

PPE Interdisciplinary Research Seminar on
MARKETS, MOTIVATION & WELFARE

Lecture 4 : **Norms, Culture and Identity**

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Why Norms, Culture & Identity?

- All are concepts that can help to understand how social groups can shape the choices of individuals through
 - **expectations** (about what would happen to them if an action is taken)
 - **beliefs** (about the value/returns to different actions)
 - **preferences** (i.e. the intrinsic value attached to different outcomes)
- In the social sciences, no consensus on definitions, but it is **useful to draw boundaries between the concepts**, to better understand the nature of specific social phenomena.

Social Norms

*“... social norms ought to be understood as a kind of **grammar of social interactions**. Like a grammar, a system of social norms specifies what is acceptable and what is not in a society or group. And analogously to a grammar, it is not the product of human design.”*

– Bicchierri & Muldoon (2012)

which distinguishes it from “other types of injunction, such as hypothetical imperatives, moral codes or legal rules”.

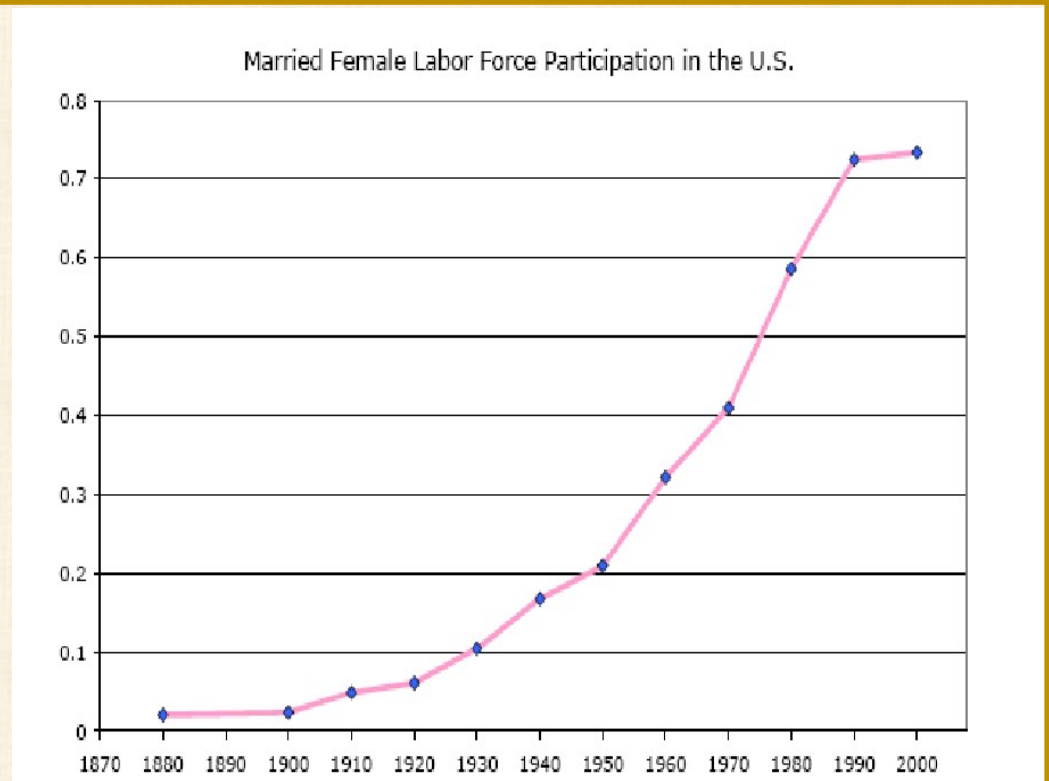
Examples of Social Norms ?

- (Absence of) Female Participation in the Workforce
- Marriage following (closely) the onset of puberty
- Female Genital Cutting (FGC)

Social scientists study these phenomena as they may have socially detrimental consequences, and to understand how these practices may be changed. But should they be – and is it useful to – label them as social norms?

