

# The Price of Prejudice

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This paper presents a new type of field experiment to investigate ethnic prejudice in the workplace. Our design allows us to study how potential discriminators respond to changes in cost of discrimination. We find that ethnic discrimination is common but remarkably responsive to the price of prejudice, i.e. to the opportunity cost of choosing a less productive worker on ethnic grounds. In addition, we find that accurate statistical discrimination fails to explain observed choices, and that taking ethnic prejudice into account helps to predict the incidence of discrimination.

Keywords: field experiment, discrimination, labor market.

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