing the relationship between people's attitudes and the embeddedness of people in a certain local context. The local context has clearly economic and cultural aspects and both of them may play a role for discrimination to be enacted. Gary Becker (1957) explains how actual inequality, segregation and discrimination are objectively three different entities. We claim here however that people are cognitively biased and cannot distinguish between them. Instead, their radicalization and

polarization happen when they experience perceived feelings of discrimination, even if it falls in any other objective category. This claim is consistent with our findings from H01. Here we question in what element of the local context – the objective economic circumstances or the subjective cultural feelings about discrimination is this individual mechanism most active in. Previous research has provided strong evidence for the important contemporary cultural differences across the regions of Germany based on the traditional religion and economics distinction between Protestant and Catholics attitudinal predominance in a place (Chadi and Krapf 2015). We would like to further unpack the importance of this cultural milieu regional difference for the experience of discrimination. Cultural factors have been demonstrated to make a difference for the socio-economic mobility of migrants (Deutscher 2020). Hence, we have good reasons to expect impact of local cultural context on the socio-economic development (or lack of such due to discrimination) of the migrants in our survey.

To distinguish empirically between socio-economic context and cultural context we use for the socio-economic context the proxies local GDP growth and local unemployment rate to approximate economic context and we use the share of voting for ultra-right parties, the share of foreigners in a locality or the community size as proxies for the cultural embeddedness context (as all three can be expected to have social impact on discrimination sentiments due to either direct salient attitude to foreigners or due to contact theory (Allport 1954), as previously explained). For cultural entropy we employ 30 different mono-dimensional cultural attitudes provided by the Word Value Survey WVS) on individual level, which we aggregate on average local level (NUTS2) for Germany and merge with our data based on place of living of the individual observed in our IAB dataset. We employ principal component factor analysis to obtain the CH and LC factors that represent the two parts of the complex entity culture and we employ a Shannon Entropy measure to estimate the balance between CH and LC in a locality (see Appendix 2 and Figure 4 for more details).

Empirically, we estimate linear multilevel, hierarchical models, where the first level is the individual observation and the second level is the nestedness on NUTS2 level in Germany². We explore whether the nestedness on NUTS2 is statistically significant for human behaviour at all (this is the main test of our model part (1.2)). Additionally, we explain the regional nestedness alternatively with one of the proxies of socio-economic context or cultural context. This helps to explain what part of the regional nestedness is associated with the economic context and what

² According to the European Commission, NUTS2 level is the basic regions for the application of regional policies. NUTS2 regions usually have between 800,000 and 3 million inhabitants. In Germany, NUTS2 level corresponds to governmental regions known as Regierungsbezirke. This is the official definition of NUTS2 as provided by the EC. See: <https://ec.europa.eu/eurostat/web/gisco/geodata/reference-data/administrative-units-statistical-units/> and https://www.destatis.de/Europa/EN/Methods/Classifications/OverviewClassification_NUTS.html.

with the cultural context. We estimate these hierarchical model tests for explaining the level of feelings of refugees, approximated alternatively with one of the three attitudes in our datasets: life satisfaction (HAPPY), attitudes to democracy (ATTITUDES2DEMOCRACY) and attitudes to women rights (ATTITUDES2WOMEN).

We conduct Robustness check 3 which entails conducting likelihood-ratio tests for the regional intercept only and the importance of the information added when using the economic or cultural context variables, When the p-value of the test is smaller than 0.05, the context variables add important information in explaining the regional variation in human behaviour.

4 Empirical Results

Results PART 1

Impact of Discrimination on Alternative Measures for Polarization

Operationalizing our CBD model (1), we use three alternative dependent variables, happiness, pro-democratic and pro-female rights and the polarization with regard to these three topics as three alternative approximations of the behavioural response of the individual to perceived cultural discrimination.

Results for general happiness and polarization on this topic are reported in Table 1:

{Table 1}

As seen from Table 1, our main explanatory factor – perceived cultural discrimination – behaves as expected by our CBD model (1). Namely, the less discrimination a person has felt, the happier they report themselves to be and the less likely they are to polarize in the negative spectrum, both in the broader or narrower definition of it.

