

THE ORIGIN AND EFFECTS OF SOCIAL NORMS¹

ERNST FEHR

Participants

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Summary

A social norm is defined as a behavioral regularity that is based on a socially shared belief about how one ought to behave which triggers the enforcement of the prescribed behavior by informal social sanctions. The workshop on social norms focused on two central questions: the origin of norms, and the effects and consequences of norms. The idea of the workshop was to bring together key researchers from different fields in the social sciences (social psychology, anthropology, law, sociology, philosophy, economics) to generate a stimulating, controversial, and truly interdisciplinary debate. In total, only seven papers were presented (mainly by one of the invited guests), followed by a short presentation of a discussant (mainly by a Fellow), to give as much room as possible for an open, spontaneous, and original discussion. The goal was not only to communicate answers, but also (and perhaps even more) to discover important unresolved empirical and theoretical questions. This format proved to be very useful and is recommended for future workshops.

¹ Workshop held at the Wissenschaftskolleg zu Berlin, April 11 and 12, 2002.

Four of the papers focused on the origin of social norms, considering the logical foundations of self-enforcing norms, so-called conventions, (Sugden), the interplay of law and social norms (McAdams), the control and regulation of norms (Kübler), and the self-organization of norms by unintentional human action (Opp). The discussion of these papers indicated that much can be gained by focusing future research on the following questions:

- What role does salience play in the foundation of norms and how can this role be incorporated in evolutionary theories of the origin of norms?
- How effective is the signaling function of law in games of conflict, in particular if the players' preferences are not known?
- What is the best way to model the dynamics of norms? Models that focus directly on behavior (strategies), models that focus on goals and attitudes (preferences), or a combination of both?
- What is the influence of social networks on individual attitudes and behavior toward norms and how is this role best captured in theoretical and empirical models?

Three papers analyzed possible effects of norms. They addressed the impact of social norms on individual preferences in “social games” (Kosfeld), the interaction of economic incentives and norms within firms (Weibull), and the role of social norms in minimal group paradigm experiments (Kerr). The discussion of these contributions has shown that research on social norms would greatly benefit from answers to the questions mentioned below. A particularly fertile area of future research, however, deserves special emphasis. It concerns the relationship between social preferences and social norms. There has been substantial progress in research on social preferences during the last decade. Yet, the full benefits of this research for the origin and effects of social norms still remains to be reaped.

- How does pre-play communication affect attitudes and preferences in social interactions?
- What are the institutional and contractual details within firms that influence the power and strength of norms?
- How can social norms be “used” to reconcile the conflict between individual self-definition and intergroup discrimination?

Bob Sugden: "David Lewis' account of (normative) conventions" (Discussant: Cristina Bicchieri)

The philosopher David Lewis is generally given credit for two major innovations in game theory: the first formulation of the concept of common knowledge, and the first rigorous analysis of convention. Seen as a solution to a coordination problem, conventions represent an important class of social norms, namely norms that are self-enforcing. In the first talk of the workshop economist and philosopher Robert Sugden (University of East Anglia) presented an impressive reconstruction of David Lewis' game theory. He claimed that the prevailing view among game theorists is that, although Lewis was brilliantly ahead of his time in 1969, his work has now been superseded. For example, in his 1996 book Brian Skyrms criticized Lewis for his assumptions (1) that the structure of each coordination problem, the rationality of the players, and the strategies chosen by the players are all common knowledge, and (2) that there exists a salient equilibrium, which is selected. Skyrms dropped both assumptions and instead replaced them by methods from evolutionary game theory. By offering a more formal reconstruction of Lewis' analysis, Sugden argued in his talk that Lewis' game theory, far from having been superseded, contains important ideas that have not been well understood and whose explanatory power has yet to be exploited. According to Sugden, to understand Lewis' approach is to recognize the limitations both of standard treatments of common knowledge and of current attempts to construct an evolutionary game theory in which salience plays no part.

