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Culture matters for poverty, but not because of a culture of poverty

Notes on analytics and policy

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Abstract

The notion that deprived groups stay poor because of their culture has shown surprising durability given the lack of support for it amongst both anthropologists and economists. This paper argues that the concept is indeed essentially flawed, but that cultural processes are relevant to the poor. It argues for the usefulness of an analytical prism of “inequality traps”, that include cultural as well as economic and political processes in their transmission mechanisms. These can be considered as self-enforcing equilibria sustained either by rational behaviour with limited information, or by interactions between unequal power, social status and stigma. This has both normative and policy implications. The case of low caste and tribal groups in India is used to illustrate the analytical survey of issues.

Do poor people stay poor because of their culture? Does culture shape the dynamism or stagnation of groups, even of nations? The phrase a “culture of poverty” was coined by the anthropologist Oscar Lewis. But the idea that there exists such a thing as a culture of poverty is generally derided by the anthropology profession. Most economists tend to just ignore questions of culture. Yet the culture of poverty view keeps coming back, sometimes implicitly in attitudes to the poor and approaches to policy, sometimes explicitly, as, for example, in contributions of the recent book by Harrison and Huntington (2000), entitled “Culture Matters”.

This paper takes on the question of the relationship between culture and poverty. It provides a review of the analytics of the issues in four areas: micro (or group-based) interpretations of links between culture and poverty; potential links to growth processes; implications for normative assessments; and consequences for policy.

We first state a version of the culture of poverty view based on the characteristics of poor groups. We argue that this formulation of the relationship between cultural influences and poverty is incorrect, and potentially dangerously misleading for both normative assessment and policy design. Culture of poverty perspectives have three problems: they view cultural features of the poor in isolation from their relations with other groups; they underestimate the adaptability of economic behaviour to distinct cultural histories; and they give insufficient attention to the pliability of culture, in response to economic, political and social conditions.

The paper then argues that culture *does* matter, and offers an alternative approach: cultural factors can play a role in sustaining inter-group *differences* in wealth, status and power. Such inequalities can shape beliefs, aspirations, stigma, social narratives and symbolic and information structures, with manifestations in collective organization, economic behavior, and individual psychology. If the mechanisms involved are self-enforcing and persistent, this can be considered to be an “inequality trap”. Where such an inequality trap exists, it implies that subordinate groups are maintained at least in relative poverty, and that these are associated with culturally shaped behaviors and stigmatized identities. These can include endogenous preferences that limit the prospects of poorer, subordinate, groups. The sustained condition of (relative) deprivation may look like a “poverty trap”, but such a view constitutes a misdiagnosis of the underlying causes of the condition.ⁱⁱ Group-based differences in wealth and status are sustained over time by interlocking (formal and informal) economic institutions, power structures and cultural relations between groups. It is important then to understand the dynamics of the system, including both cultural dynamics and how these interact with both economic and political processes.

We then turn to the question of whether culture can influence economic growth. The national version of the culture of poverty view is reviewed and rejected. But there is again a case for cultural factors influencing growth-related processes, though here the paper is more speculative. There is some micro support for the view that there are interactions between culturally shaped inequality traps and accumulation. At the macro level, the evidence is inconclusive, but there is a case for exploring how group-based

identities can interact with political processes in ways that tend to be growth-dampening or promoting.

The paper then shifts from positive to normative analysis—since normative considerations are an important aspect of the “culture of poverty” view. It first relates the analysis to both aggregative and equity dimensions of welfare—in Sen’s language the level and equality of capabilities. We argue that *equality of agency*, that is culturally shaped, is (often) an ingredient of equality of opportunity, and this concept goes beyond many existing formulations of this notion. For normative evaluations, we are particularly interested in transitions that lead to either greater equality or increased growth-enhancing processes. Either is potentially superior, though we have a special interest in shifts to a “better” and more efficient inequality equilibrium, that also has a positive causative relationship with growth-related processes. Such an equilibrium will have superior aggregate outcomes and equity characteristics, but is not necessarily Pareto-superior. Breaking inequality traps will often intrinsically involve losses to those who benefited from initial structures of inequality.

Finally we review policy implications, in terms of categories of policies that may be relevant to breaking culturally shaped inequality traps. We suggest that change may occur from a number of sources, including exogenous economic and political shifts, and endogenous processes within the system, including social mobilization, or from elite groups deciding to effect change from above. Where there is a self-enforcing inequality

trap, there may still be some scope for agency within the system; it is important to understand this for the design of policy.

The paper is an analytical review of these issues, with a primarily non-formal presentation. In many parts we use the Indian case as an example, including in particular the position of scheduled castes (*dalits*) and tribal groups (*adivasis*). This is not intended as a contribution to the extensive literature on these groups, but rather as an illustration of the analytical arguments. Since the focus is on poverty and inequality, the paper does not review an important set of other domains in which economic processes interact with cultural processes and social norms, such as the role of culturally shaped norms in managing the commons.ⁱⁱⁱ

From “cultures of poverty” to cultural dimensions of inequality

Culture has many meanings. In this paper we do not confine ourselves to a specific definition.^{iv} We are broadly concerned with “culture as identity”, rather than culture as artistic production, even though the two are related. Culture as identity concerns how groups define themselves in relation to other groups, through a broad range of social practices, symbolic meanings, aspirations, norms of social interaction and belief systems. As a fundamentally *relational* concept, it is both dynamic and contested, changing in the process of intra- and inter-group interactions. Cultural dimensions of living can both influence and be influenced by economic and political processes.

This approach implies that we are concerned with issues relating to socially meaningful groups. People are “members” of multiple groups—an individual may be of a particular caste, gender, community, nation, geographic region, sports group and so on. Each of these identities plays a role in his or her life, and the mix of identities that matter to a person can change over time (Sen, 1998). Which of a person’s many identities matter is a function of context. It depends on social and political processes that can lead to more or less “groupness” of a particular category, as much as individual choice. As Brubaker argues, “if we treat groupness as a variable and distinguish between groups and categories, we can attend to the dynamics of *group-making* as a social, cultural and political project, aimed at transforming categories into groups or increasing levels of groupness.”^v

Take caste and tribal status in India. Caste is a complex social structure, that involves the hierarchical allocation of individuals to distinct social categories, traditionally associated with rigid occupational allocations and a variety of ritualistic and symbolic restrictions. The primary unit is the *jati*, that is typically an occupationally and geographically specific grouping, endogamous and heritable.^{vi} At the bottom of the hierarchy were groups, into which a set of *jatis* fell, that were formally outside the caste structure, and known in the past as untouchables, because of ritualistic restrictions on contact between higher castes and individuals in these groups. Their occupations were restricted to low status and menial jobs, such as leather tanning, sweeping, or clearing human waste. Since independence the term *dalits*, meaning “oppressed”, was adopted by politically mobilized members from these groups. As with (almost) any conception of human identity, *dalit* is

a constructed and dynamic concept, as we discuss further below. By virtually any dimension of well-being—including life expectancy, material wealth, incomes, education, dignity, insecurity—individuals in this group traditionally suffered from severe deprivations associated with their ascribed social position.

Tribal groups—also known as *adivasis*, or “original” occupants of India—are more akin to what in other regions are often referred to as “indigenous” groups. They fall outside the caste hierarchy, live primarily in relatively remote forest and hilly areas, have distinct beliefs, practices, and customs, and are systematically more deprived in terms of access to public goods, educational status and wealth than most Indians. *Dalits* account for some 15 percent and *adivasis* for around 8 percent of India’s population.

Both groups have been the subject of explicit government policy since independence, with the banning of untouchability and the introduction of affirmative provisions for so-called “scheduled” castes and tribes (essentially corresponding to *dalits* and *adivasis*) in the Indian Constitution, backed by a series of subsequent policy initiatives to promote their position in society.^{vii}

The continued relative deprivation of these groups is evidenced in measures of human development and expenditure poverty (Tables 1-3). With respect to human development indicators, both scheduled castes and tribes were substantially more deprived in terms of infant mortality and literacy in both 1980 and 2000, with a mixed picture on changes. In terms of simple percentage point differences, scheduled castes experienced somewhat

faster progress than “others” on both measures; scheduled tribes experienced slower gains with respect to infant mortality, better on literacy.^{viii} With respect to expenditure poverty, both social groups remain substantially more deprived in 1993/94 and 2004/05, but with larger reductions than for “other groups” for scheduled castes and significantly lower reductions for scheduled tribes in rural areas (where most live). Note that these results are already inconsistent with most theories of a poverty “trap”, since the latter would imply groups stuck in absolute poverty.

Table 1 about here

Table 2 about here

Table 3 about here

An important feature of these group-based differences is their persistence, at least in ranking. It is said that the caste system has persisted for thousands of years, though this undoubtedly overstates its rigidity. As with “tribal” categories in Africa, there is evidence that caste was made more rigid, and possibly more salient, by the practices of the British to codify and then measure the hierarchy they believed they had found.^{ix} But what is more immediately relevant here is the persistence of difference in the post-independence period, despite democratization, major economic change and concerted policy effort. As with blacks in the United States, indigenous and Afro-Latino groups in Latin America, the hypothesis is that severe stigmas can outlive the abolition of formal barriers to equality of opportunity, or even proactive measures to redress them.

So we are interested in explaining this absolute and relative structure of deprivation. We treat such outcomes as exemplars of deprivations associated with particular social groups

in many societies, and explore whether there is anything that can be characterized as *cultural* about such profound, persistent, group-based differences. If so, we want to know what it implies for the design of policy.

The culture of poverty concept --groups

Let's start with the original coining of the phrase—that lies in the characterization of poor families. Oscar Lewis used the phrase a “culture of poverty” in his 1959 ethnographic study of Mexican families (Lewis, 1959). He was concerned with describing the features of the poor, in terms of a series of social, economic and psychological traits. These included, in Lourdes Arizpe's summary, “...chronic unemployment and underemployment leading to low income, lack of property ownership, absence of savings...lack of effective participation and integration in the major institutions of the larger society; ...high illiteracy rates...tend not to participate in national welfare agencies, labour unions, or political parties... a mistrust of government, and those in high position...experience gregariousness with a minimum of organization beyond the nuclear and extended family...” (Arizpe, 2004, pps.168-9).

What is striking about this account is how similar it looks to typical recent poverty studies undertaken by development agencies, such as the World Bank.^x Yet this notion quickly became linked to the view that such a range of attributes were a consequence of “cultural” aspects of the poor—socialized norms, behaviors and practices that kept them in poverty rather than fostering whatever it would take to lift themselves out of deprivation. The idea of a culture of poverty spread fast. It became popular in some

circles in the United States, especially in relation to an explanation of the causes of African-American deprivation. Such views remain current today. As Glenn Loury argues, racial disparities in outcomes, such as imprisonment, incomes, jobs and so on, are often treated as if they ... “can be accounted for by a narrative line attributing the outcome to the inadequacies of the persons who suffer the condition, not to any as yet undiscovered problems with our own social organization.” (Loury, 2002, p 81).

What of economists? We come below to some of the more sophisticated economic treatments of cultural aspects of economic behavior. Here we note what a culture of poverty would mean in terms of standard economic theory of household behavior.

