Christian Scholars Program: Economics Team

"The Moral and Social Dimensions of Microeconomic Behavior In Low-Income Communities"

2000-2001 Annual Report

Team Members:
Chris Barrett, Cornell University (team leader)
Larry Blume, Cornell University
Sam Bowles, University of Massachusetts
Michael Carter, University of Wisconsin-Madison
Joan Esteban, Instituto de Analisis Economico, Barcelona (Spain)
Marcel Fafchamps, University of Oxford (U.K.)
Andrew Foster, Brown University
Karla Hoff, World Bank
Ravi Kanbur, Cornell University
Rachel Kranton, University of Maryland
Eliana LaFerrara, Innocenzo Gasparini Institute for Economic Research, Universita Bocconi (Italy)
Glenn Loury, Boston University
Jean-Philippe Platteau, Université Notre Dame de la Paix (Belgium)
Debraj Ray, New York University
Chris Udry, Yale University

Submitted September 2001

For further information contact:
Christopher B. Barrett, Associate Professor, Department of Applied Economics and Management, Cornell University, 315 Warren Hall, Ithaca, NY 14853-7801
Email: cbb2@cornell.edu, Telephone: 607-255-4489, Fax: 607-255-9984

The Christian Scholars Program's economics team aims to explore the role of nonmaterial preferences and constraints – such as social norms, altruism, duty, trust, fidelity, solidarity, identity – in influencing behavior among or on behalf of poor subpopulations seemingly most in need of material advancement. Our collective work is focused around three core topics: (i) the social nature of investment and learning about new opportunities, e.g., about new production technologies or prospective market opportunities that may improve well-being and fuel economic growth and improved livelihoods; (ii) the functioning of solidarity and reciprocity arrangements to cushion the poor against adverse shocks; (iii) the place of generalized morality, social identity, and socially exclusionary groupings on contracting and resource access. Recent literatures on trust, fairness, social capital, the economics of altruism, interactions-based modeling, social learning, etc. all bear on these topics.

The team completed a successful first year marked by the formation of the team, the development of a portfolio of outstanding sub-projects, the commencement of new data collection through several of those sub-projects, the launch of a team web site and email discussion list, and a stimulating first team meeting. This annual report describes each of these activities as well as objectives for and anticipated activities in the project's second year.

PROJECT ACCOMPLISHMENTS TO DATE

All team objectives for the first year were achieved. These can be broken down into the following six areas.

<u>(1) Assembly of Outstanding Team:</u> The core of the project revolves around the team of 15 outstanding economists and the sub-projects these individuals are pursuing individually and jointly. Initially, there were 12 team members as of the initial team meeting in May 2001, a solid mix of senior and more junior scholars, all of whom have established sterling reputations in the profession. Following up conversations that had begun much earlier, the team discussed its composition and objectives at the May team meeting and a clear consensus emerged that we wanted to reallocate budget so as to be able to expand the team, with a particular eye toward adding more junior women in the profession doing exciting research related to the project. Invitations were therefore extended to three additional scholars, each of whom graciously agreed to join the team. So we are now 15 in number.

The team is roughly evenly divided between purely analytical, applied theory projects and primarily empirical projects that explore how social and moral attributes affect individual economic behavior. Appendix 1 contains a brief description of each of the constituent sub-projects undertaken by the team. This mix of scholars and topics provides a unique opportunity for dialogue across and within subgroups within the profession that are related intellectually but that interact too infrequently. This is one of the core objectives of the team: to foster a vigorous, new discussion within the discipline on the role of nonmaterial constraints and preferences in driving observable microeconomic behaviors. By attracting some of the leading names in these sub-fields onto the team, the academic credibility of the overall effort has been clearly established.

<u>(2) Commencement of New Data Collection:</u> The empirical projects all involve new data collection and analysis. Each of the projects has begun this data collection. Several of the team traditionally make their data publicly available, so these new data sets will be a measurable contribution to

scholarship in economics above and beyond the written analysis the principal investigators contribute.