An interesting additional insight about the dynamics is that the people who arrived in Germany as refugees before 2014 and after 2015 are reportedly happier than those who arrived during the big refugee wave of 2015. This is a very realistic pattern and nevertheless it does not disturb the main effect from discrimination.

We look next at pro-democratic attitudes and polarization on this topic. Results are reported in Table 2 as follows:

{Table 2}

Table 2 shows a fully consistent effect from discrimination on the level of support for pro-democratic values and the tendency towards polarization, especially to the negative spectrum.

Namely, the less discriminated a person has felt, the more likely they are to support democratic values (here clearly the causality can be in both directions). However, more importantly, belonging to the negative extreme with regard to pro-democratic values is strongly associated with having felt discriminated.

Results for pro-female rights attitudes and polarization on this topic can be found in Table 3, below:

{Table 3}

Table 3 shows again a strong shielding effect of local cultural tolerance since less polarized attitude is individually adopted when less perceived cultural discrimination is experienced by the individual, here showcased with polarizing behaviour with regard to females' right to work. The less discriminated one is, the more likely one is to avoid polarization in the negative spectrum in both broad and narrower sense. With regard to the rest of the dependant variables, the results are consistent with the previous two tables. The specific differences here entail the importance of the male gender, which is clearly driving the negative views on female rights.

To sum up, these results can be generalized as a behavioural response towards polarization associated with the impact of cultural discrimination on the utility function of an individual. The effect is present in the general level of happiness, which is a classical utilitarian measure. The same set of variables (and essentially the same mode) explain consistently the polarization on any other topic with political or social connotation (such as democratic views or female rights). We tried the same estimation for polarisation regarding religious leadership as well, and the results were consistent with the findings presented above.

Put in terms of our CBD model (1), PART 1 confirms that an outsider identity, i.e. more polarizing identity (in terms of the spread between one's own level of attitudes on a stimulus/topic in comparison to the local dominant cultural narrative about this stimulus/topic), is adopted by the individual when higher degree of perceived discrimination is experienced by this individual locally. This is confirmed both for general life-satisfaction measures of polarisation and specific mono-dimensional attitudes on various triggers/stimulus/topics such as democracy or female rights.

Dynamics of Polarization over Time – Random and Fixed Effects

At a second step we want to examine the dynamic effects of polarization over time. We first address this data using the standard fixed and random effects estimators contrasted to a pooled

OLS with clustered errors. The results for our fixed and random effect estimations are contrasted to the pooled OLS results in Table 4 below.

{Table 4}

The outcome variable for the fixed and random effect specifications is a dummy variable corresponding to 1 when the person has become extremely unhappy. The main take from Table 4 is that discrimination seems to persistently dominate the process of polarization of individual happiness over time. Apparently, the CBD micro-mechanism of discrimination-driven polarization finds support with regard to refugees in Germany over 2016-2019. The explanatory variables behave in a similar way as in our cross-sections.

Improving German language proficiency and entering the labour market has a significant shielding effect for people and helps them transform from unhappy to happy state. To the contrary high qualified refugees who could not meet their labour market related aspirations tend to become unhappy. Similarly, granted recognized refugee status makes refugees happier.

{Table 5}

The main take from Table 5 is that the majority of respondents remain happy overtime. However, 5,4% of all respondents being happy in time t become unhappy in the following year whilst the majority of unhappy individuals in time t become happy in time $t+1$ (75.2%).

These results viewed together with our findings reported in Tables 4, can be understood as follows. Feelings of perceived relative deprivation (of being discriminated in a way) make people unhappier. Granting local status also makes refugees happier. But still over time some refugees get unhappier. This might because migrants' point of reference shifts from their home country to their destination country (see for example Nikolova and Graham 2015). Yet, it might be affected by the feeling of discrimination as our data suggests.

