

# THE LONG SHADOW OF HISTORY

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# A sea change in development economics

Some of the major changes in our society in the past might have been the result of changes in mental models of how the world works.

- Consider the Enlightenment, the spirit of capitalism, & the idea of government legitimacy based on consent.

This is the bread and butter of history.

But economists, including economic historians, had—until recently— mostly purged this possibility from consideration.

This is changing.

In the 21<sup>st</sup> century, economic historians have shown that beliefs— e.g., that most people can't be trusted—can emerge and be adaptive at one time in history and then persist in another era in which they are dysfunctional

Part I

4 examples of the long shadow of history

# Example 1—Persistent effect of the African slave trades on trust

The African slave trades, 1400-1900, turned members of a community against each other.

In one small sample collected by a German missionary, sources of enslavement were:

- Kidnapping by people outside one's inner circle 40%
- Kidnapping by siblings, spouses and other relatives, or friends 20%
- Judicial outcomes 16%
- Captured in war 24%

# The ethnicities in Africa with the highest slave exports, 1400-1900, have the lowest trust today

2005 Afrobarometer asks: How much do you trust your relatives, neighbors, coethnics, and locally elected government council?

- A. Not at all
- B. Just a little
- C. Somewhat
- D. A lot

In the countries with lowest trust, 7% report that they don't trust their relatives at all, and 18% report that they trust them only a little (Nunn & Wantchekon 2011)

50-100% of the slave trades' effect on trust in local government is attributable to norms internalized during the trade and transmitted across generations.

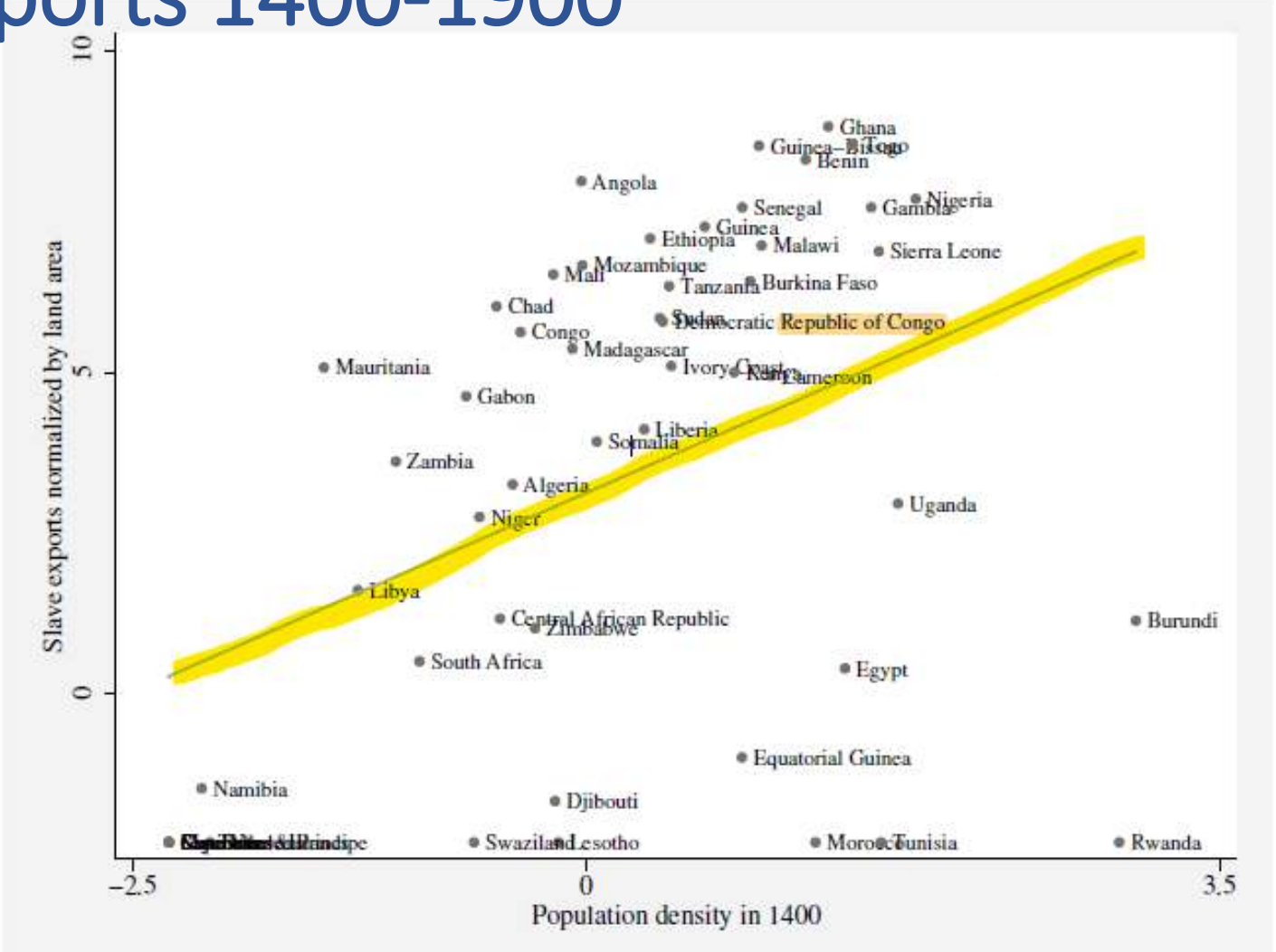
# The slave trades may have caused “a reversal of fortune” in Africa

