

Selected journal articles by [Karla Hoff](#)

Cultural Impediments to Learning to Cooperate: An Experimental Study of High- and Low-Caste Men in Rural India, Benjamin A. Brooks, Karla Hoff, and Priyanka Pandey, *Proceedings of the National Academy of Sciences* 115 (45): 11385-11392, Nov. 6, 2018.
<https://doi.org/10.1073/pnas.1804639115>

We report experimental findings on how individuals from different cultures solve a repeated coordination game of common interest. The results overturn earlier findings that fixed pairs are almost assured to coordinate on an efficient and cooperative equilibrium. Subjects in the prior experiments were US university students, whereas the subjects in our study are men drawn from high and low castes in rural India. Most low-caste pairs quickly established an efficient and cooperative convention, but most high-caste pairs did not. The largest difference in behavior occurred when a player suffered a loss because he had tried to cooperate but his partner did not: In this situation, high-caste men were far less likely than low-caste men to continue trying to cooperate in the next period. Our interpretation is that for many high-caste men, the loss resulting from coordination failure triggered retaliation. Our results are robust to controls for education and wealth, and they hold by subcaste as well as by caste status. A survey we conducted supports the ethnographic evidence that more high-caste than low-caste men prefer to retaliate against a slight. We find no evidence that caste differences in trust or self-efficacy explain the caste gap in cooperation in our experiment. Our findings are of general interest because many societies throughout the world have cultures that lead individuals to (mis)perceive some actions as insults and to respond aggressively and dysfunctionally.

The Making of Behavioral Development Economics, Allison Demeritt and Karla Hoff, *History of Political Economy* 50 (S1): 303-322, Dec. 2018.
<https://doi.org/10.1215/00182702-7034004> or <http://bit.ly/2GwyGUK>

A core insight of behavioral economics is that we are “fast thinkers”; very little human thinking resembles the rational, deliberate type that characterizes *homo economicus*. What is less well recognized is that our innate reliance on cognitive shortcuts means that mental models—categories, concepts, narratives, and worldviews—profoundly influence our decision making by unconsciously shaping what we perceive and the “toolbox” of strategies we draw on to respond. Many researchers have connected this idea to economic development, yet they rarely identify their work as “behavioral” economics. We use recent research to show how a second strand of behavioral economics illuminates the tight interlinkages between preferences, culture, and institutions and brings the discipline almost full circle back to eighteenth- and nineteenth-century perspectives. We caution against the strong reductionist tendencies that attempt to squeeze sociological influences on decision making into a rational-agent model.

Striving for Balance in Economics: Towards a Theory of the Social Determination of Behavior, Karla Hoff and Joseph E. Stiglitz, *Journal of Economic Behavior and Organization* 126 (B): 25-57, 2016.
<http://www.sciencedirect.com/science/article/pii/S016726811600007X>

This paper is an attempt to broaden economic discourse by importing insights into human behavior not just from psychology, but also from sociology and anthropology. Whereas in standard economics the concept of the decision-maker is the *rational actor*, and in early work in behavioral economics it is the *quasi-rational actor* influenced by the context of the moment of decision, in some recent work in behavioral economics, the decision-maker could be called the *enculturated actor*. This actor's preferences, perception, and cognition are subject to two deep social influences: (a) the *social contexts* to which he has become exposed and, especially, accustomed; and (b) the *cultural mental models*—including categories, identities, narratives, and worldviews—that he uses to process information. The paper traces how these factors shape behavior through the endogenous determination of preferences and the lenses through which individuals see the world—their perception and interpretation of situations. The paper offers a tentative taxonomy of the social determinants of behavior and describes the results of controlled

and natural experiments that only a broader view of these determinants can plausibly explain. The perspective suggests more realistic models of human behavior for explaining outcomes and designing policies.

Highlights and slides

<http://www.worldbank.org/en/news/feature/2016/03/28/yes-culture-matters-for-economic-development>

Equilibrium Fictions: A Cognitive Approach to Societal Rigidity, Karla Hoff and Joseph E. Stiglitz, *American Economic Review* 100(2): 141–46, May 2010.

<https://www.doi.org/10.1257/aer.100.2.141>

This paper assesses the role of ideas in economic change, combining economic and historical analysis with insights from psychology, sociology and anthropology. Belief systems shape the system of categories and perceptions and are themselves constrained by fundamental values. We illustrate the model using the historical construction of racial categories. Given the post-Reformation fundamental belief that all men had rights, colonial powers after the 15th century constructed ideologies that the colonized groups they exploited were naturally inferior and gave these beliefs precedence over other aspects of belief systems. Historical work finds that doctrines of race came into their own in the colonies that became the US *after*, not *before*, slavery; that out of the "scandal of empire" in India emerged a "race theory that cast Britons and Indians in a relationship of absolute difference"; and that arguments used by the settlers in Australia to justify their policies towards the Aborigines entailed in effect the expulsion of the Aborigines from the human race. Racial ideology shaped categories and perceptions in ways that we show can give rise to equilibrium fictions: beliefs affect perceptions and behavior in ways that appear to confirm the beliefs.

Making Up People: The Effect of Identity on Preferences and Performance in a Modernizing Society, Karla Hoff and Priyanka Pandey, *Journal of Development Economics* 106(C): 118-131, Jan. 2014.

<https://www.sciencedirect.com/science/article/pii/S0304387813001247>

It is typically assumed that being hard-working or clever is a trait of the person, in the sense that it is always there, in a fixed manner. However, in an experiment with 288 high-caste and 294 low-caste students in India, cues to one's place in the caste system turned out to starkly influence the expression of these traits. The experiment allows us to discriminate between two classes of models that give different answers to the question of how someone's identity affects his behavior. Models of the fixed self assume that identity is a set of preferences. Models of the frame-dependent self assume that identity entails a set of mental models that are situationally evoked and that mediate information processing. Our findings suggest that the effect of identity on intellectual performance depends sensitively on the social setting. This perspective opens up new policy options for enhancing human capital formation and development.

Homeownership, Community Interactions, and Segregation, Karla Hoff and Arijit Sen, *American Economic Review* 95(4): 1167 -1189, Sept. 2005.

<https://www.aeaweb.org/articles?id=10.1257/0002828054825682>

We show that individuals with identical preferences and abilities can self-organize into communities with starkly different civic environments. Specifically, we consider a multi-community city where community quality depends upon residents' efforts to prevent crime, improve local governance, etc. Homeownership raises incentives for such civic efforts but is beyond the reach of the poor. Within-community externalities lead to segregated cities: the rich reside in healthy homeowner communities, while the poor live in dysfunctional renter communities. Tenure segregation in the United States accords well with our prediction. We study alternative tax-subsidy policies to expand homeownership and to promote integration of homeowners and renters.