Unlike most anthropological accounts, basic economic theory is relentlessly individualistic, with outcomes determined by the interaction between the preferences and constraints of individuals (usually bundled into households in economists’ models).

Households seek to maximize their welfare, in the form of present and future consumption of goods, subject to a budget constraint, the latter determined by initial wealth and work opportunities, and with decisions also shaped by preferences between leisure and work. Investments, including in the education of their children, is determined by their assessment of future returns to this education, the foregone cost of schooling (including in reduced work by the kids), their willingness to wait, access to capital markets and any intrinsic value given to schooling. Households also are concerned about risks, and are most commonly “risk-averse” (in part because the value of increments to income at low levels of spending is generally expected to be greater than the same increment to income at higher levels of income).

Within this perspective, a common view (at least implicitly) is that *the* difference between being poor and non-poor, is that the non-poor face less stringent *constraints*—whether in terms of their initial endowments of wealth, the returns to work, the cost of borrowing, the risks they face, or the possibilities of insuring. So a simple way of bringing cultural factors into this perspective would be to say that the poor have different, culturally shaped, preferences—in terms of leisure, time preferences (and so savings), the intrinsic value of education, attitudes to risk and so on. While behaviour is individualistic, preferences can be shared across other members in the group. And since standard economic perspectives treat preferences as given, that’s the end of the story. A simple illustration of this is given in attitude surveys on why the general public think the poor are poor: in the United States 60 percent of those surveyed in the World Values survey believe the poor are “lazy” (compared with “only” 26 percent of Europeans—though in reality there is no relationship between work hours across countries or in relation to those of the rich.) “Laziness” is a manifestation of a preference. In similar spirit, an initial class of economic models to explain discriminatory behaviors against groups—defined by race, ethnicity, gender etc—relied on a “taste” for discrimination, that meant that individuals were willing to pay more to avoid a transaction or contact with a person from the group that they did not like (Becker, 1971). But the preference, or taste, is primitive.

A second strand of work in economics concerns the idea of a “poverty trap”, in which the poor stay poor because they are poor. While this has superficial parallels with the culture

of poverty view, the types of models that explain poverty traps are almost always driven not by fundamental differences in preferences, but by other features of the environment of the poor. One story, for example, is that the very poor have such low food intake that they cannot work hard enough to gain the income necessary to lift them out of their low-nutrition condition.^{xi} Another would be that they can only save the bare minimum for the reproduction of the household system (e.g. to cover subsistence consumption plus enough to keep the bullocks alive in a farm-household) with none left over for human or physical capital accumulation. These stories have nothing to do with culture, and are not consistent with the brute facts of significant trends in conditions of *dalit* and *adivasis* at least for the averages of the groups reported in Tables 1 to 3. But we flag this class of model here, since we contrast poverty traps with inequality traps below.

Critique

The main critiques we are interested in here come from within anthropology. (We come back to economics next, when we look at alternative characterizations.) There are positive and normative dimensions to these. With respect to positive analysis, the essence of the critiques is that a culture of poverty view fails to account for the fundamentally relational and dynamic character of cultural features of life. Yes, there are distinctive cultural features of the lives of the poor, but these are not primordial, essential aspects of the group that cause the state of poverty. They are rather products of interactions within the overall society, and with their economic and physical environment. As Appadurai says: “There may not be anything which can usefully be called a ‘culture of poverty’ (anthropologists have rightly ceased to use this

conceptualization), but the poor certainly have understandings of themselves and the world that have cultural dimensions and expressions.” (Appadurai 2004, 65).

There are two aspects of the critiques that it is useful to highlight: power and the future.

A culture of poverty view is detached from overall structures of power. Yet even mainstream accounts have come to recognize that “disempowerment” is both cause and consequence of poverty. In the World Bank and other development agencies “empowerment” of the poor is typically part of what is advocated for a poverty reduction strategy. Empowerment is often portrayed as something that can occur without disturbing overall structures of power, but this was nevertheless an important step for organizations that had typically given limited attention to power.^{xiii} Within anthropology, the work of Bourdieu is central to the exploration of the relationship between power and culture. A key concept is that of *habitus*, or the implicit, taken-for-granted structures that shape the full range of daily, ritualistic and symbolic behaviors, in ways that perpetuate existing structures of social difference, within the home, between genders, within the community and in broader interactions within and between groups. Where dominant cultural structures lead to the internalization of a restricted, demeaning and lower status view of the world for subordinate groups this is said to be a form of “symbolic violence”. As Swartz says, “Habitus tends to shape individual action so that existing opportunity structures are perpetuated. Chances of success or failure are internalized and then transformed into individual aspirations or expectations; these are then in turn externalized

in action that tends to reproduce the objective structure of life chances” (Swartz, 2000, 103.) Thus *habitus* provides a bridge between the past and the future.

The second aspect of critiques we highlight explicitly concerns the future. Appadurai (2004) argues that there has been a tendency to see “culture” as primarily concerned with the past, as reflecting the current social deposits of a group’s history and traditions. This has fed the view of many development practitioners that culture is the enemy of development, embodying resistance to change, excessive spending on ritual and festival, restrictive behaviors and inertia. All this needs to be swept aside if the positive forces of economic and technological change are to tackle problems of societal and individual poverty . More subtle is the implicit allocation of the past to anthropology and the future to economics, the latter bringing its set of tools on forward-looking agents, making decisions in relation to the prospect of future returns, risks, opportunities to borrow and accumulate human and physical capital. But these views are inadequate as accounts of how culture interacts with social behaviour, that is as much about how people engage with and prepare for the future as the past. Appadurai formulates the concept of the “capacity to aspire” as a way of organizing cultural aspects of future-oriented behavior, a concept developed from ethnographic work with poor slum-dwellers and social activist groups in Mumbai. This is conceived as a capacity to conceive of, plan, organize and take action with respect to future social and economic paths, formed as a product of group-based interactions. These may occur in the home, in processes of social mobilization and in the implicit or explicit expectations or barriers met in daily living. His thesis is that this capacity is unequally distributed across different groups in a society,

a product of unequal “terms of recognition” across different groups, and associated internalized patterns of imagining of future alternatives, or “navigational” paths.

The normative dimension of the critiques is a direct corollary of the positive analysis, and was already reflected in the above quotation from Loury. It is a small step from arguing that the poor are poor because of “their” culture, to taking the ethical position that it is their fault. Yet if cultural dimensions of the lives of the poor are a product of relations within the context of unequal social and power structures, this amounts to blaming the victim. This matters for policy design. A culture of poverty view can form the basis, implicitly or explicitly, of justifications of a policy of neglect or punishment for being poor, or, at best, a paternalistic stance.

These critiques can be related to the Indian examples. The caste system is intrinsically a society-wide, hierarchical system, in which *dalits* are sustained in their poverty because of the range of economic, social and symbolic restrictions in the caste structure. It is thus intrinsically about unequal, relational features of social life.

The position of *adivasi* groups is different, since these groups were not formally part of a hierarchical system, but rather experienced histories of exclusion, low status, weak provision of public goods and lower opportunities relative to the dominant social and political structures of the society. This is somewhat closer to the position of “indigenous” groups in contemporary Latin American societies, that have lived outside *formal* hierarchical structures for a long time. But the mingling of cultural forces with

political influences is still salient, and we could again examine the unequal terms of recognition that they face. This is certainly the position of scholars and activists of *adivasi* groups, who see them as historically marginalized, neglected and demeaned, with a consequential restriction in their horizons.

An alternative: culturally shaped inequality traps

So far the argument has been negative, that the culture of poverty view is inadequate as an account of the role of culture for the poor, let alone as a causal theory of poverty. In this section we turn to a more constructive approach, describing how cultural factors can play a significant role in the creation and persistence of poverty. This builds on the view that culture is essentially relational, and argues that we need to focus on the persistent effects of social and economic inequality, with effects on the poor reflective of overall relationships between groups.

An intuitive definition is provided by Rao: “Inequality traps....describe situations where the entire distribution is stable because the various dimensions of inequality (in wealth, power, and social status) interact to protect the rich from downward mobility, and to prevent the poor from being upwardly mobile” (Rao, 2006, p.11). The argument involves two moves. First, we argue that the concept of an “inequality trap” is a useful way of looking at the condition of many societies, that is analytically distinct from a poverty trap. A society can get stuck in a position of a high level of inequality, with cultural factors playing a role in the manifestation and persistence of inequalities (interacting with economic and political structures). A formal account is given in the Appendix. Second,

we outline the different ways in which cultural factors can lead to a high-inequality equilibrium. These have been approached in quite different ways, depending on whether the underlying source of a high inequality trap flow from issues around information, or more directly from group-based differences in power, status and stigma.

The precise definition of an inequality trap formalized in the Appendix confines this concept to a long-run equilibrium, in which one group enjoys a distribution of advantages that are permanently superior to another group. Advantage is used broadly to refer to positions of value in a society, and can include dignity and social status, political influence, as well as health status, income and monetary wealth. While this paper is focusing on implications for the bottom of the distribution, exemplified by *dalit* and *adivasi* groups, this can apply to different parts of the distribution. There is often keen interest in which group is on top: for example, the traditional dominance of Brahmins relative to middle groups was an issue of major social and political mobilization in Tamil Nadu and other parts of Southern India.^{xiii} And while the formal definition refers to a steady state, we may more loosely classify as an inequality trap a situation where the process of moving to a less unequal equilibrium is glacial.

What do the data suggest? As already seen in Tables 1-3, there are signs of both absolute, and possibly relative, progress of scheduled castes with respect to poverty incidence and human indicators in the past couple of decades. Table 4 reorganizes the expenditure data to present the ratio of group averages of expenditure per capita for the three, aggregated groups of scheduled castes, scheduled tribes and “others”. Even at this

level of aggregation there is a striking result: there is no evidence of any trend toward convergence, let alone ranking changes, between these three groups. If anything, there is mild divergence between scheduled castes and “others”, and large divergence between scheduled tribes and “others”. These aggregate results undoubtedly hide more complex distributional shifts at finer levels of aggregation, with possible a small minority of these two subordinate groups—and more so for scheduled castes—gaining substantially in the post-independence period (see Somanathan, 2010).

Table 4 around here

So far the definition, and the empirical illustration in Table 4, is about the *distribution* of advantage. Yet we are also interested in levels, especially given the initial motivation of this paper in terms of poverty. With an absolute concept, poverty is determined by both the average (or aggregate) level of advantage and its distribution across individuals and groups. Thus we are keenly interested in the efficiency properties of alternative equilibria, that determine the aggregate level of advantage. We return to this below, but note an analytical point: even the cursory empirical exploration of Tables 3 and 4, suggests that India is in a situation not of persistent absolute poverty, but of persistent inequalities between groups.

An inequality trap has been defined in terms of group-based differences, and often groups will correspond to apparently cultural divisions. But this has so far nothing on cultural *processes*. A theme of this paper is that treating cultural groups as given is one of the major weaknesses of simplistic, but often influential, approaches to culture. An inequality trap could be caused by many factors, flowing from economic, political,

environmental or other influences, as much as cultural ones. These will generally, indeed intrinsically, interact. We focus on cases where cultural factors play a role, in keeping with our focus.