- Generalized trust is essential for good economic performance

*Algan-Cahuc 2010*

- The parts of Africa that were initially more developed exported more slaves
- The more slaves that were taken from an African country, the greater the level of distrust today and poorer the country is.

# Relationship between population density in 1400 & slave exports 1400-1900\*



\*Slave exports are normalized by land area. Similar results are obtained if they are normalized by historic population





# Low trust is sticky

Ajzenman (2021) shows that revelations of corruption by local officials in Mexico

- Caused a large increase in cheating by Mexican high school students, &
- Made many more people agree with the statement,

“The one who does not cheat does not get ahead.” ( $p < .01$ )

\*This is a question asked in the Mexican Family Life Survey

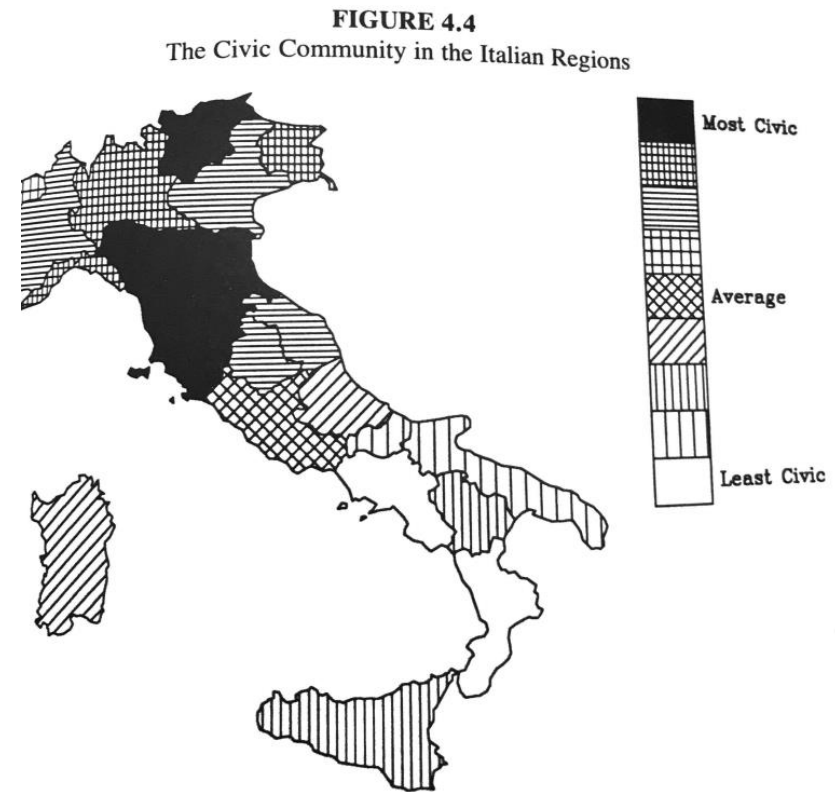
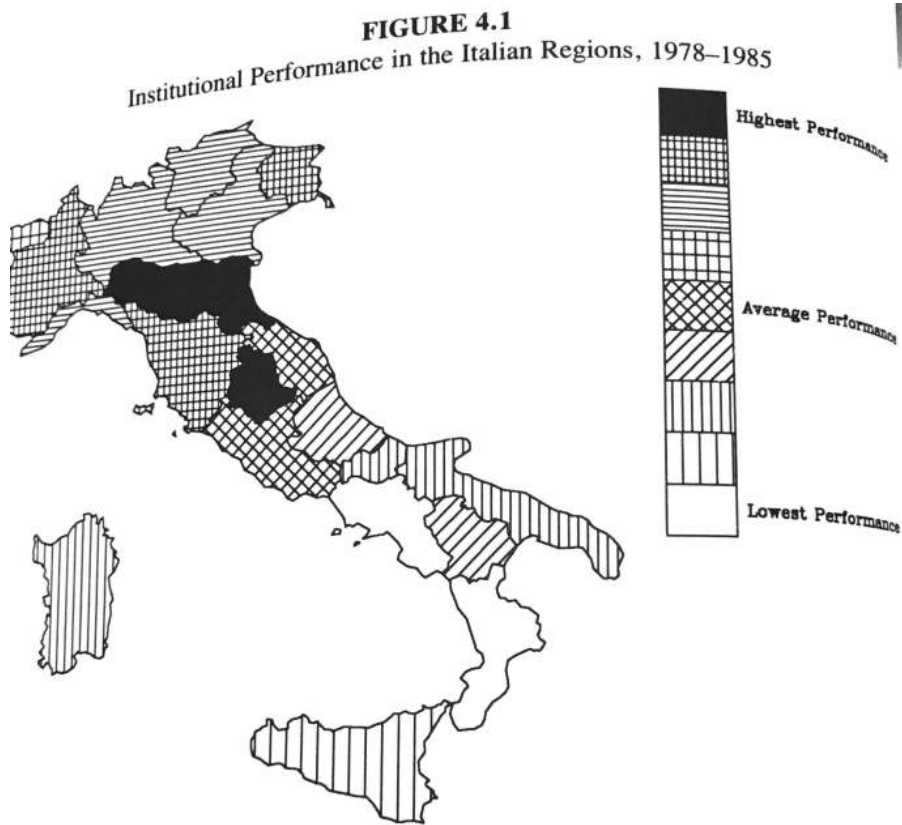
# Example 2. The histories across regions of Italy shaped their civic-ness today

Within Italy, a city with a history as a medieval commune —which happened for largely exogenous reasons— contributes to higher modern-day levels of:

- trust
- self-efficacy
- the ability to collaborate with others across a social cleavage
- “civic-ness”
  - (a) density of civic associations
  - (b) fraction of households with a newspaper reader
  - (c) turnout in referenda
  - (d) low rate of participation in patron-client networks
- higher growth rates

Putnam 1993;  
Helliwell and Putnam (1995)  
Guiso et al. 2016

Regional government effectiveness, coded on the left, is predicted by civic-ness of the population, coded on the right.



## Example 3. History in colonial India affects the willingness to collaborate across a social cleavage

- One of two main systems for collecting revenues from land in India was the landlord system

It gave almost arbitrary power to landlords over the peasants

- It was historical accident whether the British believed that the landlord system was the best system— & therefore imposed—when a particular region of S Asia was brought under colonial rule
- The landlord system created distrust that persists. Today it undermines collaboration between the elite and the masses to get public investments from a state government . . .

## . . . With large consequences

By the 1980s, districts that had not had the landlord system had:

- a 24% *higher* proportion of irrigated land area
- a 43% *higher* level of fertilizer use
- 16% *higher* agricultural yields

compared to those with a history of the landlord system.