Female Participation in the Workforce

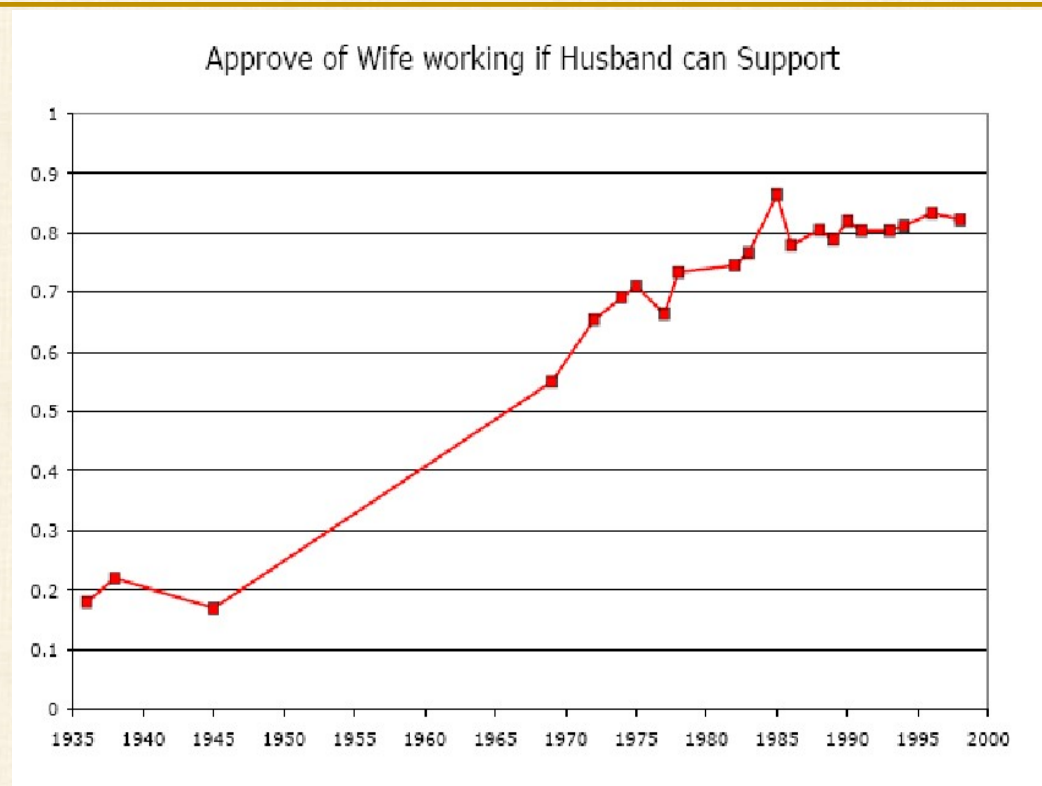
- The participation of married women in the workforce has **increased dramatically** over the 20th century in most **industrialised countries**.
- On the other hand, it has been **low and stagnant** in many (traditional) societies.
- To what extent does a married woman's decision to work outside the home depend on social dis/approval of this behaviour?



Fernandez 2007

Female Participation in the Workforce

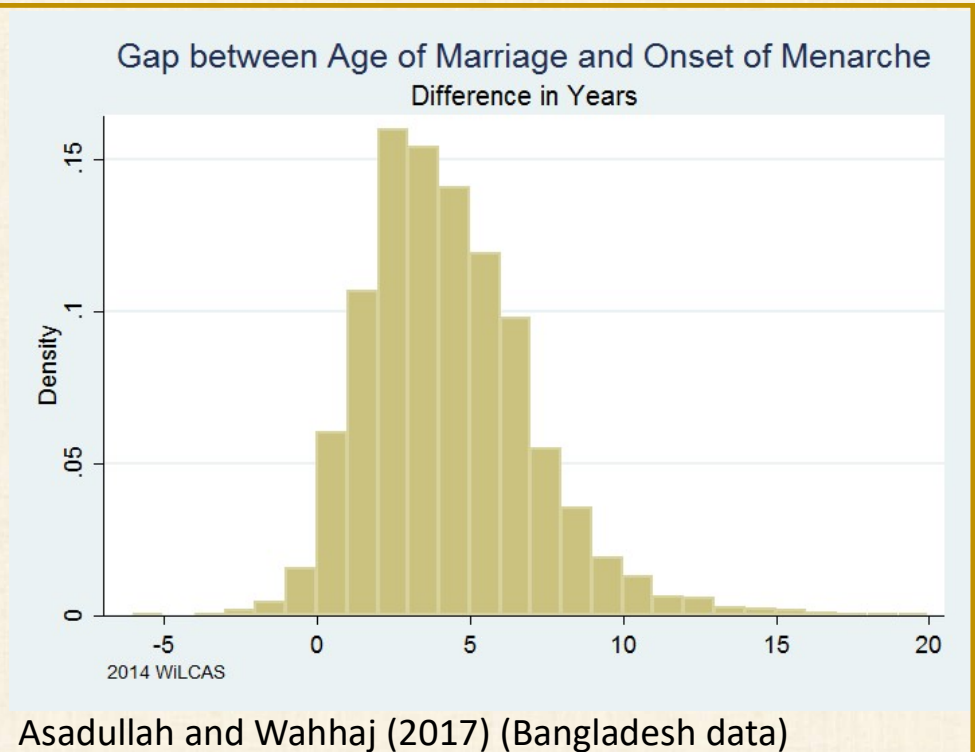
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Fernandez 2007