There are a variety of approaches to bringing culture in. We categorize these into three (Figure 1): approaches driven primarily by issues of information structures; and two categories of approach where the culture-power interaction is central, dividing between those in which subordination is an essentially rational response to incentives, and those in which unequal terms of recognition seep more profoundly into internalized structures of identity.^{xiv} In a given society it is quite likely that all three processes are relevant, feeding off each other. But it is useful to characterize them separately. We emphasize in particular work within economics, in keeping with one of the objectives of the paper, to illustrate how economics has something to offer in this traditionally anthropological and sociological terrain.

FIGURE 1 ABOUT HERE

Information, coordination and stereotypes. In the first category of approach, a fundamental driver is limited information, often embedded within strategic interactions. Individuals have to navigate an uncertain world, and use their beliefs on types of people to make decisions on their behavior, whether this concerns education, employment, a contract or a more subtle informal social contact. Views on types may be supported by histories of discrimination and inequality and sustained by social custom. But the driver

of behaviour in the specific, contemporary processes is cognitive—working out how best to make a decision given expectations on the behaviours of others.

Take the results of recent surveys of employer behaviour in India from an ongoing study on discrimination against *dalits* in India. In a study involving in-depth interviews with the human resource departments of 25 companies, virtually all asserted discrimination by caste or other category was a thing of the past, in what they characterize as the modern, forward-looking part of the economy (Jodhika and Newman, 2007). Yet many did take other considerations into account that they considered to be good indicators of productivity for the jobs for which they were recruiting: this included family background, education of parents, geographic origin, and sometimes positive stereotypes (e.g. an airline company that favoring *sardar* [Sikh] girls that are well spoken, and from “good families.”) What is interesting about these responses is that they effectively amount to a set of alternative mechanisms for screening out potential *dalit* workers, or, for that matter, *adivasis*, and other low-status categories, say from rural Uttar Pradesh, or the children of agricultural workers. These qualitative interviews are consistent with the results of a field experiment in which the researchers sent several replies to job advertisements, that were substantively the same in terms of qualifications but differed only in the name. Names were chosen to be either typical of *dalits*, high caste Hindus or Muslims. The researchers then analyzed the difference in initial call-backs for interview (i.e. passing the very first round of the application process.) They found that candidates with the same qualifications but a *dalit* or Muslim name had a statistically significant lower probability

of callback than one with a high caste Hindu name—67 percent for the *dalit*, 33 percent for the Muslim (Thorat and Attewell, 2007).

The main question in this kind of case concerns how a “discriminatory” outcome can be a long-term equilibrium, that is a critical element of an inequality trap. Why don’t employers discover ways of finding high productivity *dalit* workers, now screened out of the process? And if this is essentially a situation of asymmetric information, in which high productivity *dalit* individuals *know* their potential, why don’t they work out ways of distinguishing themselves from other low-productivity *dalits*? The general answer is that a self-enforcing equilibrium is often feasible, through a variety of mechanisms. We illustrate this with three examples.

In a recent paper, Basu (2006) develops a model in which individuals with the same innate productivity but from different groups may experience discrimination in economic life. The central idea is that the “economic life” concerned involves a series of contracts that are complementary to each other and may be affected by the identity of the individual. These contracts may be for sales, for provision of working capital, and so on. Following Basu’s formulation this is represented by the revenue line OY in Figure 2, that displays increasing returns in the number of contracts for a relevant range. However, contracts also have costs. If costs are fixed per contract, they can be represented by the straight line OC. The figure is drawn for the case in which there is a critical value n^* below which the individual makes losses, and above which it makes profits. n^{\max} simply represents the maximum number of contracts the individual can handle in the period in

question. The position and shape of the curve will be influenced by the innate productivity of the person, but differences in productivity are *not* required to generate an unequal equilibrium. All that is required is for potential providers of contracts to hold distinct beliefs over the probability of others providing contracts. This may reflect a belief about the underlying productivity, a belief about the extent of social networks of different groups, or about discriminatory behaviour of society at large. For whatever reason, suppose potential contract-providers believe that a small firm owned by a *dalit* will get less than n^* contracts, whereas one owned by an upper caste Hindu will get greater than n^* . Then the *dalit* entrepreneur will get zero contracts and the upper caste Hindu one will get n^{\max} contracts. And this will be a sustainable, unequal equilibrium. Furthermore, if the market is not saturated, this will have lower output than an alternative, full-information equilibrium in which there is no discrimination against *dalits*. This suggests a *prima facie* case for policy to push the system to the other equilibrium even if the only concern is with efficiency.

FIGURE 2 AROUND HERE

Now consider a different case, developed in the classic article on the economics of caste by Akerlof (1976). This paper is also concerned with how an unequal equilibrium can be sustained as a rational outcome of incentives—without resorting to a “taste” for discrimination. The essence of the argument is as follows: different groups can work in different occupations, some of which are higher productivity than others. There exists a social custom that allocates individuals from castes to occupations, and there are sanctions that impose costs (in his model through being “out caste”) for both employers

and workers that strike contracts outside this customary allocation. If these sanctions are strong enough, there will again exist an equilibrium in which there is no reallocation of jobs across castes, as a rational response to the social structure and associated customs. And this is in spite of the fact that there would be efficiency and output gains from reallocation. If a sufficient number of employers and workers can get together to start up a production system that ignores the social custom, then they can move to the less equal, more efficient equilibrium. Akerlof derives the required size of such a breaking coalition, in terms of the other parameters of the model (differential productivities between occupations, sanction costs etc.) However, even if such a breaking coalition potentially exists, and is consistent with underlying preferences, it will only occur if the actors can solve their collective action problems.

As a third variant, there may be induced effects on the behaviour of the group with an “inferior” identity. Loury (2002) proposes several conditions under which this can occur for blacks in the United States. If there are lower returns to effort, owing to lower probability of getting a contract, this is likely to induce lower effort—potentially leading to a self-fulfilling belief system. For example, if returns to education are lower, because of beliefs over future discrimination in work, incentives to send children to school—and to exert effort in studying—will also be reduced. This can be (and is) introduced into models such as Basu’s in which there are differential outcomes in markets. This has a more profound impact on the self-enforcing nature of the equilibrium, since it implies that the potential productivity a person from an “inferior” group at a point in time is indeed lower than others. It is again intuitive that this is likely to be inefficient: if, say,

dalits expected to have access to better-paid, and higher productivity, occupations, they would have stronger incentives to keep their kids in school, leading to more skills formation and higher productivity. But this could take at least a generation, and potentially longer, given the significant inter-generational transmission of incomes and education even in relatively equitable developed European countries.^{xv}

From information to culture and power. An information-based approach is of great value in using (or stretching) the tools of economics to aid in understanding how group-based identities sustain an inequality trap. In some cases, such a trap is also likely to be more inefficient than an alternative, less-unequal, equilibrium. However, this is incomplete as an account of cultural processes. It takes group-based identities as given, rather than products of underlying social histories of difference.

We suggested above that aspects of culture should be treated as reflecting and sustaining power differences. This takes us to approaches that treats the subordinate, socially stigmatized, position of a group as essential to the cultural processes at work. Within this it is useful to distinguish two approaches, depending on whether the practices and beliefs of the subordinate group internalize the difference.

In some cases, subordinate groups have considerable awareness of the injustice of the social hierarchy, yet the repertoire of behaviors does not directly challenge this owing to the awareness of the costs of so doing. Scott (1985), in his interpretative study of a Malaysian peasant community, argues that there is extensive awareness of the injustice of

existing power structures, often drawing on an older normative framework of moral economy, but the avoidance of direct challenges because the perceived futility of doing so. There is rather a repertoire of practices of daily resistance, interpretations and irony in internal discourse in what he calls the “weapons of the weak”. He argues against a Gramscian view of a hegemonic culture imposed on the poor by the dominant group. We term this “rational submission”, since there is an underlying calculus around the costs of confronting the social order. Patterns of behaviour and notional “preferences” of the poor may be rational within the system since alternative, more aspirational, preferences lead to lower welfare or violence—at least within the existing system. The existence of caste-based violence and the need to pass the 1989 Scheduled Caste and Scheduled Tribe (Prevention of Atrocities) Act, is at least indicative of the costs of lower castes crossing social boundaries even in contemporary India.

Yet there is also a range of work in anthropology and sociology supporting the view that social and cultural practices do get created by histories of social differences, and become part of the perpetuation of such differences in inter-group relations. This lies at the core of Bourdieu’s work, and his concepts of *habitus* and cultural capital referred to above (Bourdieu, 1990) In Loury’s account of racial inequality in the United States, he argues that racial “stigma” is central to the interpretation of the long-term persistence of racial differences, and that this works both through the social identity of African-Americans created by a society, and the associated creation of practices within significant (generally poorer) parts of the African-American community. He sees the group as suffering from a “spoiled identity” a product of a historical “racial dishonor”, or “an entrenched if

inchoate presumption of inferiority, of moral inadequacy, of unfitness for intimacy, of intellectual incapacity, harbored by observing agents when they regard the race-marked subjects.” (Loury 2002, p. 70). Urban ghettos exemplify the working of racial stigma. “These black ghetto dwellers are a people apart, ridiculed for their cultural styles, isolated socially, experiencing an internalized sense of despair, with limited access to communal networks of mutual assistance.” (ibid, p...)

In an Indian context, these internalized consequences of social and cultural structures are important elements of Appadurai’s concepts of the “terms of recognition” and an unequally distributed “capacity to aspire” (Appadurai, 2004). But we turn here to a different kind of evidence, from experimental game theory. In two sets of field experiments in Uttar Pradesh, a poor part of India where caste is clearly salient, Hoff and various associates have explored manifestations of social identities in behaviors.

The first set of experiments involved a game undertaken with children of *dalit* and high caste background. It involved solving mazes, with payment for either for the number of mazes solved, in a piece rate treatment, or for child who did the best in six mazes, in a tournament case (Hoff and Pandey, 2005). The children did not know each other. Under some treatments the game was run with no announcement of caste, while in others the caste and village of the children was publicly announced. In the first case—with no announcement of caste—there were no differences in performance between *dalit* and upper caste children. However, when caste was made salient, the scores of *dalit* kids dropped significantly below that of upper caste kids—when they were together (for the

piece rate treatment) and when segregated (for the tournament treatment). We don't know the underlying cause—whether this is due to a form of stereotype threat, or to a conscious or unconscious fear of punishment. But the consequences are that of underperformance for *dalit* children. While this is an experimental setting, this may indicate the consequences of caste being salient in real life contexts involving performances that affect economic outcomes.