# Micro-evidence

- In unannounced visits to primary schools over 7 months, only the low-caste teachers performed regularly
- Teachers embezzled much of the scholarships owed to low-caste students

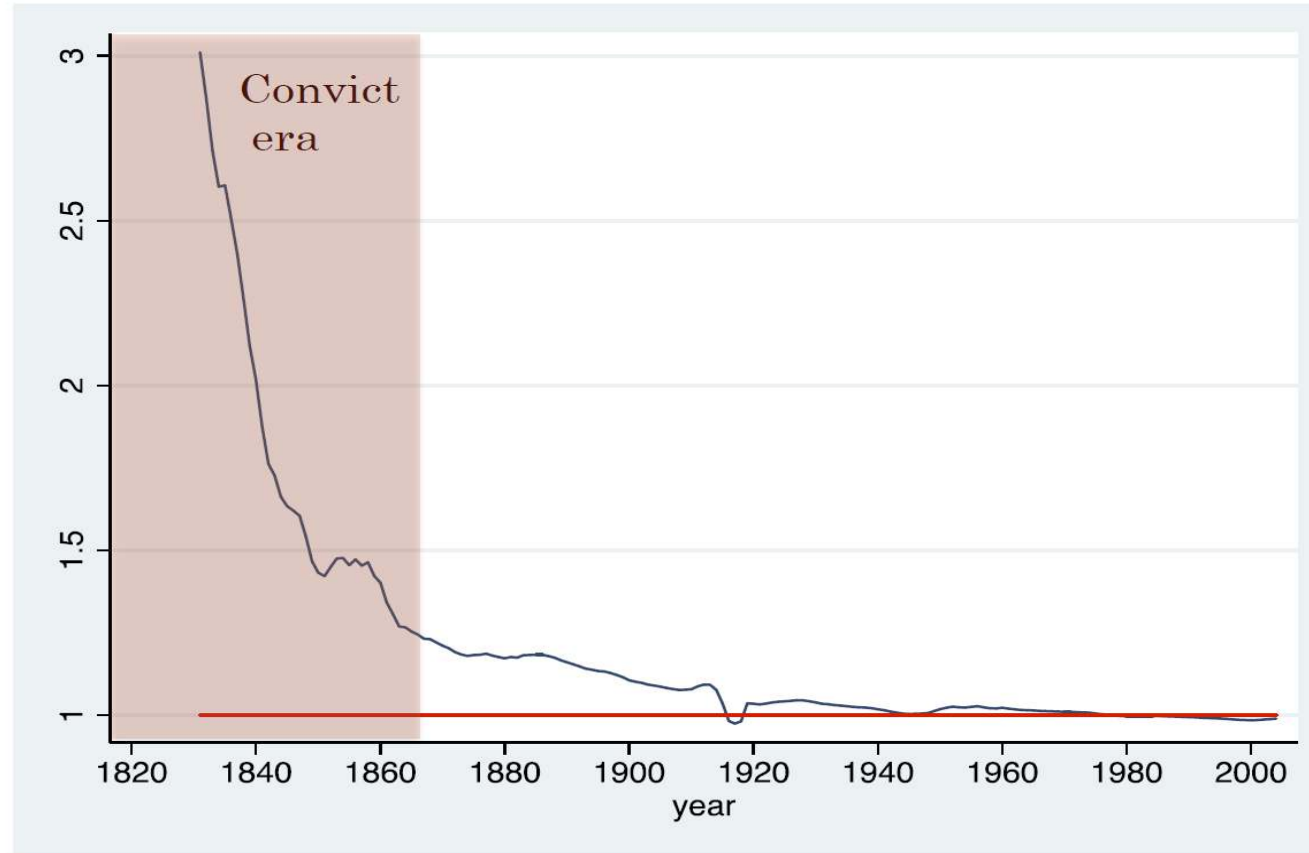
Pandey 2010

# Example 4. A history of a high male/female ratio in Australia shapes modern-day gender roles

To build infrastructure, Britain sent in 1787-1868, **133,000 male** convicts & **25,000 female** convicts to camps in Australia, & most remained there