Robustness Check 1

To address the persistently found differences in the behaviour of the Syrian population, we want to cure the heterogeneity influence by dividing the sample into Syrian refugees and the rest of the refugees. As the Syrians are the biggest group among the surveyed people, this leads to two datasets with relatively comparable size. We then use the same estimation model (1) as discussed in the previous section, for the same set of three alternative topics for behavioural polarization. The results are presented in Table 6, 7, & 8 below.

{Table 6, 7 & 8}

The main take from the tables in Robustness check 1 is that the refugee groups behave relatively consistently. With regard to the main explanatory variable of interest, we see a very prominent association between lower cultural discrimination and higher happiness levels and higher pro-democratic sentiment. The effect dwindles only in the case of attitudes to women's working rights, and what matters for this attitude is the strong negative association between Muslim religious belonging and support for female rights and the positive shielding effect of education that increases the support for female working rights across all groups. We do not find any substantial basic differences between the behaviour of the Syrian and the Non-Syrian groups, except that some effects are more prominent for one group than in others, but the main economic interpretation of the results remains the same. Therefore, our results can be considered fairly stable and free from heterogeneity bias.

Robustness Check 2

A second set of robustness checks that we present below entails using additional topics over which polarizing behaviour emerged, namely: aspirations for continuing general university education or vocational or training and expectations for finding a job. In contrast to happiness and domains of values, the refugees have not reported a polarized feeling on objective educational or employment plans. Table 9 & 10 present the results with the use of these alternative dependent variables.

{Table 9 & 10}

Again, the results from the Tables 9 and 10 report a very consistent general picture. With respect to educational or employment plans cultural discrimination is found not to be a pronounced factor in general. However, the less educated and the poor German language speaking groups in our sample report both poorer education and employment related plans. Additionally, respondent's health situation and the age are core drivers for labour market related plans. And yet, the same drivers matter for all refugee groups in a similar way. We interpret these findings in terms of perceived cultural discrimination being felt as a more important threat for one's survival when one's education or health conditions are able to provide only a weaker shielding effect on the job market and in social distinction per se.

Results PART 2

The estimation of multilevel models was conducted alternatively for the three outcome variables related to refugee feelings: life satisfaction (HAPPY), attitudes to democracy

(ATTITUDES2DEMOCRACY) and attitudes to women rights (ATTITUDES2WOMEN). For each outcome variable we tried two specifications regarding economic context (where the regional nestedness was explained with GDP growth or unemployment rate and three specifications related to cultural context (alternatively explaining the regional nestedness with share of foreigners, share of ultra-right votes or the degree of urbanization of the community in which the refugee lives). The results regarding outcome variable HAPPY are presented in Table 11 below and the results for the other outcome variables, which were statistically and economically very similar, are available upon request from the authors.

{Table 11}

The main take from our estimations in Table 11 and the related results for the alternative outcome variables can be summarised as follows. Indeed, the individual attitudes seem to cluster in regional means (on NUTS2 level). This nesting is indeed significantly sensitive to both economic context and cultural context. The magnitude of the effect from the cultural context is however much smaller, although significant. Its size is somewhat more important in the case of attitudes to women rights and democracy than in the case of general life satisfaction and happiness. These findings confirm the presence of what CBD terms as Platonian bias of cultural relativity (see Tubadji 2020). This finding motivates our further CBD implementation for explaining the sources of this bias.

The re-estimation of the same hierarchical model, yet this time explaining the local clustering with cultural entropy indicators is presented in Table 12. We use three alternative measures for cultural entropy, as described above. We also consider the regional clustering alternatively on NUTS2 (38 groups) and NUTS1 level (16 groups). These variations define our specifications in Table 12 below.

{Table 12}

The main take from our estimations in Table 12 can be summarised as follows. Indeed, after controlling for the regional effect of unemployment and local GDP growth (which should capture local economic deprivation), there still remains significant regional clustering in people's level of happiness which is clearly explained by the cultural entropy in a place. In other words, the variation in levels of affect and cultural self-identification propensities of people in places are significantly predicted by the local balance between traditional and modern cultural attitudes. The latter findings are consistent with CBD's expectations for the effect of cultural entropy, with previous CBD findings that equate cultural entropy to local tolerance (Tubadji 2024) and with Richard Florida's finding on the effect of tolerance on spatial frictions and the migration of creative individuals (Florida, Mellander and Stolarick 2008).