Marriage with the onset of Puberty

- In a wide range of societies, adolescent girls face **strong social pressures to marry** with the onset of puberty; such that the age of puberty is a strong predictor of age at marriage
- ... and girls who marry later because of late onset of puberty have to pay a **higher dowry** (Field and Ambrus 2008).



Early Marriage as a Social Norm

- Is marrying off girls soon after puberty to be considered a social norm?
- Delaying marriage carries a social cost => higher dowry payments.
- ... perhaps because the delay raises questions in the community about whether something is wrong with the girl (Wahhaj 2015).
- But this does **not** appear to be **a static norm**. A generation ago, the social pressures were there to marry off girls **before the onset of puberty**.
- ... which gradually gave way to acceptance of postponement till menarche (Caldwell, Reddy, Caldwell 1983).

Female Genital Cutting

- Although FGC is in decline, it remains **persistent** in some parts of the world with three million girls experiencing the procedure each year (WHO 2012).
- FGC has well-documented **negative health consequences**, including high risk of infections and birthing complications; as well as potentially adverse effects on psycho-social well-being.
- So, **why do parents choose** to have their daughters undergo this procedure?
- FGC is associated with **family honour and suitability for marriage**, so that women who have not undergone the practice may find it difficult to find marriage partners. (Mackie 1996).
- Is it useful to think of FGC as a social norm?

Is FGC a Social Norm?

- The persistence of FGC can be explained as a **Coordination Game**: families coordinate on an equilibrium where everyone adopts the practice or alternatively on an equilibrium where no-one does (Mackie 1996, Mackie and LeJeune 2009).
- For an individual family to deviate from the first equilibrium can **hurt their daughters' marriage prospects**, despite the harmful effects of the practice.
- If families were coordinating on equilibria, then the **practice would occur in clusters**, with either high or low prevalence within endogamous groups.