<u>(3) Successful First Team Meeting:</u> The initial twelve team members all gathered at Cornell University May 3-5, 2001, for the first annual team meeting. The team was joined by Drs. Kurt Berends of the Christian Scholars Program, Anita Abraham, an anthropologist and collaborator with Jean-Philippe Platteau, Kaushik Basu, Gary Fields and Erik Thorbecke, all of Cornell University, as well as several interested Cornell graduate students. The stated objectives of the first meeting were to (i) agree on a division of labor among the team members and a publication strategy for the team's collaborative output, plan participation in year three conferences, and ensure the pieces fit together as a cohesive inquiry, (ii) discuss the current state of the relevant literatures in order to identify opportunities for making significant advances, and (iii) provide a forum for team members to present work in progress under this project. Each of these objectives was fulfilled. As the program in Appendix 2 indicates, a full day was spent discussing individual projects (indeed, this ran over, into day two). The discussions of individual sub-projects necessarily ignited extensive discussion of relevant literatures (objective ii). The closing discussions focused on the team's publication strategy and division of labor. The group agreed to produce at least one edited monograph, to be published by a major academic press, in addition to the refereed journal articles that we each anticipate producing. We agreed to organize the papers in that volume around the theme (and likely title) "Social Cohesion and the Economics of Poverty Reduction" and to take advantage of team members' planned attendance at the 2003 annual meetings of the American Agricultural Economics Association, American Economic Association, Association of Christian Economists, Royal Economic Society, and Western Economic Association International to propose and hold several panels to present some of the work to professional audiences.

<u>(4) Established Team Web Site and Email Discussion List:</u> A web site for the team was established at Cornell University in spring 2001. The web site migrated in June 2001 to a new URL (http://aem.cornell.edu/special_programs/AFSNRM/Pew/). The site includes links to each team member's personal web page, a link to the Christian Scholars Program web site at Notre Dame, an overall statement of the team's objectives, synopses of the constituent sub-projects, a copy of the original project proposal, information on the May 2001 team meeting, and a page of links to team members' relevant working papers and publications.

At the suggestion of several team members and so as to facilitate discussion among the group, an unmoderated email discussion list (listserv) was established at Cornell for the team members only. The list is co-directed by Chris Barrett (team leader) and his assistant, Joy Learman.

<u>(5) Approach to Publishers:</u> Since the group agreed to publish the papers as an edited monograph, the team leader began contacting prospective publishers. One press (Routledge) has been especially enthusiastic about the project and took the initiative to send the original proposal and initial description of subprojects off to reviewers. The reviews were very positive (copies are included in Appendix 3) and Routledge has indicated that it intends to make a contract offer on the volume. Discussions with other publishers have proceeded more slowly, but are likewise promising. We do not expect to reach a decision on a press until mid-2002, most likely after the next team meeting.

The team leader has also discussed the project with the editors of *Faith & Economics*, the journal of the Association of Christian Economists. They have expressed a strong interest in publishing a set of two or three papers or perhaps a proceedings of short papers and discussants' remarks from a panel at the January 2003 annual meeting of the Association in Washington, DC.

(6) Team Leader Participation in Christian Scholars Program Team Leaders Meeting: The team leader participated in the February, 2001, team leaders meeting in Marco Island, Florida. This provided a valuable opportunity to interact with Board members and other team leaders, to get feedback on the design and objectives of our team's efforts, and to begin discussing the contours of the inter-team conference planned for the end of the current three year project.

GOALS FOR SECOND PROJECT YEAR: 2001-2002

The team's overall objectives are to (a) foster a vigorous, original discussion within the discipline on the role of nonmaterial (moral and social) preferences and constraints on microeconomic behavior in low-income communities, and (b) publish a major book that will disseminate the project's scholarship and have an impact throughout the discipline. In order to continue making good progress toward those objectives, we have the following six intermediate objectives for the second project year (2001-2).

(i) Hold a successful, second team meeting. This is tentatively scheduled for May 23-25, 2002, in Wageningen, the Netherlands. The expanded, three-day format will accommodate in depth presentation and discussion of each constituent sub-project. A few, select scholars and graduate students from local institutions will be invited to join the team.

(ii) Team leader participation in the second annual Christian Scholars Program team leaders meeting. This is scheduled for February 22-24, 2002, in Captiva Island, Florida.