Michael Kosfeld: "Is the prisoners' dilemma a coordination game? – The role of social preferences and communication" (Discussant: Martin Dufenberg)

The possible influence of social norms on individual preferences was emphasized in the talk of Michael Kosfeld, who presented joint experimental work with Ernst Fehr and Jörgen Weibull. The idea in their experiment is to measure the true preferences of subjects in a Prisoners' Dilemma (PD). While most economic models assume that preferences coincide with the monetary rewards in the game, recent experimental evidence suggests that in many social situations preferences are influenced by basic social norms of fairness (inequity aversion) and reciprocity (A. Smith: "Kindness is the parent of kindness"). Since game theory takes preferences of the players in a game as given, it is crucial to know what the true preferences of the players are. Otherwise, it is impossible to come up with any reasonable

prediction. In fact, if basic social norms like fairness and reciprocity operate, these norms turn the PD into a coordination game, and the strategic structures of these two games are totally different. In their experiment Kosfeld and his coauthors measured preferences in two ways: (1) using a behavior-based method and (2) using a questionnaire. Results showed that, depending on the method, between 55% (behavior) and 66% (questionnaire) of the subjects have non-egoistic preferences, i.e., preferences that differ from maximizing monetary rewards in the PD. The vast majority of these preferences are reciprocating preferences that convert the PD into a coordination game. Moreover, as has been demonstrated in many studies before, if subjects have the possibility to communicate before playing the game, they behave more cooperatively. Kosfeld showed that the shift in behavior is caused by two factors. On the one hand, communication turns egoistic preferences into more cooperative preferences; on the other hand, by affecting beliefs, communication helps reciprocators in coordinating on the efficient equilibrium.

Jörgen Weibull: “Social norms and optimal incentives in firms” (Discussant: Daniel Krähmer)

Behavior in firms is most likely not only governed by economic incentives, but also by social norms. Until recently, economists have mostly focused on the first force and have ignored the latter. This has surely been a scientific mistake. However, it is insufficient to simply accept the influence of social norms on individual behavior. Instead, we must seek to understand how these two forces, economic incentives on the one hand and social norms on the other hand, interact with each other. In his talk, economist Jörgen Weibull discussed joint work with Dorothea Kübler (Humboldt University) and Steffen Huck (University College London) that deals exactly with the interplay of these forces. Based on a very simple, and to a certain extent preliminary model he showed that optimal incentive schemes may fundamentally change if social norms are accounted for. For example, the model shows that in the presence of a social norm to work hard the optimal bonus rate is higher than in the absence of the social norm. The reason is that an increase in the bonus rate not only increases the economic incentive for each worker, but also indirectly increases the “social incentive”: if others work harder (because of their increased economic incentives), then I also work harder in order to mitigate my increased social embarrassment (due to the raised work norm). In this example, the model suggests also that a social norm makes all parties materially better off, firm owners as well as workers. A further interesting result is the multiplicity of equilibria in the model, which suggests a dynamic perspective. For example,

suppose the firm pays a bonus rate at which three equilibria coexist, but workers only put in little effort, such that the low-effort equilibrium is realized. To move away from this inefficient equilibrium, the firm may increase the bonus up to a level where equilibrium is unique. Assuming that workers adapt gradually to changes in the bonus the firm can afterward move back to its original bonus but now at the efficient, high-effort, equilibrium.

Norbert Kerr: "Priming in-group favoritism: The impact of normative scripts in the minimal group paradigm" (Discussant: Ernst Fehr)