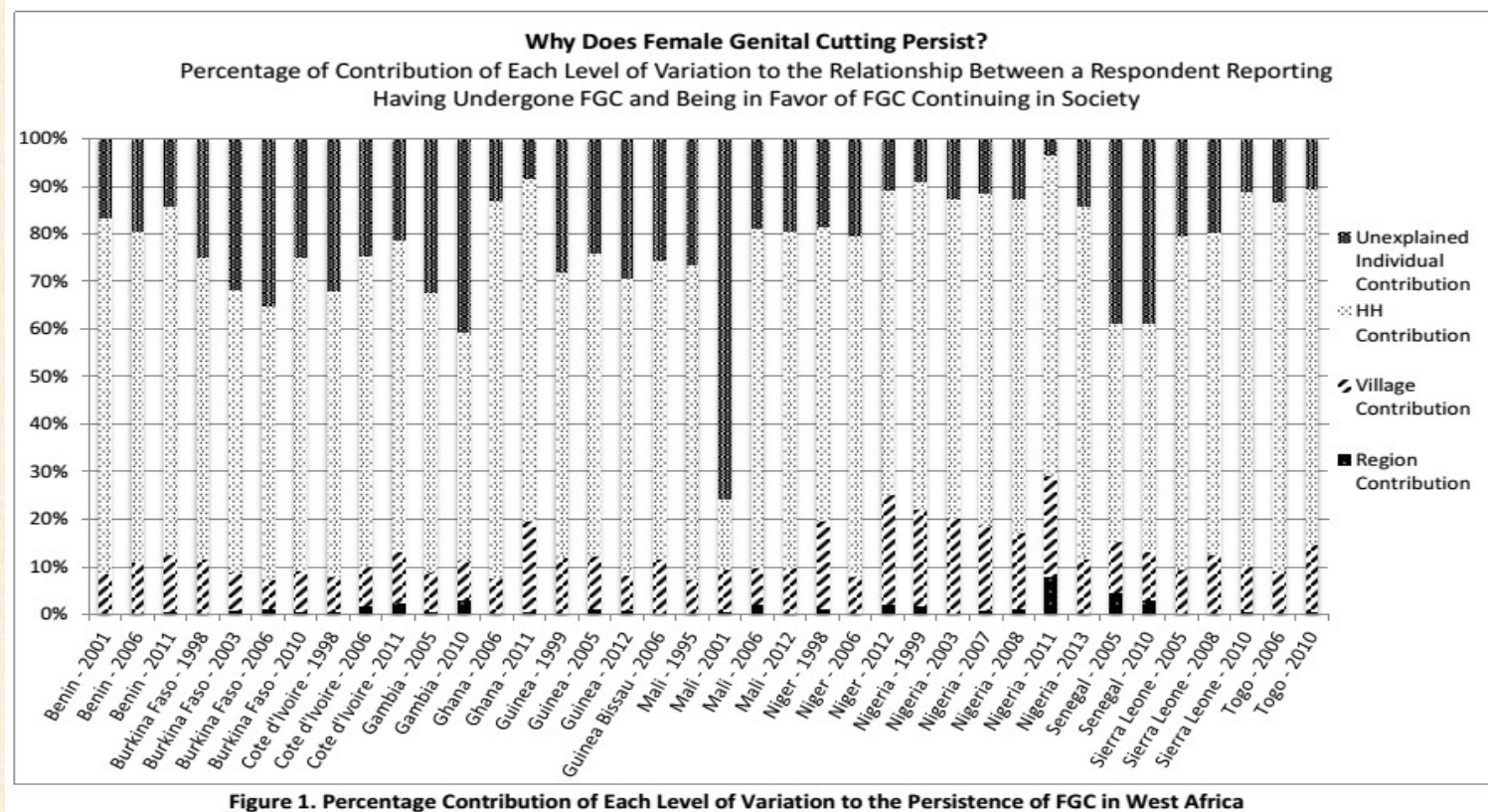
	C1	C2
R1	2 2	0 0
R2	0 0	1 1

(C) Coordination:
Ranked Equilibria

Mackie (1996)

Is FGC a Social Norm?

Bellemare et al. (2015)



Culture

(dictionary definition): “the customary beliefs, social forms, and material traits of a racial, religious or social group; (and) the set of shared attitudes, values, goals, and practices that characterizes an institution or organization”.

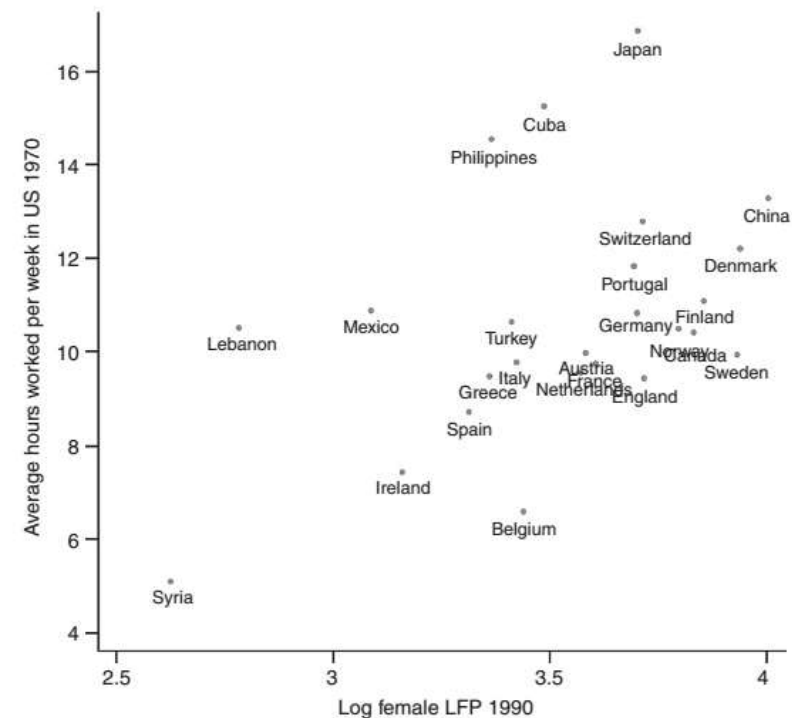
“beliefs and preferences that vary systematically across groups of individuals separated by space (either geographic or social) or time”