(iii) Propose and have accepted panels for the 2003 annual meetings of several major professional organizations, to include the American Agricultural Economics Association (AAEA), American Economic Association (AEA), Association of Christian Economists (ACE), Royal Economic Society (RES), and Western Economic Association International (WEAI). The AEA and ACE will each hold annual meetings as part of the Allied Social Science Associations' annual meeting January 3-5, 2003, in Washington, DC. The AAEA annual meetings will be held in Montreal July 27-30, 2003. The RES annual meeting will take place during its traditional March-April (Easter break) period, in an as-yet-unannounced venue in the United Kingdom. The WEAI will meet in Denver, July 11-15, 2003.

(iv) Enter into a publication contract with a major academic press for the summary volume of the team's three-year effort.

(v) Complete data collection under the empirical sub-projects.

(vi) Expand and update the team web site.

VARIATIONS FROM ORIGINAL PLANS

The only significant variation from the team's original plan has been the addition of three more scholars. This necessarily involves some reallocation of funding across budget lines, as reflected in the revised budget in Appendix 4.

BUDGET INFORMATION

See Appendix 5 for Cornell University's official budget report on spending through August 31, 2001. This has been prepared by the designated university representative in the Sponsored Funds Accounting office of the Division of Financial Affairs.

Appendix 1: Summary of Constituent Sub-Projects

Applied Theory Projects

Larry Blume (Cornell University), *"Religious Groups: Cohesion and Social Control"*

The membership theory of inequality proposes that an individual's socioeconomic outcomes are influenced by the composition of the various groups he belongs to. The effect of group membership is to perturb individual incentives and opportunities in such a way that behavior within a group is positively correlated. Thus, the probability of a teenage girl becoming pregnant increases, ceteris paribus, with the number of pregnancies among her peers. The probability that a teenage boy commits a crime increases, ceteris paribus, with the degree of criminal activity among his peers. The relevant peer groups come together in a variety of ways. Some are exogenously determined, such as race and ethnicity. Others are endogenously determined, such as neighborhood. The purpose of this project is to examine the effects of one such endogenously determined peer group, religious affiliation, on social outcomes. Religious groups vary in ways that one would expect to effect their efficacy in nurturing wanted behaviors. These include the degree of exclusivity, the tightness of internal ties, the organization of the group's control mechanisms, and, more general the methods used by the group to induce a sense of group identity. These characteristics bear both on how group members will respond to external influences and on the stability of the norms and values the group ostensibly promotes. Blume will draw upon models and insights from the recent literature on population games and large-scale strategic interactions. These models will be based on ethnographic and sociological studies of religious movements. The methodology will be unabashedly "rational actor" but nonetheless somewhat distinct from the religious economy models which are currently popular in the sociology literature.

Sam Bowles (University of Massachusetts and Director of Economics Program, Santa Fe Institute), *"Inequality and Sharing as Evolutionary Phenomena"*

This research project explores why, in contrast to the economists' canonical assumption of selfish behavior, sharing the necessities of life among non-kin has been such a ubiquitous characteristic of human societies over most of the life span of anatomically modern humans. Using both anthropological evidence and formal evolutionary modeling (with agent based simulations) Bowles will explore the cultural and genetic bases for the evolution of both human dispositions to share and for the institutions which support these dispositions (including redistribution of resources, upholding general moral codes of behavior applicable to all, monogamy, and other practices).

Joan Esteban (Instituto de Analisis Economico (Barcelona, Spain)) and Debraj Ray (New York University), *"Group Identity and Social Polarization"*

We connect notions of individual welfare to group identity and consequently to social polarization, a phenomenon which involves the existence of a small number of tightly identified groups that differ from one another in matters of social and economic policy. The first connection runs from individual to society. We claim that expanding the domain of individual preferences to include group ties is *necessary* if we are to provide a welfarist underpinning to the concept of polarization. The second connection runs from society to individual. We investigate how social polarization affects individual behavior, and whether polarized societies --- via a reduction in individual mobility --- possess a tendency to be self-reinforcing. We connect notions of individual welfare to group identity and consequently to social polarization, a phenomenon which involves the existence of a small number of tightly identified groups that differ from one another in matters of social and economic policy.