# Sex ratio in all of Australia





# Effects of male-biased sex ratios

Short-run boost in the bargaining position of women, who are more likely to

- Get married
- Marry up
- Work less

Long-run change in gender roles: In the areas with historically high male-female ratios, there is a

- Fewer hours supplied by women in the labor force
- Fewer women employed as professionals
- More leisure enjoyed by married women

## Part II

A new subfield: cultural psychology

# Emergence of the field of cultural psychology in the 1990s

**New view**: The self is a cultural product. Experience /exposure shape how a person processes information

Perception & cognition reflect the patterning of our environments because mental models in our heads shape everything we see

Markus-Kitayama 2010; Talhelm et al. 2014; Hoff-Stiglitz 2016; Winnawer et al. 2007

We may have several, inconsistent mental models that bear on a situation.

Which one gets activated—and therefore drives behavior— depends on the context

**Old view**: Perception, cognition, and emotion are human universals

Individuals have a single set of beliefs and preferences

Preferences are fixed

Social constructs do not inform beliefs (see also Greif & Mokyr 2017)

The only reason one sometimes sees inconsistencies in behavior is cognitive limitations— “thinking fast”

# Experiments on the bi-enculturated self

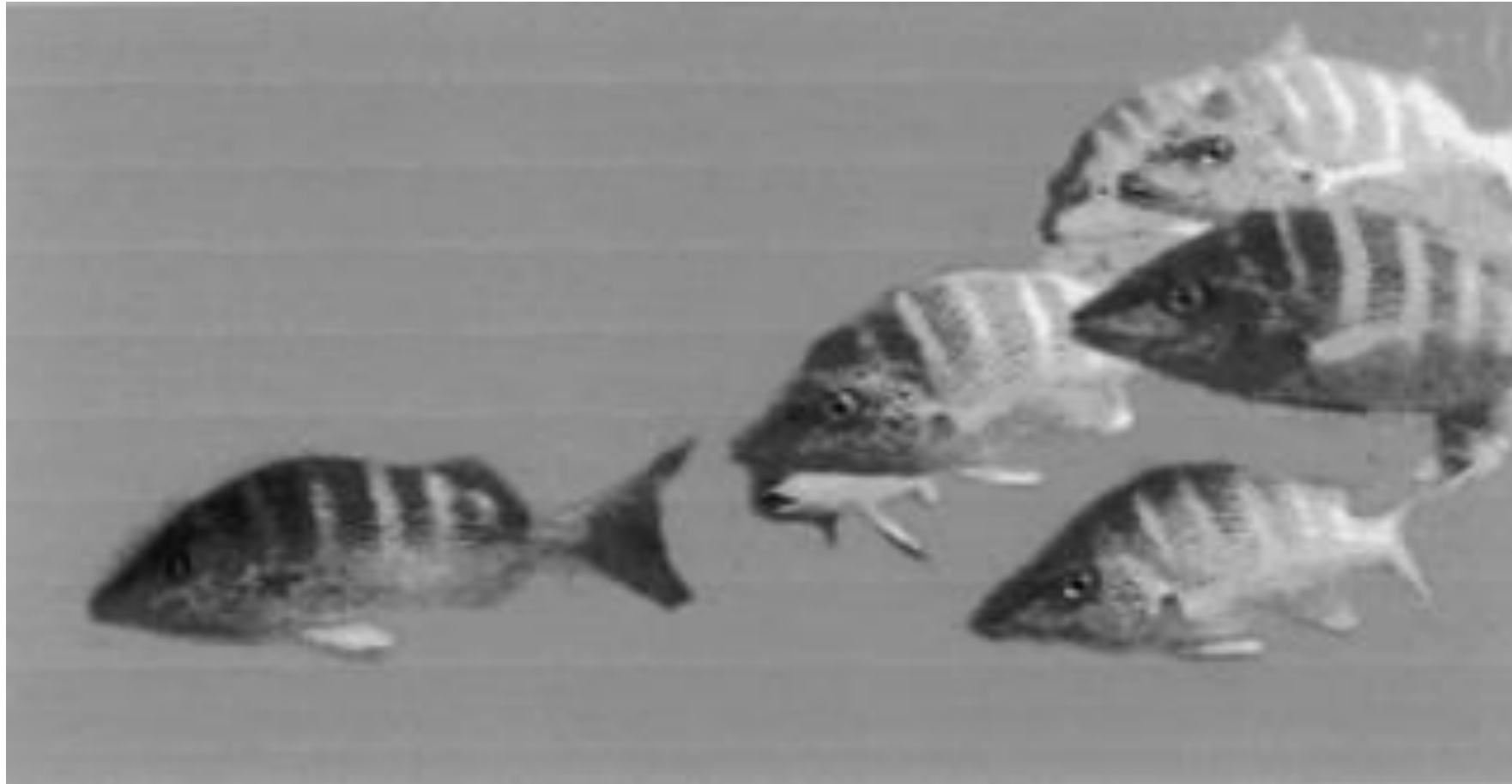
Experiments can isolate the effect of cultural mental models on perception & construal