– Fernandez (2008)

Growing interest in understanding the **effects of `culture' on economic outcomes** but, empirically, it is **difficult to disentangle** culture from environmental, institutional and historical factors.

Epidemiological Approach to study effects of Culture

- Recent work on the effects of culture have made use of the ‘**epidemiological approach**’ – comparing outcomes for individuals in the same economic and institutional environment with different beliefs and preferences stemming from “cultural differences”.
- e.g. Fernandez & Fogli (2009) shows that work & fertility outcomes of 2nd generation US women can be explained by ‘**cultural proxies**’: past female labour force participation & fertility rates in the country of ancestry.



Cultural Transmission

- The epidemiological approach is also consistent with theoretical models of cultural transmission (Cavalli-Sforza & Feldman 1981; Boyd & Richerson 1986; Bisin and Verdier 2001)
 - preferences of children are shaped by their parents (direct vertical socialisation) and the wider social group (oblique & horizontal transmission).
- *Imperfect Empathy* : parents are altruistic, and want to endow offspring with the best traits for their current setting but evaluate outcomes through “the filter of their own subjective evaluations” (Bisin and Verdier 2005).
 - thus ‘cultural intolerance’ of deviations from one’s own culture, leading to persistent cultural heterogeneity within a population.

Social Norms vs Culture

So we have two ways in which social groups can motivate individuals to act in particular ways :

- **social norms**; individuals may want to deviate from them but this can entail costs, e.g. penalties on the marriage market
- **culture**, transmitted from one generation to the next in the form of beliefs and preferences
- But why would social groups want to shape the beliefs and preferences of its members?

Principal-Agent Model with Hidden Action

- Here, models of **Principal-Agent** relationships can provide some answers.
- Suppose that an Agent chooses how much **effort** to exert **in a task**.
- The quality of **output** from this task is **uncertain**; with effort determining only the **probability** of high quality.
- The Principal receives the output and can assess its quality, but **does not observe effort**.
- This model can represent the relationship between a **firm and a worker** but also a more traditional economy, e.g. family members providing **labour on a farm** managed by a patriarch.

Organisations and Identity (Akerlof and Kranton 2005)

- The standard solution to this problem is that the Agent's reward is contingent on output: **higher output => higher reward**.
- If there are **limits to punishment**, and the Agent dislikes risk, then effort will **not** be **optimal**, i.e. effort Agent would choose if she were the owner.
- What if the Principal could create the image of **ideal worker** as someone who chooses the optimal level of effort, and give the Agent a **sense of identity** so that she would **feel bad about deviating** from this effort level (even if no-one else would find out)?
- An Agent with such a sense of identity would exert the **same effort for a smaller reward**. So the Principal may find it worthwhile to **allocate resources to instill such a sense of identity** if the benefits exceed the costs.

Identity as Guilt & Esteem (Ghatak and Wahhaj)

- If a sense of identity is retained by the Agent when they leave an organisation, then we potentially have a **theory of culture** too!
- But note that the story we just told is very similar to one in which the Principal invests in the skill of the Agent. But is identity, and by extension culture, **just a kind of human capital**?
- An alternative theory is that the Principal can instill in the Agent a **sense of guilt in deviating** from whatever she has been asked to do; and additionally, a **sense of esteem** from being involved in the task.
- A sense of **guilt is not the same as human capital** because it does not change what the Agent would do if she were the owner.
- The Principal would allocate resources to **both guilt and esteem**, the distaste of guilt assuaged by the seduction of esteem.