Karla Hoff (World Bank), *"Solidarity Networks in the Extended Family System"*
The social custom that this paper considers is that of the extended family system. By definition, the extended family system is "a system of shared rights and obligations encompassing a large number of near and distant relatives" (Wolf, 1955, p. 872). It is commonly observed that individuals in the extended family system, who could have made transfers to kin in cash, make them in-kind. Nepotism can be understood in this light: individuals use management positions with firms to favor their nephews for jobs. Such transfers will be inefficient whenever the individual who extends the favors does not bear the full marginal resource costs, as is likely to be true if he does not own the firm. Moreover, since some cultures may be characterized by the extended family system, and other cultures not, and subcultural membership is easy to observe, potential employers may be reluctant to hire individuals in subcultures with the extended family system. Thus, the extended family system may give rise to barriers that the poor face in market. And given those barriers, the extended family system may remain attractive to the poor whereas, in a setting without those barriers, the extended family system would not be attractive even to the poor.

Ravi Kanbur (Cornell University), *"Social Well-being and Private Contributions to Public Goods"*
This project will examine how private contributions to public goods affects social well-being at the level of households and communities. Kanbur and co-authors will construct theoretical models drawing on the current literature but focusing on such factors as the impact of technical progress in the private sector on contributions to public goods in the household. It will examine how the "degree of publicness" in an economy affects the possibility of achieving efficient outcomes.

Rachel Kranton (University of Maryland), *"Social Networks, Information, and Exchange"*
This research considers how social networks affect economic decision making and outcomes. In contrast to classic economic theories, Kranton will consider how a person's social network and identity affect individuals' preferences, the transformation of information, and the exchange of goods and services. Along with her co-authors, she will build theoretical models where agents' preferences and access to information are determined by the social geography. She will ask how given social divisions affect several investment decisions, including the adoption of new technologies and schooling. She will also consider changes in the social geography as people make investments in new relationships; people may choose who they know, who they are, and how they relate to one another. In this work, Kranton will draw on the literature on information and learning, as well as her recent work on buyer-seller networks and identity and preferences. Kranton's modeling will be informed by work in sociology, anthropology, history, and psychology that provides rich descriptions and analyses of institutions and behavior. The research may also generate empirical predictions. The work on social networks and information transmission, for example, will generate hypotheses concerning social networks and information transmission, for example, will generate hypotheses concerning social networks and health outcomes, employment, and poverty.

Glenn Loury (Boston University), *"Racial Classification as an Equilibrium Phenomenon"*

This project aims to advance our understanding of how rational agents come to think about themselves and others in terms of "race." Supposing that human beings can be distinguished on the basis of physical traits, but that those traits are instrinsically payoff-irrelevant, Loury will illustrate how equilibria can arise in models of social interaction where it is in the interest of human beings to pay attention to these physical traits, despite their objective irrelevance. "Race" is conceptualized as an index around which imperfectly informed, self- interested, decision-making agents hang their expectations, and their notions of identity. The goal of this sort of work is to find formal representations of social interaction between rational agents, using mathematical models (games) that reflect the interplay between agents' actions and their beliefs -- beliefs both about others (expectations/stereotypes) and about themselves (identity). Tools of analysis familiar from game theory and information economics will be deployed for this purpose, with the expectation that heretofore unexpected insights will be generated, some of which may be relevant to contemporary policy debates in the worlds many multi-racial societies.

Empirical Projects

Chris Barrett (Cornell University), *"Social Duties, Solidarity, and Property Rights Among East African Pastoralists"*