FIGURE 3 AROUND HERE

A more recent set of experiments explore the potential impact of caste on behaviors in a contractual setting (Hoff, Kshetramade and Fehr, 2008). This is based on the view that social norms are a necessary ingredient of economic cooperation both in informal and formal settings—in the latter they complement formal legal structures. An important example of a norm is the propensity to punish behaviour considered uncooperative in an economic transaction. The hypothesis is that a history of denial of basic rights to a social group could lead to lower payoffs to economic cooperation and consequently reduced gains from cultivating such cooperation-supporting norms. This could lead to a weakened ability of the social group to enforce contracts and so lower economic performance. This is explored in a sequential exchange game involving three individuals. A first actor has an initial quantity of money, that he can keep or give to a second actor. If sent to the second actor it triples in value, simulating the benefits of economic exchange. The second actor can either keep the proceeds or share them with the first actor—sharing simulates cooperative behaviour in an economic transaction. The focus of the experiment is on the behaviour of a third party, who observes the outcome of the

game, and can punish opportunistic behavior, at a personal cost. The experiment was run with individuals from both *dalit* (Chamar and Pasi) and upper caste (Brahmin and Thakur) backgrounds, from different villages. Names are identified, effectively revealing caste status. The experiment is run with various combinations of the three actors with respect to caste. The key result is shown in Figure 4, that shows the probability of punishing opportunistic behaviour as the difference that the probability that a third party punishes a defectors and the probability he or she punishes a cooperator. Higher caste third party actors are substantially more likely to punish non-cooperative behaviour than low caste ones—irrespective of whether the observed transaction is between two members of the same caste as the observer, or is between individuals from higher and lower caste groups.^{xvi} There is also greater common knowledge of the strength of the norm amongst upper caste groups, in terms of reported anticipation of punishment. This provides experimental evidence of differences in norms that, if also applied in real economic transactions, would relatively inhibit economic interactions of the deprived group. This is interpreted to be a product of social histories, with caste differences the contemporary manifestations of such histories.

FIGURE 4 AROUND HERE

In this section we've looked at various mechanisms linked to culture that could lead to the persistence of inequality traps. Some of these can be interpreted as the consequences of behaviour with limited information, in which individuals make use of their beliefs on group characteristics (or stereotypes) to make decisions. Others more directly reflect current manifestations of unequal relations and stigma, or their consequences in

internalized preferences and social behaviors. Both draw on histories of unequal power and social difference, that underly contemporary structures of social stratification. In practice resultant behaviors of subordinate groups are likely to be a mixture of internalized beliefs, cultures of interaction and rational responses to diminished economic prospects—or retributions. The structure of interactions can potentially support an inequality trap—an equilibrium that is self-enforcing, with cultural factors interacting with economic and political ones. Note that one consequence is a set of behaviors of deprived groups that diminish their economic advance. In “freeze frame”, at a moment in time, this looks like a culture of poverty in the way that Oscar Lewis originally explored the concept. But the behaviors and “preferences” are products of histories of inequality. This makes an important difference for diagnostic, normative and policy purposes.

Dynamics and transitions

So far we have deliberately structured the questions in terms of long-term equilibria—that is an essential feature of an inequality trap in a formal account. But we are keenly interested in change, and in particular the determinants of transitions between equilibria. When we come to policy, this is *the* issue, and for this it is important to have an analytical basis of how change occurs. We highlight two issues here: the potential drivers of change within a system; and the plasticity of identity itself, in terms of interactions with economic conditions and political structures.

How a culturally shaped inequality trap may change. The essence of the concept of an inequality trap is that the system is in a self-enforcing equilibrium, in which cultural

influences interact with economic and political structures to create self-fulfilling mechanisms. There is another feasible equilibrium—otherwise it cannot coherently be described as a trap. But something new has to occur for the system to be pushed out of its initial equilibrium.

There are a number of possible drivers of change. First, there can be changes in information. This is particularly relevant to the mechanisms in which information and coordination was important. If there were better information on the potential for people from *dalit* families, then employers would not have to place so much (explicit or implicit) reliance on stereotypes. Suppose there was a cost-effective psychometric test, that did a great job of predicting the trainability and future performance of individuals. This could lead to quite different screening mechanisms.

Second, the system itself could evolve in ways that changed the structure or parameters that sustained the initial equilibrium. Take Akerlof's (1976) model. He derives a formula for the size of the "equilibrium-breaking coalition" that would be sufficiently large that the gains from hiring workers into higher productivity activities outweighed the costs of being out-caste. With economic change the structure of interests and payoffs could change, providing the conditions for such a coalition to exist. In similar vein, the key locus of decision could be amongst elites, for example in the case when they face a choice over expanding education, when this both increases productivity and increases empowerment, so the risks of overthrow (Bourguignon and Verdier, 2000). As the economic system evolves, the parameters that shape decisions can also shift.

Third, there may be potential for agency *within* the system, irrespective of underlying changes in economic and social structure. This could flow from processes of social mobilization that lead to cultural shifts, solving collective action problems, and consequently changing the costs of actions faced by elite groups. Or there may be different elite factions, with some, out of long-term interest or ideology, favouring actions that seek to break inequality traps. The constitutional and legislative policy of India after independence is a case in point—though this was also influenced by the increased electoral salience of lower caste groups with the rise of the Congress party and democratization.

The plasticity of identity. In introducing our concept of culture above, we emphasized that identity is dynamic and contested. There are potentially two-way interactions between cultural structures and both economic and political factors. We provide illustrations of both.

(i) Interactions between identity and economics. The discussion to date has mainly been concerned with assessing the influence of culture on economic behavior. But there is also a tradition of work that emphasizes the influence of economic structure on culture. Interactions are likely to be two-way. Both are illustrated in a study of the interactions between caste, economic opportunity and schooling choice in Mumbai (previously Bombay) India's major economic city (Munshi and Rosenzweig, 2006). The context for this is the historical role of specific caste categories (at the level of *jatis*) in channeling

working class boys and men into specific occupational categories in this industrial city. This is interpreted as providing network externalities to job-seekers. The exogenous “shock” to the system is the substantial rise in the premium to English education that occurred in Mumbai after the growth acceleration and steady economic liberalization since the 1980s. The authors examine the pattern of allocations of boys and girls to education in the local language (Marathi) and English schooling. Their key result is the contrasting experience across genders. Boys’ schooling amongst children of parents in working class *jatis* displays considerable inertia in the allocation to Marathi education—a sign of continued channeling of boys into traditional occupations that do not require English. This is likely to both sustain inequality of opportunity for these groups and be inefficient, given the shifting patterns of demand. By contrast, girls were not traditionally allocated to specific occupations, since labour force participation was low. They display a greater responsiveness to changing economic opportunities, with significant rises in attendance at English-speaking schools. This study does not track the children into jobs, but is *prima facie* evidence of both of identity slowing adaptation for boys, and of adaptability in response to economic forces for girls.

(ii) *Interactions between identity and politics.* There is also evidence of influences in both directions between culture and politics—of particular interest because of links to policy formation. The idea that caste is a pliable concept that interacts with political processes is an old one: for example, in the 1960s, Rudolph and Rudolph (1965) argued that caste associations were playing a distinctly modern role in organizing for democratic

engagement in India. We first look at political influences on caste, and then on how caste can interact with political parties.

Empirical evidence for the plasticity of caste identity, and of probable political influences, is provided by Rao and Ban (2007): they exploit a natural experiment that occurred with the 1956 reorganization of Indian states. The intention of this reorganization was to get greater social uniformity within states, using dominant linguistic patterns as a proxy for similarity. But linguistic boundaries were not sharp, or “mistakes” may have been made, with the result that similar villages were allocated to different states. Rao and Ban undertake a comparison of villages along the boundaries between Andhra Pradesh, Karnataka, Kerala and Tamil Nadu, matching villages by linguistic similarity. Additional evidence on landlessness—that is closely associated with caste—corroborates the similarity in social structure. The central result is that caste structures appear to have become more dissimilar between villages that were allocated to different states. They interpret this as evidence of the political construction of caste, owing to the varying political histories and policies across the four states. These statistical results are consistent with a tradition of historical interpretive analysis of the influence of political processes on the structure and salience of caste. It is an important corrective to the view of caste as an especially durable institution of cultural structure (with a vintage in the thousands of years!)

Two-way interactions are also relevant to more directly political analyses. Mehta (2003) argues for the centrality of inequality in political and social life in India, and the rising

salience of caste as a political category because of the weakness of other mechanisms for mobilizing groups and aggregating interests. In similar vein, Chandra (2004) argues that caste has greater political salience in a “patronage-democracy”, in which political support is maintained primarily through delivery of private goods and services (jobs, subsidies, public works targeted at particular groups) rather than commitments to programmatic policies and public goods. Under these circumstances, a potential ethnic or caste-based grouping can serve as a vote-bank, with a mutual interest between political elites in offering patronage and members of the ethnic group in offering votes. This can lead to increased salience of the group identity that is mobilized for political purposes, in relation to alternative identities. It is consistent with a finding of Rao and Ban who find rising identification of individuals with more aggregate caste categories in some villages in their study, that they interpret as an indicator of rising political mobilization.

A particular example of the political salience of caste is the rise of the Bahujan Samaj Party (BSP), that emerged as an explicitly *dalit*-based party, though it has over time developed electoral alliances with other social groups (Chandra, 2003). It is currently in power in Uttar Pradesh, India’s largest state. By contrast *adivasi* groups have been less successful in terms of independent political organization: Banerjee and Somanathan (2007) find that political constituencies with *adivasi* concentrations continue to display a bias toward voting for the Congress party—that in the post-independence period sought to offer a place for all social groups. By contrast *dalits* have broken with such a bias, consistent with the development of alternative forms of independent political mobilization.

This section has argued that historically shaped inequalities can show substantial persistence, and that cultural processes can be an important contributory factor, even after legal, or other formal, structures of differentiation have been removed under the banner of equality of opportunity. An inequality trap can usefully be analyzed as a self-enforcing equilibrium in which there are interactions between cultural, economic and political forces. Of equal interest is understanding shifts to different equilibria, where dynamic interactions between these factors can be at play. Culture—for example in the form of social identity—is intrinsically malleable, but just how change occurs, and whether it is initiated from economic structure, political forces, or transformations of a more directly cultural kind, such as through social mobilization, will be contingent on internal and external forces, and the potential for the exercise of agency within the system.

Links to growth.

The core unit of analysis so far has been the group—or more precisely a set of groups interacting in a social, political context. The analytical frameworks we have used from both economics and anthropology function in this realm. Jumping to the level of a nation or country looks like a leap of faith. It is nevertheless of interest here for a couple of reasons. Culture of poverty advocates have gleefully applied their perspective to the question of the wealth of nations. And *if* anything useful can be said on links with aggregate growth, then this is of substantial importance, since in a narrow numerical

sense, the effect on material poverty of inter-country differences in average income levels and long-term growth rates is immense.

Culture of poverty at the national level: argument and critique

The extension of culture of poverty views to nations has the following thesis: some nations have cultures that are conducive to the drivers of economic growth, such as thrift, entrepreneurial dynamism, a high value of education, or innovation. They grow fast. Others don't. They grow slowly. Max Weber in his *The Protestant Ethic and the Spirit of Capitalism* (1930) is often cited as an early version of this perspective, with the view that Calvinism was good for capitalism and therefore for the pursuit of long-term growth.^{xvii} This view has proved surprisingly popular over time, re-emerging in the context of debates over the East Asian Miracle, with some arguing that success was a consequence of "Asian Values" of thrift, family support and so on. In similar spirit, Deepak Lal argued that rigid social structures, that generated a low "Hindu rate of growth" of about 3 percent per annum (Lal, 1989). A more recent version of this view is evident in many of the papers in the Harrison and Huntington volume. This is vividly illustrated by an opening comparison between South Korea and Ghana by Huntington. He considers how these two countries could start with similar levels of income in the 1950s and then experience such extraordinarily divergent paths, and suggests that an important part of the explanation must lie in cultural differences: "South Koreans valued thrift, investment, hard work, education, organization, and discipline. Ghanaians had different values. In short, cultures count." (Harrison and Huntington, 2000, xiii)

Unfortunately for the proponents, these arguments are refuted by even a broad brush look at history and growth patterns. As Sen (2004) argues, cultural determinists had to regularly update which were the privileged, pro-growth cultures as new countries took off: from Protestant culture to Christian culture, when Catholic countries of Southern Europe took off; to Japanese culture when the Japanese miracle start; to the benefits of first Confucian, and then more broadly “Asian”, values as the East Asian miracle spread to Buddhist Thailand and predominantly Islamic Malaysia and Indonesia. And with India, previously condemned to a Hindu equilibrium, the post 1980s growth takeoff—associated in more recent years with a large rise in savings—can hardly be explained by an independent shift in culture!

