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Munich Discussion Paper No. 2014

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Online at http://epub.ub.uni-muenchen.de/18376/

Two Additional Remarks on Conformism

Ekkehart Schlicht*

Abstract

This note offers two comments on the article "Social Influences towards Conformism in Economic Experiments" by Hargreaves Heap that is to appear in the Economics e-Journal. One relates to the concept of conformism, the other lines out some phenomena where an explicit recognition of group processes, such as conformism, may be analytically helpful.

Keywords: Conformism, relative income hypothesis, reference group behavior, social multiplier, social preferences, self-classification, group polarization

Journal of Economic Literature Classification: C91, C92, D43, H41, J41, D11

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1 The Concept

The experimental literature in economics super-abounds with a wealth of effects and behavioral tendencies. Fehr and Fischbacher (2002) mention reciprocity, inequity aversion, altruism, and envy as important "social preferences." The laboratory experiments surveyed by Shaun Hargreaves Heap (2014) suggest strongly that we ought to add conformism to that list.

Each of these phenomena is important in its own right, is empirically relevant, and also, for decades, well known in social psychology. Yet there remains a problem with integrating these phenomena into economics. This problem is similar to a problem that David Hume saw in approaches to moral philosophy that he was criticizing at the time:

> To invent without scruple a new principle to every new phaenomenon, instead of adapting it to the old; to overload our hypotheses with a variety of this kind; are certain proofs, that none of these principles is the just one, and that we only desire, by a number of falsehoods, to cover our ignorance of the truth (Hume, 2003, ii,i,iii).

It is, of course, easy to postulate a preference for conformity, write a measure that gives the distance of actions across different individuals as a discommodity in the utility function and maintain that conformism, so conceived, "can be taken as a primitive by the economist" (Jones (1984, 14); Shaun Hargreaves Heap remains more guarded in this respect.) Yet the idea that a desire for conformity is a useful analytical primitive appears to me quite questionable. Sometimes the opposite happens. The escalating brutality observed in Zimbardo's (1999) Stanford Prison Experiment was certainly not a matter of conformism; rather it offers a nice example of what is known as group polarization (Wetherell, 1987). Turner's (1987) self-categorization approach, for example, would cover both the convergence of attitudes and actions within a group, and group polarization, but the convergence of attitudes would occur not out of a "preference for conformity" but rather to establish a social identity on part of the actors. In this, Turner's view provides a better starting point for economic analysis than the simple postulate of a genetically or socially programmed herd instinct. Such a line of argument would also be more in line with Asch's interpretation of his own experiment that does not run in terms

of a preference for conformity at all, but emphasizes the desire by the subjects to resolve the tension between two conflicting cognitions in a right way. Re-reading chapter 16 of Asch's (1987) "Social Psychology" will clarify this. I may add that Solomon Asch conveyed to me personally that he was quite unhappy with the widespread interpretation of his experiments in terms of blind conformism.[1]

It may be of interest to some readers that the view of group processes proposed by Asch and Turner can be developed for purposes of economics to cover not only conformity, but also reciprocity, ownership effects, or phenomena of obedience and authority. I have tried to explain this elsewhere (Schlicht, 1998). These phenomena rest, in my view, entirely on entitlements and obligations, as perceived by the actors, and emerge from the situation, and not from preferences. I would therefore refuse to assume any primitive "social preference." To illustrate this criticism, take for instance the idea of "inequity aversion." While such a preference for equality can be postulated and may be seen as rationalizing many forms of behavior, it is flatly rejected empirically once entitlements and obligations are manipulated (Gächter and Riedl, 2005).

In spite of these conceptual problems, the studies surveyed by Hargreaves Heap are extremely important for helping to correct some central assumptions that dominate present-day economics. The view that preferences are formed socially, and that custom and fashion are important determinants of behavior is anathema here, but has always been a constitutive element of classical economics. As Adam Smith explains:

> Bring [man] into society, and all his own passions will immediately become the causes of new passions. He will observe that mankind approve of some of them, and are disgusted by others. He will be elevated in the one case, and cast down in the other; his desires and aversions, his joys and sorrows, will now often become the causes of new desires and new aversions, new joys and new sorrows: they

[1] As an aside, I am inclined to question the assertion that Asch's experiments were motivated in part by the experience of conformism under fascism. While this may be true for Milgram's (2009) authority experiments, Asch's experiments were, as far as I know, conceived as modifications of Sherif's experiments on group judgements about the autokinetic effect, see Asch (1987, 484-494).