This project explores the prospective social and moral origins of three interrelated puzzles among poor pastoral populations in the arid and semi-arid lands of east Africa, building on ongoing survey research among 330 households in southern Ethiopia and northern Kenya. Pastoralists are constantly buffeted by shocks due to drought, disease, market instability and violence. Most of their wealth is held in the form of livestock, yet they routinely suffer asset shocks that deplete wealth by 25-50 percent in a single year. The first puzzle one confronts in this setting is that pastoralists' marketed offtake of animals is extraordinarily low (2-4%) and does not respond significantly to observable decreases in range carrying capacity (e.g., due to drought). Rather than sell animals at low prices, they hold animals that then die, offering no return. To what extent is this attributable to constraints pastoralists perceive in their freedom to sell off animals received directly or indirectly from family or neighbors, constraints sometimes embodied in complex property rights over livestock? Second, although gifts and loans are widespread in response to shocks in the sense of most people engage in them regularly and there exists a clear cause-and-effect relationship between shocks and transfers, the scope of such informal exchange and thus the insurance value of these transfers appears surprisingly small given the absence of alternative insurance or credit instruments against shocks. Economists have tended to view such informal transfers as insurance underpinned by self-interested reciprocity agreements. But might these exchanges be better understood as solidarity driven by social duties? Finally, spatial mobility is pastoralists' primary means of preserving livestock wealth in the face of spatial and temporal variation in forage and water availability. Yet property rights in pasture and water are complex and overlapping in the rangelands. To what extent is resource access state-contingent (i.e., quasi-insurance) and/or a function of social and familial ties? Much has been written about conflict over key resources, but might cooperative histories be key determinants of resource access and thus wealth retention?

Michael Carter (University of Wisconsin-Madison), *"The Social Limits to Reciprocity: Trust, Risk Management and Accumulation in Stratified Societies"*

This project will explore the social limits to reciprocity in poor, rural Honduras communities that were struck two years ago by Hurricane Mitch and compare these results to similar analysis done in South Africa. The systematic failure of formal financial markets that leave the poor vulnerable to chronic poverty motivates more careful examination of the potential for informal, mutual aid insurance arrangements to substitute for missing markets and open the way to feasible trajectories of accumulation. Unlike market contracts, informal insurance arrangements are sustained by trust and social relations, rather than by enforceable contracts. But is there a market failure analogue for these alternative, non-market arrangements? The objective of this research is to explore the social limits to reciprocity that are created certain social groups are systematically excluded from relationships of reciprocity and trust because of language, class or race. This work will exploit ongoing survey work in rural Honduras to gauge the impact of Hurricane Mitch on sample households, their use of market and non-market-based coping strategies, the adequacy of their access to formal financial markets, and the extent of their social networks. Carter will also field an experimental protocol designed to elicit levels of altruism and trust using variations on "Dictator" and 'Trust" games, permitting matching of experimental and observational data to explore the effectiveness and normative and other foundations of mutual aid arrangements. Similar matched panel and experimental data are currently being collected under another of Carter's projects in South Africa. While economically stratified, Honduras is socially more homogenous than South Africa. The comparison between the two countries promises insights on the boundaries of trust and the social limits of reciprocity.

Marcel Fafchamps (University of Oxford (UK)), *"Market Institutions and Agricultural Trade in Sub-Saharan Africa"*

This project investigates how economic exchange takes place in Sub-Saharan Africa today. Using comprehensive agricultural trader surveys conducted in four African countries, as well as a resurvey with Barrett of agricultural traders in Madagascar, Fafchamps will examine the role of relationships and discrimination in commercial exchange. The origin of trust and the role of religion in fostering trust and business ethics are investigated, as are the respective roles of legal institutions, business networks, and social norms in supporting market exchange.

Andrew Foster (Brown University), *"Altruism and Human Capital Investment in Bangladesh"*

Foster will explore how family ties and altruism may resolve problems of imperfect commitment that influence investment incentives among households in Bangladesh. The central idea is that given imperfect commitment, investments in human capital are importantly distinguished from other forms of investment in that the returns to this investment are not easily appropriable. For example, a father who invests in land improvements can ensure equal sharing of the returns to this investment by dividing the land among his sons equally. If the same resources are invested instead in building human capital, a son with higher ability may differentially benefit in the absence of social norms that lead those who enjoy higher returns from such investment to compensate others. The project will evaluate the extent, if any, to which such distortions influence human capital investment, emphasizing empirical analysis of data from a survey he directed in Bangladesh, which Foster will supplement with follow-up data collected from the same households.