On culture, inequality traps and growth

Does the apparent empirical vacuity of a culture of poverty diagnosis of slow growth imply abandoning any role for cultural influences on growth processes? While somewhat more speculative, we suggest it is useful to explore interactions with specific growth-related processes through the prism of inequality traps.

Lost growth of a subordinate group. Some of the theory and evidence presented above supports the view that subordinate groups, embedded within inequality traps, will have lower rates of accumulation of physical and human capital, slower reallocations to more productive activities, weaker pro-social norms or lower induced efforts. This is in principle a lost source of aggregate growth. There is microeconomic evidence of the

importance of these processes, though we do not have evidence of how important this is in the aggregate.^{xviii}

Inefficiencies of unequal institutional structures. A second strand of work brings together the recent emphasis on the role of historically shaped institutions on growth, with the influence of unequal structures on institutional design.^{xix} In one story, predatory, rent-seeking institutions may evolve that serve the interests of dominant groups, but do a poor job of providing protection of property rights for all, provisioning of public services in social and economic infrastructure that can underpin equality of opportunity, or developing broad financial institutions. There are intersections between this kind of story and group-based differences to the extent that the latter become connected with or magnify inefficient economic institutions or processes. One example is Chandra's analysis of the interaction between a patronage-democracy and group identity as a vote-bank (Chandra, 2004). There is the potential for both increased salience of a group identity (as an example of the political construction of caste, say) and the workings of patronage-based rent-seeking, diverting policy action away from provision of the public goods that are necessary for growth.

Inter-group conflict and bad equilibria. A different set of mechanisms involve distributive conflicts, that frequently coalesce on group-based lines. One interpretation of Bihar's long-term malaise is of a situation in which group-based patronage interacts with weak provision of public goods—from decent infrastructure to law and order—to support a low growth, high inequality, high corruption equilibrium. Bihar may now be

experiencing a transition to a new political equilibrium in which a broader coalition is associated with an electoral mandate to deliver public goods, with the election of the government headed by Chief Minister Nitish Kumar in 2005. In more extreme cases, failures of inclusion and state action have provided the conditions in which the, ostensibly Maoist, Naxalite group has flourished. In some areas *adivasi* groups are caught in the middle of an inadequate state and such groups, with rising violence on both sides (Guha, 2007).

Transitions. Cultural processes may be relevant to transitions from inequality traps at a society-wide level. If we treat Indian states as analogous to national economies, one interpretative strand of explanation behind the more rapid growth of Southern than Northern States is that the South experienced a much earlier transition from a deeply unequal caste and class-based social structure. An element of this was action related to caste-based social mobilization, that led to the confrontation of unequal cultural structures and a re-definition of the role of group-related identities in economic life. Kerala is an illustration. It historically suffered some of the more extreme restrictions on social and economic living in India. But it then exemplifies the interaction between the exercise of agency from below, through caste and class-based processes of mobilization, and from above, through the enactment of pro-equity laws and policies by elected governments (Heller, 1999) Especially in early phases of the process, this involved action to support cultural transformations, including use of theatre and public performance as means of confronting and changing unequal socio-cultural structures and attitudes related to caste and class. The presence of an organized, and relatively inclusive, communist

party was an important force in providing a political party base for social movements, but of equal importance was the regular alternation in power between this party and the Congress party. There is controversy over effects on long-term growth. A common view is that the vigour of public action, the power of unions and an excessive regulatory burden had a dampening influence on private investment. However, in Heller's diagnosis, the deeper changes involved the formation of institutional structures that, over the longer-term, will be more effective mechanisms for the management of distributive conflicts within an essentially capitalist system.

Normative analysis

The discussion so far has been essentially positive—an analytical survey of how culture influences how the world works. But normative considerations have been frequently lurking around the corner, and are rarely far from the centre in discussions of culture and development. This section discusses them explicitly. As in the discussion above, the question of culture enters in two conceptually different ways: first, in terms of the normative treatment of pre-specified *groups* with different circumstances; and second, in terms of what cultural *processes* imply for normative assessment.

Normative approaches

A natural place to start is with approaches in moral philosophy and welfare economics that are concerned with equality of opportunity.^{xx} Consider a society that is organized into different, culturally defined groups—by caste category, *adivasi*, religion and so on.

Most contemporary societies formally take the position that there should be equality of opportunity across such groups, and especially so when most people don't choose which group they are in. Which group you are in is an aspect of circumstances that is out of an individual's control, and is morally irrelevant to outcomes. This is certainly at the core of debates at Indian independence, and was incorporated into India's legal structures. This approach is within traditions of thought that flow from Rawls, Dworkin and Sen in moral philosophy, and Roemer in welfare economics. These have in common a focus on the types of lives that individuals can choose to follow—that is, on possibilities. Sen, for example, argues for equality of “capabilities”, the potential set of “functionings” people can have, where a “functioning” is an activity that people value and do, ranging from quite basic ones such as living a healthy life, to more complex ones, such as participating in the community.^{xxi} Individuals may choose different effort levels or pursue distinct activities, but they should not face different capability sets—a girl born in a rural *dalit* family should have the same life-chances as a boy born in an urban high caste Hindu family.

A formal account of what an equal opportunity approach implies for development objectives (that broadly follows Roemer, 1998) is given in the Appendix. Which group a person is in should have no effect on their possibilities, whereas their effort should. But effort may also be a product of their group's position, especially when a group has been stigmatized, or more broadly when structures of inequalities have induced different preferences, for example over expectations on future economic possibilities. Thus equal opportunity is defined to occur when individuals from different groups, who exert the

same relative effort within their group, enjoy the same advantage level. Thus high-effort *dalits* or *adivasis* would enjoy the same advantage levels as high-effort upper caste Hindus; low-effort individuals within each type would also have the same outcomes as each other; and so on. An alternative, much less stringent (and less interesting), condition is that average levels of advantage are equalized across groups. As seen in Table 4, this is clearly not satisfied in India.

As already emphasized, societies are interested in levels as well as distributions, and for this we need to take the equal opportunity principle to an objective that can be maximized. One way of doing this, in the spirit of Rawls *maximin* criterion, is to define the objective in terms of policy choices that seek to maximize the condition of the most deprived group in a society. This is one approach to an “equitable development policy” and a precise definition given in the Appendix.

How would this objective compare with alternatives? This can be illuminated by Figure 5. This portrays an “advantage possibility frontier” that defines for two groups the range of potential advantages given the production technology, if resources are deployed efficiently. This assumes some complementarity at very low levels of advantage of each group, but a tradeoff at higher levels of advantage. The *equal opportunity* outcome is given by E, where both groups achieve the same level of advantage. What was just termed the *equitable development policy* is achieved at R, where the relatively disadvantaged Group 1 maximizes their advantage. The highest total advantage is reached at B—this is analogous to an output-maximizing position. Note that a move

from R to B is not Pareto-improving, since group 1 loses. But we can think of B as a position of *Kaldor-Hicks efficiency*, since the Kaldor-Hicks criterion differs from the Pareto criterion exactly in that it requires only that it be possible for a social planner to compensate any losers in the move from A to B, rather than that there *be* no losers.

FIGURE 5 AROUND HERE

Consider finally a position such as X, that is within the advantage possibility frontier and also displays an unequal distribution of advantage in favor of Group 2. From here there is the possibility of using policy to shift to positions that are both more equitable *and* efficient (though not necessarily Pareto-improving, in the case of a move to, say R, since Group 2, a beneficiary from structures prevailing at X, loses out.) This is why an inequality trap in a position such as X has particularly severe costs for a society.

In the survey of positive analyses, a distinction was drawn between approaches that introduce culture through taking culturally defined groups as given, and those that seek to integrate a richer account of dynamic cultural processes. The same contrast is appropriate here. The normative account presented so far here is based on existing groups that are salient to social and political concerns within a society. This is again useful. But it fails to take account of cultural process. This requires taking additional steps.

A good place to start is the endogeneity of effort. In a Roemer-based framework this is taken account of via the equal opportunity principle described above. This implies the

same outcomes for individuals in the same centile of the effort distribution of their respective type, even if average effort levels are different across groups. Yet there is something unsatisfactory about this. It fails to deal with the origins of differences in average effort levels in terms of the intertwined effect of power and cultural processes. We saw above there that these can reflect a variety of processes, flowing from historical inequalities, stigma, adaptive responses and privately rational behaviour in an environment of limited information. Failing to account for the cultural origins of effort differences (in this example), can lead to policy proposals that indeed compensate for differences in circumstances, but with potentially large policy actions—in spending, regulation and so on—that have little to do with the origins of the underlying differences. “Effort” is an abstraction from this simplified account, that can be thought of as covering the complex array of practices, beliefs, aspirations and behaviors shaped by unequal cultural structures.

For these reasons in Rao and Walton (2004), we suggested a distinct normative concept of *equality of agency*. By this we mean that actors from different groups suffer from unequal, culturally shaped capacities to conceive of and pursue alternative designs for their futures. This mirrors the earlier positive analysis, and specifically Appadurai’s two concepts, in that it would imply: (a) a societal context that did not stigmatize or diminish particular social identities—that is in which there existed equal “terms of recognition” across groups; and (b) an equally distributed “capacity to aspire” across groups. We can think of this as an extension of an equal opportunity approach, that integrates the cultural capacities into the capability set of different groups. Groups, again, are not given, but are

themselves products of social interactions, or even purposive “group-making projects”. So it is more accurate to think of (in)equality of agency as being distributed across individuals, but this being shaped by the culturally shaped manifestations of differences in power and status, that manifest themselves in shifting patterns of inter-group relations.^{xxii}

Implications for evaluation

What does this imply for the evaluation of culturally shaped inequality traps?

The general approach illustrated by Figure 5 suggests how we can assess alternative situations, or, in more formal language, rank alternative equilibria. One way to do this would be through strict application of what we termed above “the equitable development” criterion, that would lead to a ranking of alternatives in terms of the discounted value of the mean level of advantage of the (cultural) group with the lowest level of advantage. In an Indian context, this would imply choice of a development path that led to the greatest present value of average welfare of, say, *dalit* or *adivasi* groups. In terms of practical choices this could well involve departures from pure equality of opportunity across groups, if this allowed greater levels of potential advantage for the poorest group. This is precisely the difference between point E and point R in Figure 5. Alternatively there may be a political consensus for departing from the equitable development policy, trading off advances for the poorest group for the sake of greater aggregate development, moving to a point such as B.