Famous results of experiments in social psychology employing the so-called "minimal group paradigm" (MGP) have provided evidence that mere categorization can, at least on average, lead to in-group favoritism. This effect is often explained by socio-motivational processes, in which individuals favor their own group in order to enhance their social self-esteem. However, in-group favoritism in the MGP can alternatively be explained by assuming that individuals simply follow social norms or scripts that are currently accessible and provide behavioral prescriptions for the task at hand. Psychologist Norbert Kerr (Michigan State University) discussed an experiment in which this explanation was tested by experimentally varying the accessibility of behavior scripts with a priming procedure within a MGP. In one condition of the experiment, "loyalty" was primed, with the prediction that this should lead to more in-group favoritism. In the other condition, "equality" was primed, which should lead to reduced or no in-group favoritism. Results clearly confirmed the predictions. The priming of loyalty, compared to the priming of equality, led to (1) higher perceptions that loyalty is expected by in-group members, (2) increased in-group favoritism, and (3) increased expression of in-group identification. Moreover, while self-esteem ratings were positively correlated with in-group favoritism after priming loyalty, this relation was reversed after priming equality. One consequence of Norbert Kerr's approach to intergroup relations is in fact quite optimistic. The most common inference from the MGP literature is that intergroup discrimination is an inevitable consequence of our quest for satisfying self-definitions. The social norms view, however, suggests that intergroup behavior is guided by norms that are accessible and seen as applicable. Although some such norms may prescribe in-group favoritism, others do not. By increasing the applicability and accessibility of the latter type of norm, intergroup interaction need not inevitably result in intergroup discrimination.

Richard McAdams: “The legal regulation of conventions and norms” (Discussant: Michael Kosfeld)

In his presentation, law scholar Richard McAdams (University of Illinois) discussed the important interaction of law and social norms. In particular, he focused on a specific function of law, namely the provision of a focal point around which individuals can coordinate their behavior. When individuals have a common interest in coordinating their behavior, as is frequently the case, a legal rule may guide behavior merely by influencing expectations about how others will behave. In consequence, law not only solves the problem of cooperation, by imposing sanctions, but also the problem of coordination. As such McAdams’ theory represents a focal point theory of the “expressive function” of law, which has recently attracted a lot of attention in the literature. Starting from simple examples of pure coordination games, like the decision on which side of the road to drive, and games of conflict, like legal disputes, McAdams generalized his main thesis by demonstrating how law guides expectations in many different social situations. Furthermore, he showed that even if individuals have a chance to coordinate by themselves, for example by iteration of the game, law cannot only cause individuals to converge on a particular convention more quickly than they otherwise would, as well as to upset the conventions that have already emerged.

Dorothea Kübler: “On the regulation of social norms” (Discussant: Rob Boyd)

The concept of a “norm entrepreneur” is a central idea in the literature on social norms. Following this idea, there are specific agents, like governments, lawmakers, unions, media, and sometimes also individuals that are able to influence social norms. While some ideas have been proposed on how this influence may be achieved, so far no theoretical model exists that helps understand the various mechanisms at work. Economist Dorothea Kübler (Humboldt University) presented a paper on norm regulation that offers such understanding. In her model, she analyzes two instruments for influencing the dynamics of norm-following behavior: (1) transforming the (monetary) incentives and (2) changing the meaning or the reputational value of following a norm. Based on her analysis, she is able to conclude that different norms need different regulation. For example, inefficient bandwagon norms, like smoking norms, can best be weakened by introducing incentives to break the norm. In contrast, the regulation of snob norms, where reputation decreases with the number of norm followers, is more effective when such norms are discredited than when the incentive structure is changed.

Karl Dieter Opp: "Norms as unintended consequences of human actions – The example of the no-smoking norm" (Discussant: Joe Henrich)

Although it is well known that social norms may emerge by human design or as an unintended outcome of uncoordinated human action, little work has been done to address the conditions under which each of these processes occurs. In his talk, sociologist Karl-Dieter Opp (University of Leipzig) suggested several propositions focusing on this question. By focusing on the emergence of no-smoking norms, he applied and tested these propositions using a survey of 366 students from the University of Leipzig. For example, one proposition, clearly confirmed by the data is that smoking is regarded as an externality for non-smokers, which is lower for smokers than for nonsmokers. In addition, nonsmokers sanction smokers more frequently than smokers do, although the data shows that smokers sanction as well. Interestingly, having a social network of non-smokers does not have any effect on sanctioning behavior and only a minor effect on the acceptance of a no-smoking norm. These results are interesting because they do not seem to be in line with the strong emphasis on the importance of social networks for the emergence of norms in the literature.