Eliana LaFerrara (Innocenzo Gasparini Institute for Economic Research, Universita Bocconi (Milano, Italy)), *"Descent Rules and Private Transfers: A Test of Altruism Versus Reciprocity"*

The literature on the motivations of inter-vivos transfers has identified two main explanations for the existence and extent of these transfers: (i) altruism, whereby the "donor" attempts to equalize the welfare of the recipients by transferring more to those who are poorer; (ii) reciprocity, whereby transfers flow to relatively richer individuals, who have a higher likelihood of reciprocating in the future. A growing literature has concentrated on testing these prediction (e.g., Cox, Eser and Jimenez (1998) and Altonij, Hayashi and Kotlikoff (1996)). In the present study LaFerrara intends to exploit a peculiar feature of descent systems in some developing countries, i.e. the fact that some ethnic groups follow patrilineal rules, while others have a matrilineal structure. Given that the two systems generate different "claims" and "property rights" over children for the families of the man and of the woman, the pattern of intergenerational transfers should differ accordingly if the motivation lies in reciprocity. On the contrary, altruistic remittances should not be influenced by descent rules. LaFerrara will conduct her empirical investigation using panel data at the household level for Ghana, where such diversity in descent rules exists.

Jean Philippe Platteau (Université Notre Dame de la Paix (Namur, Belgium)), *"Can Marriage Payments Affect Happiness? A Case Study of African Countries Under Varying Levels of Land Pressure"*
This project explores whether the existence and size of marriage payments affect the harmony between spouses and the stability of the marriage because of the difficulties the husband incurs in paying the full brideprice to the wife's family or due to resentment by the in-laws which results in harassment of the wife. Such dynamics may be especially likely in the case of poor families for which payment of high brideprices is problematic. Yet, if parents become aware of the impact of high brideprices on the wellbeing of their children, they may be expected to show self-restraint in their request for brideprices from the groom's family. The study will be based on first-hand data Platteau is collecting in areas of high population density in northern Tanzania (Kilimanjaro area), Kenya (central and western parts) and Malawi. Individual questionnaires will be administered to a sample of both men and women belonging to at least two different generations. Group focus interviews will also be used. Data have already been assembled in Senegal (the Senegal River Valley) and the preliminary results of that study will be used as a benchmark against which to assess the results obtained for Tanzania and Kenya.

Chris Udry (Yale University), *"Social Network Formation Among Ghanaian Farmers"*
This project will examine processes of social network formation among farmers in southern Ghana. There are two interrelated networks that are of particular concern. The first is a knowledge network, through which farmers exchange ideas about agricultural technology. The second is a financial network, through which farmers exchange credit and gifts. Is it sensible to apply a rational actor model to an analysis of the formation of social networks? For example, can it be shown that farmer A calculates the relevant costs and benefits to making a zero-interest loan to farmer B rather than to farmer C? Much of the quantitative data required for this analysis is in hand, gathered during a 2-year period of fieldwork in 4 village clusters in Ghana's Eastern Region. Udry will enrich the analysis through follow up fieldwork designed to establish farmers' motivations for their choices, perhaps encouraged by pointed questions regarding particular interactions recorded in the data.

Appendix 2: 2001 Team Meeting Program

Thursday, May 3
Participants arrive in Ithaca
Taxi or hotel shuttle to Clarion University Hotel, 1 Sheraton Drive, Ithaca, 607-257-2000

Friday, May 4 (all in Warren 401 unless otherwise noted)
8:15 Hotel shuttle from Clarion Inn to Warren Hall
8:30 Opening remarks and administrative items, Chris Barrett
9:00 Brief presentation and discussion of empirical projects (Carter, Foster, Platteau)
10:30 Break
11:00 Brief presentation and discussion of applied theory projects (Esteban, Ray, Kanbur)
12:30 Lunch
2:00 Brief presentation and discussion of empirical projects (Barrett, Fafchamps, Udry)
3:30 Break
4:00 Brief presentation and discussion of applied theory projects (Blume, Bowles, Loury)
5:30 Hotel shuttle back to Clarion Inn
6:50 Shuttle from hotel to dinner
7:00 Dinner, Heights Café