This approach would in principle allow an assessment of how far an inequality trap is inferior, through the effects on advantage of poorest groups. A richer evaluation would then require at least three additional considerations.

First, as noted above, there will a distribution of effort levels within the poorest group. We may not only be interested in the average levels of advantage, but in the distribution of advantage within the group. Given the concern with poverty, an obvious preoccupation would be with potential outcomes for the lower parts of the within-group distribution. But it is quite plausible that there would also be concern that the very best of the group could excel to the same extent as any group in the society.^{xxiii}

Second, this concern becomes more important once we recall that “effort” is itself at least partially endogenous, a cultural product of historically shaped structures of expectation, opportunity and advantage. It may well be easier to design policies that lift a relatively small group of *dalits* or *adivasis* into the social and economic realms of the advantaged groups—in the sense that for these groups the disadvantages flowing from information, social and cultural capital were effectively removed. But different approaches—that could be more or less costly—could be needed to maximize the potential outcomes for, say, the bottom half or quarter of those within *dalit* or *adivasi* groups.

Third, the question of *who* should take action has been left within the abstraction of the policy “choice”. Here there is a sharp contrast between a culture of poverty and an inequality trap view. If a group of the poor are poor because of “their” culture, in some

sense the fault lies with “them.” Now a government may choose to act for a number of motives: paternalism; a desire for social and national integration; or concern with negative externalities of such group-based differences. But this is quite distinct from the moral responsibility for action when the reasons for contemporary deprivation lies in a historical process based on unequal socio-cultural and political structures. There remains the political economy question of whether policies will be adopted, but the moral basis for action and policy design differ. Furthermore, public support for concerted action can be strengthened by recognition of the injustice of social arrangements.^{xxiv}

Both the last two points are linked to the previous subsection, that argued that cultural processes matter for normative purposes, in addition to potential outcomes for different culturally defined groups. Achieving equality of opportunity is likely to require equality of agency, and this is likely to involve forms of engagement, mobilization, or rights for all *dalits* or *adivasis*.

Policy implications

So far the paper has argued that culturally shaped inequality traps are relevant in many (most?) socially differentiated societies and that this can provide a normative basis for shifting from a higher to lower inequality position. This case is especially strong where there are also efficiency costs of a high inequality trap. It also suggested that transitions between equilibria may be feasible, but that it is important to understand the potential drivers of change, whether these come from exogenous sources, endogenous changes in

underlying economic structures, or from the agency of groups within the social system. This takes us to questions of policy. There is not the space in this paper to undertake an evaluation of specific policies. We rather conclude with a survey of *categories* of policies that flow from the preceding analysis. While we focus on culturally-shaped inequality traps, these are understood as interacting with both political and economic structures. And as in both the positive and normative discussion, it is useful to distinguish between policies, of all kinds, that seek to improve the position of pre-existing, culturally salient groups, and policies that intrinsically involve cultural processes.

Interventions can be organized along two dimensions. First, they can be categorized by their proximate objectives: whether they seek to directly redress a group-based difference in opportunities or outcomes; or whether they seek to enhance the agency of a deprived, subordinate group (that is, to directly tackle inequality of agency). Second, they can be organized in terms of the approach used, for which we suggest three categories: preferential policies that are conditional on being a group member; “targeted universal” policies, that are in principle universal, but oriented to the particular circumstances and needs of the subordinate group at point in time; and policies that directly engage with cultural process. Table 5 summarizes, with examples of the kinds of policies implied.

TABLE 5 AROUND HERE

Proactive policy to tackle group-based difference has been a notable feature of post-independence Indian policy. While the post-independence political elite was dominated by individuals from the socio-cultural elite, there was a strong impulse to take redistributive action in support of equality of opportunity. This flowed from the ideology and conviction of the leadership, the nature of the independence struggle, and political calculations around political support. Intellectual debate and action by individual actors also mattered: both Mahatma Gandhi and B. R. Ambedkar played major roles in building the case for action to tackle the deprivations of *dalits*, albeit with very different policy positions. Ambedkar, himself a *dalit*, led the drafting of India's constitution. In terms of the diagnosis of transitions in the Section 1, all this implied a degree of agency from above. In some parts of the country, notably Kerala, this was complemented by effective pressure from below. But this occurred in the context of embedded and unequal socio-cultural and economic structures.

In terms of action it is striking that Indian governments chose to work on several fronts—indeed across virtually *all* the categories in Table 4. First, there was explicit action in the political realm. In addition to the important universalist work of the election commissions, political reservations were introduced to assure representation of scheduled castes and tribes: through reserving some constituencies for political representatives from these groups in line with their population shares. Second, some of the broad-based policies in social provisioning, in basic education for example, aimed to bring all groups into the system, including deprived categories, notably *dalits* and *adivasis*. Redistributive land policies could potentially have helped the position of poorer groups (though in

practice tended to benefit middle farmers). Third, to tackle potential discrimination in higher education and jobs, reservations, linked to population shares, were introduced in both tertiary education and government (though not private) jobs for both scheduled castes and tribes.^{xxv}

Results have been mixed. The broad brush outcomes summarized in Tables 1-4 indicate some absolute progress but continuation of relatively worse outcomes for *dalits* and *adivasis* some 60 years after independence, with limited signs of convergence for *dalit* groups but not for *adivasis*. In terms of policy impacts of political reservations, Pande (2003) found a significant influence of Scheduled Tribe reservation on spending directly targeted to tribal policies, and of Scheduled Caste reservation on job quotas. But there was no significant influence on the general quality of service delivery. Banerjee and Somanathan (2007) also found both absolute and relative gains in access to a set of public goods for *dalits*, but not for *adivasi* groups in the 1980s. They hypothesize that this was linked to greater political mobilization of *dalit* groups. However, this occurred in the context of slow progress in public service delivery by international standards. In education, for example, the PROBE report (1998) found dismal quality of public education in the mid-1990s, and continued salience of caste and gender as sources of educational deprivation. Since then there has been important progress on enrollments, but low quality continues to be a major concern—and there is some evidence that access to quality schooling is worse for *dalit* and *adivasi* groups.

Policies on job and educational reservations remain controversial. In theory, effects are ambiguous. If they help solve information problems (as in Basu's model) they can help push a system to a better equilibrium on both efficiency and equity grounds. But if there are adverse effects on job-matching or effort, efficiency can be hurt. There appears to have been a significant impact on the shares of individuals from deprived groups in these organizations. A recent study from Bertrand, Hanna and Mullainathan (2008) for engineering colleges in an Indian state, find that beneficiaries of reservations amongst scheduled castes and other backward castes indeed came from less financially advantaged households than those displaced. However, they came from households with, on average, about three times the average incomes of their respective groups in the overall population, and much higher levels of parental education. Despite much lower entrance exam scores, the marginal lower-caste entrant does benefit: the study finds a strong, positive economic return to the engineering education. Lower caste graduates may still experience relative difficulties in finding jobs, according to a study (of a different sample) by Deshpande and Newman (2007), but there are real economic gains. This work supports the view that this type of reservation brought gains to the individuals concerned—and potentially broader symbolic benefits. But given the relatively small numbers in tertiary education and public sector jobs, they only reach the top segment of the distributions of *dalits* and *adivasi* individuals.

One of the major issues facing India is whether the explicit link of group-membership to benefits has interacted with the continuation of a patronage democracy to foster the rent-

seeking for state-based privileges rather than genuine equality of opportunity. This is of particular concern given the contrast between reservation-based mechanisms that favour better-off individuals *within* traditionally deprived groups with continued dismal conditions, and slow progress, on generalized service delivery, including what in Table 4 was referred to as “targeted universal” policies for deprived groups. Moreover, policies linked to group-based membership can change the salience and significance of groups—and lead to incentives for particular categorizations. A topical example is the campaign of members of the Gujjar group to be classified as a “scheduled tribe” in order to receive the benefits of this classification.^{xxvi}

As a final comment, we would emphasize the importance of complementarity between action in the economic and political spheres, and action that works with cultural processes, that seeks to achieve more equal terms of recognition, and foster the aspirational, organizational and symbolic capacities of subordinate groups. There is case study evidence of the importance of these processes, for example from self-help groups and the work of the Self Employed Women’s Association. These will need to be systematically explored in future work.

Conclusion

This paper has surveyed the relationship between culture and poverty. It has argued that the concept of a “culture of poverty” is empirically and normatively problematic. It is empirically flawed since it is based on a view of culture as a self-standing attribute of

poor groups. Following central perspectives in anthropology, it is argued that cultural processes are fundamentally relational, dynamic and contested. Cultural processes are indeed part of the lives of poor people, but these are products of histories of unequal, group-based interactions. The experience of deprived groups in India vividly illustrates this.

Equally problematic is the view that differences in national cultures explain differences in growth rates across countries. This is inconsistent with the historical experience, in which growth takeoffs clearly occur across countries with distinct cultures, and not in ways explicable by independent cultural change.

As an alternative to a culture of poverty view, the paper proposes the concept of “inequality traps” within which cultural processes play a role, interacting with both economic and political processes. As an analytical abstraction it is useful to explore these as self-enforcing equilibria, sustained by a range of mechanisms, from the persistence of stereotypes under conditions of limited information, to the internalization of practices, aspirations and belief systems created by histories of social difference and unequal economic opportunity.

As a complement to this positive analysis, the paper proposed a normative approach that draws both on ethical traditions based on equality of opportunity (or equality of capabilities), and recognizes cultural influences on the capacity of different groups to shape their lives. The concept of *equality of agency* expands the traditional approach to

equality of opportunity to include culturally shaped capacities to conceive of, aspire to, organize for, and undertake projects for economic and social advancement in a society.

Policy analysis needs to integrate both the positive and normative approaches. India is again an example of particular interest. India has pursued a range of policies that seek to move toward both greater equality of agency across groups and greater equality of social and economic opportunity. But these policies interact with unequal economic, cultural and political structures. Progress in reducing group-based differences has been modest at best, at least with respect to average group outcomes. Affirmative action through reservations of jobs and tertiary education has brought clear benefits for some—especially from better off backgrounds from within lower caste groups—but may have interacted with India’s patronage democracy to induce greater rent-seeking, rather than the creation of the conditions for genuine equality of opportunity and agency.

Appendix: Formal treatment of inequality traps and equality of opportunity.

In this appendix we give a formal account of both inequality traps and the implications of an equality of opportunity principle, based on Bourguignon, Ferreira and Walton (2006). As noted in the text, this applies to cases where groups are given, and not to endogenous group formation.