> will now, therefore, interest him deeply, and often call upon his most attentive consideration (Smith, 2009, ii.1.3).

This conception of man differs considerably from the solipsistic view cultivated to-day. The studies in experimental economics make it perfectly clear that the contemporary view is profoundly unrealistic. One could counter this objection, in a Friedmanian vein, by asserting that *homo oeconomicus* is merely an analytical device, an *as if* construct that is expressedly not meant to be realistic, but only designed in order to deliver good predictions. For this purpose the behavioral tendencies examined in experimental economics are irrelevant, as we can simply neglect these "complications" and stick to our *as if* assumptions. But then we should be aware that the welfare conclusions we draw from such *as if* theories relate to the welfare of imagined beings – implications for *as if* welfare, so to speak – and not to the welfare of real persons, or groups of real persons. This is often overlooked. Lucas (1987, Ch. iv), with his estimation of the welfare losses induced by business cycles for the fictional representative household provides a clear example for this line of unacceptable argument. Experimental economics reminds us about this mistake.

2 Entailments

Disregarding the conceptional problems mentioned above, we may just assume that, in certain settings, the grouping of individuals induces convergent behavior among the group members and analyze the consequences of such a behavioral tendency.

One set of consequences relates to social comparison. The productivity effects of social comparison in work groups that Hartgraves Heap discusses are actually used by firms to establish good working traditions. Stephen Jones (1984, 78-80) illustrates this beautifully. He details the strategies that the automobile manufacturer Nissan employed when setting up a plant in Smyrna, Tennessee: Nissan selected a small group of workers as a core labor force carefully and trained them in Japan over considerable time and at considerable expense. The hope was that new employees that were successively added to the core labor force would emulate

the good working tradition inculcated in the core group. Such strategies are not uncommon, and the experiments about conformism help us to better understand such practices.

Further, the tendency of workers to adjust to working standards and working habits of the group actually renders economic incentives more powerful for the group as a whole. Even if individual performance is mainly governed by group standards and stronger economic incentives increase individual productivity only marginally, the induced marginal increase in group performance will feed back on the individuals, and so forth. In this way, reference group behavior induces a "social multiplier" chain that eventually augments, rather than attenuates, the effectiveness of economic incentives (Schlicht, 1981). Economic considerations may become even more relevant in such a setting.

The idea that individuals conform to group standards and are influenced by the behavior prevailing in their reference group has proven fruitful in several economic investigations, but usually economists are hostile to such endeavors. Consider James Duesenberry (1949, 26) who observed:

> Thirty years ago the average urban family with a $1500 income in 1940 prices saved 8 per cent of its income. In 1941, a similarly placed family saved nothing.

To cope with this (and some other) empirical observations, he proposed his relative income hypothesis. It posits that the households' consumption is influenced by the consumption patterns prevailing around them. (Unfortunately, economists were too easily persuaded by Milton Friedman (1957) that social comparisons are redundant in the theory of consumer behavior because in 1941, the families with $1500 would just be suffering a severe negative shocks in transitory income and would enjoy a much higher permanent income than the corresponding families in 1940. In view of what Hargreaves Heap writes, I would think that both relative and permanent income matters.)

Thinking about other implications, I found the ingroup/outgroup effects analyzed by Hargreaves Heap et al. (2013) and mentioned in the paper particularly interesting, as the result that outgroups influence the work standards for ingroup members may help to understand the extremely important influence of local culture

on labor productivity that seems to outsize any more narrowly conceived economic incentive (Clark, 1987).

Many further examples can be thought of that may be better understood by explicitly acknowledging the influence of the social setting on the individual's actions, attitudes and preferences. The importance of historical borders that don't exist anymore (Panther 1998, Becker et al. 2011), or the long term effect of a bygone colonial history (Acemoglu et al., 2001) come to mind. While it seems always possible to invent some story that accounts for one or the other of such phenomena in terms of individual utility maximization absent interdependence, the reality of group processes like those surveyed by Hargreaves Heap suggest otherwise. It is clear that such a recognition would blast a barrier that is imposed on the modern economists by their own conception of their social identity, yet let it be. And let us note that such a move would entail massive consequences regarding taxation, welfare economics, international economics, and the theory of the firm. In this sense, it opens a grand field for future research. So I don't find it disturbing at all that, in many settings, individual preferences have to be conceived as interdependent, and I tend to see the reluctance of economists to face phenomena like conformism as a further manifestation of the tremendous force of conformism.

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