Saturday, May 5 (all in Warren 401 unless otherwise noted)
9:00 Hotel shuttle from Clarion Inn to Warren Hall
9:30 Group discussion of the general state of the relevant literature: What are the key gaps in the theoretical and empirical literatures wherein this project might contribute significant advances? What crucial bits are we missing? How useful is the burgeoning literature in behavioral economics to those with interests in poverty and economic development?
10:45 Break
11:15 Continuation of the morning discussion
12:30 Lunch
2:00 Group discussion of (i) second year workshop / conference (spring 2002 in Europe or fall 2002 in Santa Fe or Ithaca?), (ii) third year conference panel plans (ASSA, AAEA, WEAI, Pew), and (iii) publication strategies (journal(s) – JEBO or JDE or JEP?, book)
4:00 Meeting closes

6:30 Dinner at Benn Conger Inn (Groton) for those who do not depart Saturday afternoon

Appendix 3: Reviews by One Prospective Publisher (Routledge)

Reviewer 1

GENERAL

(1) Given the different product types outlined above, which category do you think that this proposal best fits? Why?

This proposal definitely falls under the Monograph category. The list of authors is extremely impressive. There is no doubt that the collection of articles should be of the highest standard. I have not come across works by all of the contributors, but I think highly of the work that I have seen by Fafchamps, Foster, Loury, Ray, and Udry. In addition, I use Ray's development textbook in my development course. It is an excellent text.

SUBJECT AREA

(1) Is the subject area of the proposal widely taught? If so, at what level (School, Undergraduate, Postgraduate, MBA)? Would it be an optional or core course? Can you estimate the size of the market?

I don't believe the monograph would find much of a market in the classroom. It sounds too peripheral to be covered in the classroom, and too technical for most undergraduates. I do think many economists interested in development issues, as well as microeconomic models of behaviour in general, would find the text appealing.

(2) Would this subject have international appeal outside of the Author or Editor's home country? If so, where?

Definitely. It is a development book that spans a broad spectrum of countries. It also appeals to the general economist in that the issues the book tackles are not specific to the countries in which they are being studied.

PROPOSAL

(1) Is this proposal a useful, or important, contribution to this subject either as monograph, textbook or further reading?

I think the book will make an important contribution to economics in general, and development studies in particular. The goal of the text is too broaden the approach that economists take when modelling human behaviour. For a monograph to argue for such a 'paradigm-shift,' the book should be written by some big name economists, with mainstream name recognition. Clearly, this manuscript satisfies these criteria.

(2) What are the strengths and weaknesses of this proposal?

The strengths appear to be:

i. The name recognition of the contributors.
ii. The vast amount of new data being collected and analysed in the various chapters. These data will give the book unique insight into the issues it seeks to explore.
iii. The careful, highly technical articles I would expect from these authors.

iv. The topics are very interesting. Informal insurance, parental investments in children's education, race and self-fulfilling prophecies, etc. These should engender wide appeal.
v. The applicability of the topics to not just the countries analysed. Many general theoretical economists should find the topics appealing as well.

The weakness may be the lack of interest in what may strike some as too peripheral to what many may perceive as 'standard' economics. However, I certainly do not possess the necessary knowledge to project readership of new books.

(3) Are there any ways in which this proposal could be improved or better focused?

I think there are additional topics that could be analysed within the same type of frameworks proposed by the authors. For example, I would think that touching on the role of social norms and population control (e.g. desired number of children, use of contraception, women's bargaining power and ability to work in the labour market) would add an additional element. Platteau's chapter mentions natural resource management as one the topics in his chapter. I would like to see that get plenty of attention. Finally, I think some discussion of the role of the 'group' and peer-monitoring in the provision of micro-credit programs, such as the Grameen Bank, would be interesting and timely if it could be fit in (perhaps in the chapter by Estaban?). Perhaps some of these topics could be incorporated and some of the other topics that appear repetitive based on the proposal could be scaled back. For example, Carter and Platteau both mention informal insurance. Perhaps Platteau's chapter could focus more on environmental issues. Also, the chapter by Loury might be sure to refer to a working paper by Brendan O'Flaherty at Columbia University who has a paper that sounds similar in spirit at least called "Race, Persistent Stereotypes, and Trust in a Competitive Labor Market."