(1) Inequality traps

We develop a simple definition in terms of the dynamics of a general notion of “advantage”. A society is partitioned into various “types”, that are socially relevant

groups with different circumstances outside the control of individuals, such as place of birth, caste, ethnicity etc.^{xxvii} However, within any one type, there can be a range of efforts exerted by different individuals. Outcomes are also influenced by “policy”. An individual i of type j has advantage level $u_i^{jj} = u(c_i^j, e_i^{jj}, \phi_t)$ where c_i^j represents the circumstances of group j , e_i^{jj} is the effort of individual i in group j , ϕ represents policy, and t denotes a particular time period. For there to exist an inequality trap, two conditions must hold: first, that there has to be persistence in relative positions in a distribution across time periods; second, this persistence is (at least partly) a product of relations between groups, i.e. in this abstract account, is a function of the *whole* distribution. This might come about because the circumstances enjoyed by group j today (e.g. *dalits* in the year 2000), depends in part on the advantage levels enjoyed by the preceding generation (e.g. *dalits* in the 1960s): $c_i^j(u_{t-1}^j, \xi_t)$, where ξ_t denotes an innovation at time t ; and an individual i 's effort levels today may also depend both on past advantage (their own or of a previous generation), and on the *distribution* of past advantages: $e_i^{jj}(u_{t-1}^{jj}, F_{\phi_{t-1}, t-1}(u), \zeta_t)$, where $F_{\phi_{t-1}, t-1}(u)$ denotes the entire distribution of advantages at time $t-1$, and ζ_t denotes another innovation at time t .^{xxviii}

What of policy? It is plausible that the policy in place at time t has also been determined in part by the prevailing distribution of advantages (reflecting unequal influence) at time $t-1$: $\phi(F_{\phi_{t-1}, t-1}, \theta_t)$, where θ_t denotes a third innovation at time t .^{xxix} For now, we treat policies as entirely endogenous, returning to the question of policy as a control variable in the last section of this paper. In this formulation, there is both intertemporal transmission of circumstances, and dependence of both efforts and policies on the

previous distribution of advantages. All three form elements of the transmission processes of the distribution of advantage from between periods. Thus a general reduced form of the dynamic process of advantage can be written as:

$$u_t^{ij} = \Gamma(u_{t-1}^{ij}, F_{t-1}(u), \gamma_t) \quad (1)$$

where γ_t is a vector of innovations. Equation (1) simply defines, at a general level, a first-order stochastic dynamic process, in which individual (or lineage) i 's current advantage depends on her own past advantage, as well as on the entire distribution of advantages in the preceding period (or generation).

Now assume that this process is characterized by multiple equilibria, in each of which the distribution of advantages converges to a well-defined long-run distribution $F_{\infty k}(u)$, where k denotes a particular long-run—or limiting—distribution of advantages, each of which corresponds to a particular equilibrium of the dynamic process. As with any dynamic process with multiple equilibria, the idea is that differences in initial conditions (in the initial distribution of advantages and circumstances, for instance) may imply convergence to different long-run equilibrium distributions. If K is the set of equilibria for this process, a particular long-run equilibrium $k^* (k^* \in K)$ is an inequality trap if for any two types, j and l , the distribution of advantage for type j , $F_{\infty k^*}^j(u)$, is dominated by that of type of l , $F_{\infty k^*}^l(u)$, provided there exists some alternative equilibrium $m (m \in K)$, in which no dominance relationships exist between $F_{\infty m}^j(u)$ and $F_{\infty m}^l(u)$, for any j, l .^{xxx}

In plain English, this classification defines an inequality trap as a long-run distribution of advantages in which a particular social group does persistently worse than some other

social group, even though an alternative equilibrium exists where no two social groups can be similarly ranked.

(2) Equal opportunity and the equitable development policy

Following Roemer (1998), a standard element in ethical approaches is to treat the distinction between circumstances—that are outside an individual’s control—and the efforts they choose to exert, as having normative significance. Efforts, but not circumstances, can lead to morally justified differences in outcomes. As with the positive discussion of inequality traps, a person’s advantage level, u , is produced by the interaction between circumstances, c , effort levels, e , and policy ϕ . If we then assume that policy is a control variable, contrary to the earlier positive discussion, then we can think of a society choosing policies that seeks to further the pursuit of equality of opportunity. This is consistent with the discourse and legal designs in Indian post-independence thinking.

Now take a population divided into groups that differ only according to their circumstances—such as the socio-cultural groups that are the concern of this paper. The possibilities an individual i in group j faces is a product of their initial circumstances and policy, with actual outcomes in advantage levels, u^{ij} depending on his or her effort-- $u^{ij} = u(c^j, e^{ij}, \phi)$. For each group there will be a distribution of advantages associated with the within-group effort distribution. Let each type be characterized by a cumulative distribution of advantage given by $F_\phi^j(u)$, where the subscript ϕ indicates that this distribution may be affected by the set of policies chosen by the government. Since

circumstances are morally irrelevant, a *strong criterion* for a situation of equal opportunity is a situation in which:

$$F^j(u) = F^k(u), \forall j, k \quad (2)$$

This criterion requires that the within-type distribution of advantages be identical across all types, implying that their means and Lorenz curves also be identical. Two people in identical centiles of the distribution of effort, but with different circumstances, would have exactly the same advantage level. Intuitively, high-effort *dalits* or *adivasis* would enjoy the same advantage levels as high-effort upper caste Hindus; low-effort individuals within each type would also have the same outcomes as each other; and so on.

A *weaker criterion*, which is implied by (4) but does not imply it, is that the mean advantage levels across all types be equalized:

$$\mu^j(u) = \mu^k(u), \forall j, k \quad (3)$$

But equality of opportunity is typically not the exclusive aim of societies. There is typically a keen interest in expanding the *level* of advantage, and this is often a particular concern where there are intense levels of deprivation. A natural way of formulating this—in the tradition of Rawls and Roemer—is to maximize the level of advantage of the most disadvantaged group. In Bourguignon, Ferreira and Walton (2006) we proposed one definition of an *equitable development policy* as the policy ϕ_t that solves, at time t the following:

$$\max_{\phi_t \in \Phi} \min_j \int_t^\infty e^{\delta(t-s)} \mu_s^j(\phi) ds \quad (4)$$

$$\text{subject to } u_t^i \geq \bar{u}_t | \forall i, \forall j, \forall t \quad (5)$$

where δ is a discount rate, assumed constant for simplicity. Policies not only affect within-period economic processes and outcomes, but also saving and accumulation incentives, which in turn affect the growth process of μ^j . The equitable development policy has the following features:

- (i) it accounts explicitly for the dynamic nature of the development process, since the optimal policy is the one which maximizes the presented discounted value of advantages for the least-advantaged type^{xxxii};
- (ii) provided that it is consistent with the absence of severe deprivation (defined by having no individual advantage below some critical level \bar{u}_i , which is allowed to vary over time, as a society's definition of deprivation changes^{xxxii});
- (iii) and provided that the policy belongs to some permissible set Φ . We interpret this permissible policy set as a subset of the set of technically feasible policies, reflecting social choices about the legitimacy of various policies. For example, forced labour, forced fertility control, or expropriation of property might all be feasible policies, but might be deliberately excluded from the permissible set Φ by social choice.

This is not the only interpretation of what an equitable development policy may be—as discussed in the text, some may argue that full equality of opportunity is preferred to a maximin criterion.

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TABLES**Table 1. Infant mortality rate by social category, 1980 and 2000**

(in number per 1000)

	1980	2000	Difference
Scheduled castes	127	83	-44
Scheduled tribes	101	84	-17
Others	99	68	-31
All	109	73	-36

Source: Thorat (2007)

Table 2. Literacy rate by social category, 1980 and 2000

(in percent)

	1980	2000	Difference
Scheduled castes	24	55	30
Scheduled tribes	19	47	28
Others	47	69	22
All	41	65	23

Source: Thorat (2007)

Table 3. Poverty incidence by social category, 1993/94 and 2004/05

(in percent)

	1993/94	2004/05	Difference (percentage points)

Rural			
Scheduled castes	48.6	37.4	-11.2
Scheduled tribes	51.7	47.0	-4.7
Others	31.4	22.9	-8.5
All rural	37.2	28.4	-8.9
Urban			
Scheduled castes	51.5	41.2	-10.3
Scheduled tribes	47.8	40.3	-7.5
Others	30.5	23.6	-6.9
	33.9	26.7	-7.2

Source: National Sample Survey, Ministry of Statistics and Programme Implementation,
Government of India

Table 4. Average expenditure per capita by group in India as a ratio of the population average, 1993/94 and 2004/05

	Rural		Urban		All	
	1993/94	2004/05	1993/94	2004/05	1993/94	2004/05
Scheduled castes	85%	85%	76%	73%	80%	78%
Scheduled tribes	81%	74%	83%	77%	75%	65%
Other	107%	108%	105%	106%	108%	110%

Source: National Sample Survey, Ministry of Statistics and Programme Implementation,
Government of India

Table 5. A categorization of policies to tackle culturally shaped inequality traps

	Policies intended to redress group-based	Policies intended to increase the agency of

	opportunities and outcomes	deprived groups
Preferential policies conditional on group membership	Reservations in jobs and schooling “Tribal” policies	Political reservations for specific groups Targeted political mobilizations from above
“Universal targeted” policies, aimed at specific conditions of groups but with no group membership condition	Access to land, education, credit, communal resource management etc. in areas and activities important to <i>dalits</i> and <i>adivasis</i> .	Universal suffrage. Increased information and accountability
Actions influencing cultural processes	Education with attention to identity, language of deprived groups Land policy adapted to <i>adivasi</i> practices	Social mobilization from below, deliberation and political culture

Source: the author.