Robustness Check 3

Robustness check 3 entails comparing the model of regional nestedness with only an intercept to the models using an explanatory variable for the economic context or the cultural context in the region. Results are presented in Table 13.

{Table 13}

Across all post-estimation likelihood ratio tests conducted – it seems that the economic endogeneity of the polarisation on regional level is often the dominating effect over the local cultural attitude effect. The only significant tests are shown in Table 13. These results are especially important for the following reasons. Apparently, while the local cultural signalling seems to explain part of the regional variation, the important difference in the feelings and attitudes of refugees is associated not only with the cultural context but with the economic relative deprivation on aggregate level in the place of living. This is consistent with previous findings of individual and local interaction and polarised voting behaviour for the UK, using the so-called Tiebout-Hirschman-Rothschild model (see Tubadji, Colwill and Weber 2021). In other words, while individual behaviour is driven by perceived relative deprivation in fact the important regional context in which radicalization and polarization develop is the context of economic deprivation.

5 Conclusion

This paper examines a culturally motivated CBD model of discrimination on group level (through negative distinction) which results in emotional scarring and triggering of behavioural polarization of refugees in Germany.

Using share data from the German Socio-Economic Panel (IAB-BAMF-SOEP) for the period 2016-2019 on individual level, we test our hypothesis for the existence of a micro-economic mechanism of relative deprivation triggered by subjective experience of the refugee of being discriminated in the recipient country, which leads to the negative polarization of the individual. We use novel approaches to measuring polarization and employ alternative quantifications of polarization over democratic views, female rights and general feeling of happiness, as well as

prospects of future study and work. We employ alternative estimation approaches including panel estimators, survival analysis and hierarchical modelling.

We find that discrimination clearly leads to individual polarization to the negative extreme of attitudes. On the contrary, if a person is firmly feeling that they have not been discriminated, this gives them a motivation for developing attitudes on the positive extreme of the spectrum of affect. Mixed experiences with radicalization leave the individual in a neutral zone of attitudes. Furthermore, we find that parental transmission of education affects only the attitudes to female rights, which clearly is a traditional cultural attitude among the type of refugees under analysis. We find clear prominent association between Muslim religion and this attitude as well.

Meanwhile, regarding the spatial effects, we find an interesting clustering of refugees either in the rural or in the urban part of the particular region they are sent to, and then the rurality has its effect on the polarization itself. We explain this with an instinctive self-selection to sort spatially together, yet it seems to make a difference whether this clustering happens in urban areas or not. These findings document the complexity of migrant clustering which is not only classical diaspora oriented (which can also be modelled consistent with identity economics as seen in Prinz 2019) but responding to the local cultural and economic context in endogenous manner.

One limitation of the current study is that we have panel data only with regard to the attitude to happiness. The availability of the panel data allows us to understand the dynamics and determinants of transition from non-polarized to polarised state and backwards in greater detail. Alternative datasets or new waves from the same dataset might allow for extending the analysis from happiness to other alternative attitudes such as democratic views and female rights which are a very good fit as quantification for the behavioural polarization topic with clear implications for voting. Even with its advantages as a panel dataset, the available panel is relatively short, so better data will always be beneficial as it will allow for deeper insight into the dynamics.

In conclusion, our findings suggest that on individual level, a micro-mechanism of perceived cultural discrimination evokes individual polarization as human behaviour responds to pain and incentives from the context. Yet, while on individual level people are moved to radicalize and polarize seemingly by perceived cultural discrimination feelings, these feelings evolve and matter more significantly on spatial level when people are situated in a local context of economic deprivation. Finally, the local level of affect and its derived cultural self-identification seem to be defined by local levels of economic deprivation and by the local balance between traditional and modern attitudes in a place (i.e. by what CBD calls cultural entropy).

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