(4) Do you think the author is suitably qualified for this project?

Without a doubt.

COMPETITION
(1) What would be the main competing books in this area?
(2) How does this proposal compare?

I am unaware of competing manuscripts with the angle taken by the authors. I think it is fairly innovative.

FINALLY
(1) *Would you recommend we publish this book?*

I would. The book covers interesting topics, offers numerous insights into unique data, promises to be of exceptional quality, and will give the publishing company much recognition by publishing such well known economists. I think these benefits outweigh any risk that may be involved in publishing a book that approaches these topics in a slightly less than mainstream approach.

Reviewer 2

General
1. This is both a monograph and Secondary/Further Reading item. It could be a precursor to a graduate text as well, much of it depending on how the book is received by the established, rather orthodox economics discipline across North America and increasingly elsewhere. The book is certainly expected to be of a high "academic" standard. Whether the material is cutting edge or not is debatable. The project is trying to "model" non-economic (social) characteristics in influencing individual preferences. The modelling part could be innovative within the confines of the economics discipline, particularly microeconomic approaches.

Subject Area
1. The subject area (microeconomics) is widely taught. However, this book aims to get away from the conventional theory and methods of microeconomics as currently taught. So the extent to which this will be seen as a competing or complementary model by the discipline at the graduate level is yet to be tested. It could be made to be part of a core course, given the distinguished collection of economists for this project. I am in no position to estimate the size of the market. But in this connection I will have one immediate suggestion. When economists model they only talk to themselves, meaning their work is typically inaccessible to those without mathematical training. Besides, lot of the models themselves are faulty approximations of reality they often purport to capture. So if the market is to be enlarged, and this important piece (almost in a political way) is important enough to warrant wider readership, the author should be encouraged to keep mathematical treatment to a minimum.

Yes, the project should have an international appeal within the discipline. Of course price is an important issue for developing countries. Routledge hardbacks are beyond the pocketbook of most individuals, in affluent and developing countries.

Proposal
This proposal is an important piece of work in an academic sense. It speaks to a particular discipline, challenging some of the fundamental theories and approaches of the discipline. Since its aim is to question the intellectual status-quo in the economics field, the project is indeed worthwhile for a wider discussion. However, to most non-economists this seems quite a provincial problem. Sociologists, anthropologists, geographers and urban planners, and institutional economists fully recognize the importance of non-material (social) basis of economic behavior, and that there is more to individual autonomy regarding preferences, such as group identity, solidarity, and moral compulsions. The authors are doing the right thing but their colleagues in other disciplines have already much of the grunt work and more. What surprised this reviewer was a complete neglect of any acknowledgment of other disciplines. One would have thought that the primary motivation of this "Christian-inspired" project would introduce a certain intellectual humility. One hopes this (unconscious but structural) oversight will be rectified in the actual project, that the authors will carry out a conversation with scholars in other disciplines as planned in the larger team project of eight disciplines.

There is another glaring, one might add related, weakness in the project. The authors should be commended in taking up cross-cultural empirical work. But the work seems to reflect an "acultural" approach. Nowhere do we see any explicit treatment of "culture", although it has been implied by taking up the various dimensions of social behavior via individual choices. The problem with this omission is that (and anthropologists are likely to cringe) there is an implicit assumption that all poor people behave similarly and that culture across different low-income communities is an invariant. What gives people their identify (a question that seems to crop up in this project repeatedly) cannot be adequately addressed if "culture" is not discussed. While this may not be the task of economists opting for a certain division of labor, the role culture must be acknowledged. There are also some interesting implications of this study, which might be worth exploring in the project itself. If indeed it is established that the poor have non-economic motives in exercising their preferences and choices, then crass materialism does not have a bright future, a consequence most of us will delight in. But a grave implication of this study is also that public agencies, governments, etc. could use the poor's non-economic basis for preferences as an excuse for shirking redistributive responsibilities in favor of the poor.

The strength of the project is that it does raise important discipline-based issues of theory and methods. The author has put together a solid team of contributors and if done well the work is likely to have an impact on the discipline. This reviewer hopes that it does.

Competition
I do not think there is any competition.

Finally
I recommend that it be published, in paperback as well.