FIGURES

Figure 1. Cultural factors and inequality traps

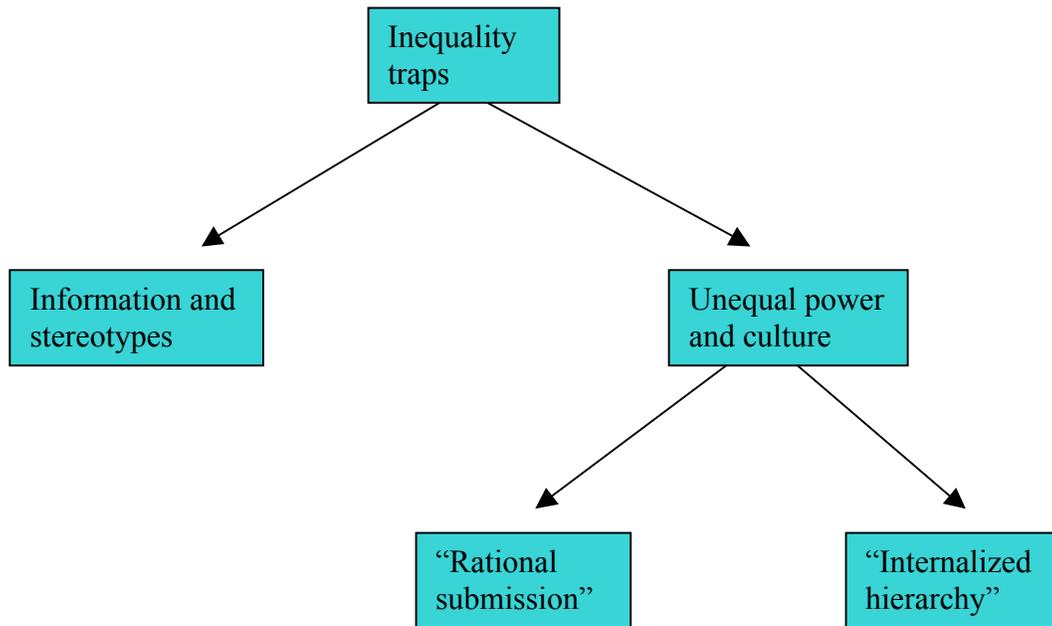
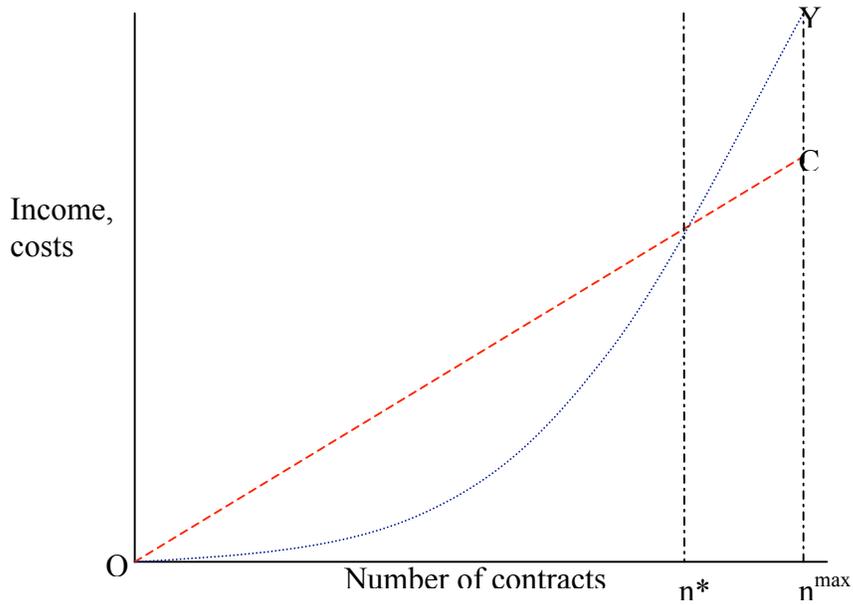
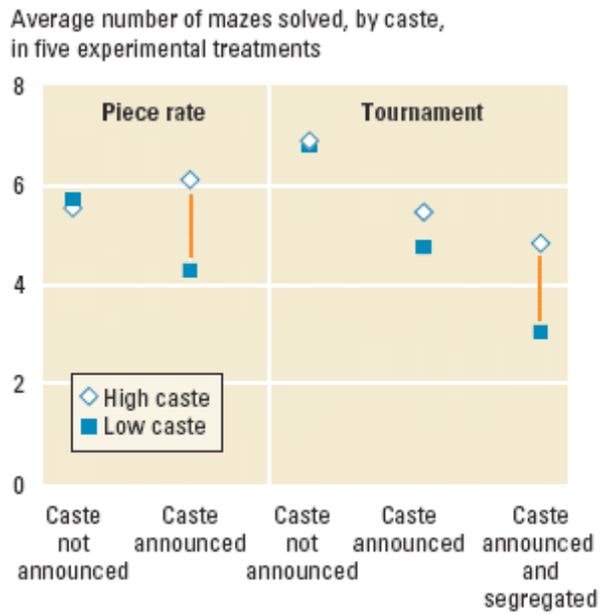


Figure 2. The effects of increasing returns in the number of contracts of a potential entrepreneur



Source: Basu (2006)

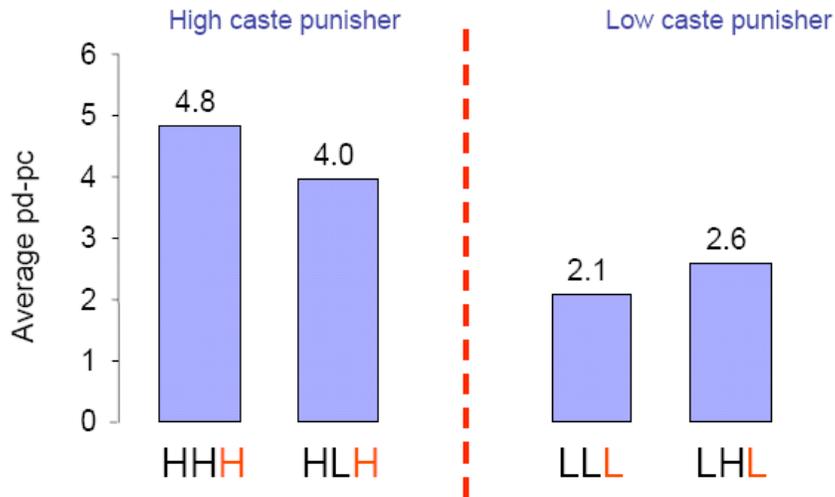
Figure 3. Results on children’s performance when caste is announced



Note: a vertical line indicates statistically significant differences.

Source: Hoff and Pandey (2004)

Figure 4. Experimental results on the influence of caste on punishment norms for opportunistic behaviour



Source: Hoff, Kshetramade and Fehr (2008)

Figure 5. Different choices along an “Advantage Possibility Frontier”

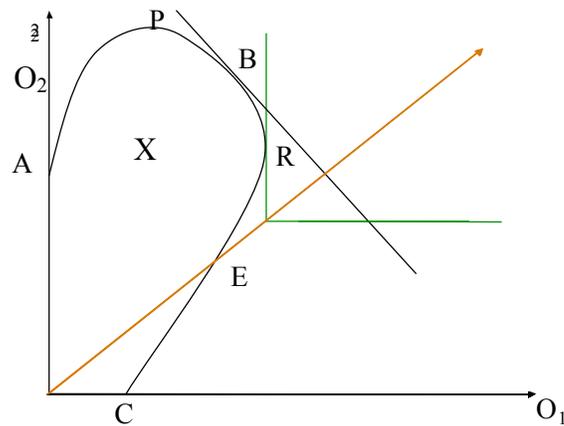


Figure 5 is a reproduction of Box Figure 4.1 in World Bank (2005) and, as acknowledged there, is drawn from Buchanan (1976), through Atkinson and Stiglitz (1980).

ⁱ Centre for Policy Research, Delhi and Kennedy School of Government, Harvard University, michael_walton@harvard.edu. Arguments in this paper draw on earlier work with Vijayendra Rao, see Rao and Walton (2004b). This paper was prepared for the Fifth Annual AFD/EUDN conference in Paris on December 5th, 2007. I am grateful for comments from, or discussions with, Ashwini Deshpande, Karla Hoff, Stuti Khemani, Stéphanie Mahieu, Rinku Murgai, Vijayendra Rao and Rohini Somanathan. Both views expressed and errors are mine.

ⁱⁱⁱ Note that economic characterizations of poverty traps generally apply only to absolute, not relative poverty. See below.

ⁱⁱⁱ See Baland and Platteau (1996) for an extensive review.

^{iv} See Rao and Walton (2004b) pps. 3-4 for further discussion on the general approach.

^v Brubaker (2002), 170-171.

^{vi} The classification system in the classical Hindu texts was into five hierarchical groups, including four *varnas*—*brahmins* (scholars), *kshatriyas* (warriors), *vaishyas* (merchants), and *shudras* (artisans and labourers)—plus the untouchables that formally fall outside the system. In the modern period there exists a much larger number of specific, endogamous groups or *jatis* typically defined in terms of more specific occupational, geographic and linguistic categories, with a rough allocation to the five broader categories. There are some 2-3000 *jatis* in India. For a brief account of caste see Deshpande (2001 and 2007)

^{vii} See Somanathan (2007) for a review of the formatoin of policies for both scheduled castes and tribes. Reservations for scheduled castes were given under colonial rule in the 1930s.

^{viii} Though note the metric for making comparisons of changes at different parts of the distribution is unclear—is a ten percentage point improvement in literacy larger or smaller in value from an initial value of 80 and 20 percent? Thus these changes are only indicative.

^{ix} See Rao and Ban (2007) for a brief discussion of the literature.

^x Such poverty studies typically combine quantitative data on the dimensions, incidence and depth of poverty, with an account of the characteristics of typical groups in poverty.

^{xi} Evidence for this particular channel is weak (see Deaton, 1997 for discussion), but the point here is how economists have generally approached theorizing of poverty traps.

^{xii} See World Bank 2000 for a seminal account.

^{xiii} See various essays in Volume III of Rudolph and Rudolph (2008). The issues were considerably more complex than the anti-Brahmin focus, of course. One other dimension of concern and action, also around the upper parts of the distribution, concerned the desire to promote the development of a local business class and avoid dominance by predominantly Gujarati and Marwari business groups from Northern India.

^{xiv} In his treatment of race in the United States, Loury (2002) uses the distinction between racial stereotypes and racial stigma to contrast the first approach and the others.

^{xv} Recent work by Jalan and Murgai (2007) also finds significant, but declining, intergenerational transmission of education across generations, with greater transmission (that is more persistence) for low caste groups, and, especially, for groups with lower wealth.

^{xvi} This result holds after controlling for various socio-economic characteristics. For upper caste observers there is greater likelihood of punishing when the victim of defection is the same subgroup as the punishers; but not in the case of lower caste punishers.

^{xvii} In fact Weber himself did not argue for a straight causal relationship but for a more complex “elective affinity.”

^{xviii} See World Bank (2005) chapter 4 for a summary of microeconomic evidence. Banerjee and Duflo (2005) argue that microeconomic distortions, reflected in large observed differences in the return to capital within the same economy, can be of large aggregate importance. But it is harder to form a view of losses associated with the particular processes under consideration here.

^{xix} See Acemoglu, Johnson and Robinson (2001) Engerman and Sokoloff (2002) and World Bank (2005).

^{xx} The first part of this section draws closely on Bourguignon, Ferreira and Walton (2007).

^{xxi} See Sen (1992).

^{xxii} A concept of equality of agency can go beyond cultural factors. It could naturally include equal access to political process as an intrinsically desirable end, beyond the instrumental influence on equality in social and economic opportunities.

^{xxiii} See Somanathan (2008) who cites B.R. Ambedkar as explicitly advocating that that the best (amongst *dalits*) should be able to rise to the highest positions in society.

^{xxiv} This is an important theme of Loury's discussion of the case for societal action for the contemporary manifestation of historical injustice against black Americans (Loury, 2002).

^{xxv} These were later extended to "other backward castes", traditionally above *dalits* but below upper castes in the social hierarchy.

^{xxvi} Somanathan (2008) introduces her exploration of the demand for disadvantaged status with an account of the Gujjar's claim to scheduled tribe status.

^{xxvii} The distinction between circumstances and effort is important to normative concerns, to which we return below.

^{xxviii} Piketty (1995), for example, writes a model in which beliefs about the pay-off to effort in terms of mobility depend on one's family history, and on that family's outcomes *relative* to those of others.

Compare the discussion of future aspects of culture and the capacity to aspire above.

^{xxix} A large class of political economy models yield results in which policy variables depend on the distribution of wealth or incomes at an initial period.

^{xxx} Dominance can be by a demanding first-order stochastic dominance criterion; or by the weaker, and probably more reasonable, second-order stochastic dominance criterion .

^{xxxi} The formulation of the problem implies selecting the type with the lowest present value of advantage over time, which is not necessarily the same as picking *today's* least advantaged type. Obviously, under uncertainty one would replace variables by their expectations.

^{xxxii} The critical deprivation level \bar{u}_t is not necessarily the same as a society's chosen poverty line: if an individual has a level of income below the poverty line she is *categorized* as deprived within the society, whereas if her level of advantage falls below the critical deprivation level the society takes action to lift her back above this level. In very poor societies this may be a very low level, such as preventing death from lack of food in famine conditions.