Consider a set of experiments by Hong et al. (1997)

Students at a Hong Kong university were primed for their Chinese identity or their North American identity (or neither)

After the priming, subjects were asked:

“Why do you think one fish is swimming ahead?”



# Responses

In one experiment, subjects wrote open-ended answers to the question  
In another experiment, subjects gave numerical scores indicating agreement or disagreement with 2 statements:

- A. One fish is being chased by the others
- B. One fish is leading the others.

Chinese culture emphasizes the influence of social context on behavior;  
North American culture emphasizes individuals' autonomy

The results show that subjects primed for their Chinese identity, compared to subjects primed for their North American identity, were more likely to believe that the fish is being chased ( $p < .01$ )

## Part III

History is not destiny—  
mental models are a new target for policy

# 4 examples of interventions that changed dysfunctional mental models

## **Affirmative action** for women chess players in France

Affirmative action for women that promotes collaboration with them on teams changed attitudes, boosted women's performance, had large spillover effects on other women, didn't hurt men, & boosted France's ranking in international chess

(de Sousa & Niederle 2022)

## **Ethnically-mixed sports teams** in India

A field experiment formed mixed caste and single caste cricket teams. Participation in a mixed caste team increased mixed-caste trade

(Lowe 2021)

## **Desegregated private schools** in New Delhi

A natural experiment formed collaborative groups between rich and poor kids. Participation reduced discrimination by the rich kids against poor kids and increased their generosity to all others

(Rao 2019)

## **Coaching for youth** in Chicago

3 RCTs found that giving disadvantaged males exercises to learn mindsets appropriate to safe environments reduced high school suspensions and increased high school graduation rates

(Heller et al. 2017)



# These interventions are more than nudges

- Short- and medium-run interventions have durable effects
- Interventions matter even when the individual has time to deliberate
- Accordingly, dysfunctional behaviors are not due to cognitive limitations
- Instead, they are due to dysfunctional mental models.
- Interventions matter because they change the lens through which the individual sees the world—his mental models—and they persist.

Many important social changes are of this form

Many of these can have long-run economic effects

Policy can bend the arc of history

# Relation to the literature: 2 waves of behavioral economics

## FIRST WAVE

Kahneman (2011) focused on the impact of context in the moment of decision

Thaler & Sunstein (2008) focused on using policy to change context (**nudges**)

## 2<sup>nd</sup> WAVE

We focus instead

- On the effect of the current and historical environment to shape cultural mental models that durably affect behavior, &
- On policies that bring about new experiences to change dysfunctional mental models.

# Summary in 3 images



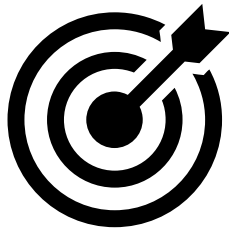
# Summary in 3 images



History may cast a long shadow



From history, widely shared mental models may emerge (the “other invisible hand”). The fact that others in our social circle share the beliefs reinforces them & can give rise to societal rigidities.



Policy can target dysfunctional mental models by giving individuals the chance to experience things that change how they see the world.

A theory of societal change

If many in a group get this chance, societal change can be brought about.