

Comments on Paper by Michael Walton:

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

By

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Summary of Paper

This paper reviews a broad literature across disciplines on the relationship between culture and poverty, and makes a specific argument for why and how culture matters for poverty. In my reading, the argument is that cultural processes convey unequal “advantages” to individuals that are persistent over time, and have large effects on economic opportunity available to individuals. Some of the theoretical and empirical examples offered in support of this argument are as follows. One, individuals can hold beliefs that some groups have better networks than others, which leads them to discriminate against members of marginalized groups when entering into productive contracts. Two, social customs can relegate individuals from specific groups to low productivity jobs, with costs for both employers and workers if they attempt to assign these individuals to other occupations not customized for their group. Third, internalizing the discriminatory features of the markets for economic opportunity, individuals belonging to the marginalized groups can under-invest in their own capacity because they expect low returns.

The paper also offers thoughts on how the distribution of advantages might become more equal over time, or how advantage of the most marginalized group might increase sufficiently so that they can access the economic opportunities needed to move out of poverty. One form of change is endogenous—cultural identities can themselves shift, on their own through social mobilization or in response to changing economic and political conditions. In terms of the analytical tools of the examples above, it may be that the elite or the marginalized find it in their interest to undertake the collective action

needed to move a group to higher productivity jobs. In another example, the marginalized may respond to new economic opportunities available and invest in their own capacity.

Public policy, of course, is an important determinant of both absolute and relative levels of advantage, and the paper devotes a chunk to discussing how policy design may be informed by cultural features of poverty. The range of policies that is argued to be consistent with the positive and normative cultural approach to poverty is provided in Table 4 in the paper, with the matrix of rows and columns providing the broad characterization of types of policies, and the cells providing specific examples of each.

Comments on Paper

I found the arguments provided in the paper generally convincing and useful, and greatly enjoyed reading it. Some comments follow below.

The paper's argument, and all the examples it harnesses, seems to imply that culture matters for poverty largely in situations where poverty is concentrated in specific social groups. That is, when we observe poverty concentrated in specific groups (where the poor share a particular social identity that is different from the rich) we can find cultural reasons for it, as provided in the paper. Before applying the approach of this paper and its policy implications, isn't a straight empirical exercise warranted on the distribution of poverty across social groups? If poverty is spread across multiple social groups, no one of which contains a majority of the rich, then it's not clear that the idea of "inequality traps" provided in the paper applies to its understanding. If it does not, then the group-targeted preferential policies derived in the paper could be less than desirable if such policies inhibit collective action or promote coordination failures among the poor when they are ethnically fragmented.

The paper seems to argue that in the Indian case it focuses on, poverty is indeed concentrated in a few social groups. However, simply going by the Indian numbers on growth and poverty reduction (even at the lower end of the range in the great Indian poverty debate), it would seem that there is quite a bit of "churning" in the distribution, and it is far from "stable". Could this churning have led to growing inequality for instance *within dalit* groups, and could it be greater than inequality *between* poor *dalits* and (say) poor *thakurs* (upper caste groups)?). Distributions are also complex in that they

are not bi-polar, with the rich on one end and the poor on the other, because the vast majority of people likely fall somewhere in the middle, and perhaps skewed towards the poor end, with real risks of *falling into* poverty with even small income or health shocks. That is, even if we recognize that social identities are not fixed and easily defined, but in flux themselves, it seems plausible that in the multi-ethnic, multi-religious, multi-linguistic societies of the Indian sub-continent and Africa, if we overlay some sort of a distribution of social groups onto a distribution of poverty we would find a substantial set of people sharing characteristics of poverty but fragmented along the lines of cultural identity.

There is of course a growing literature correlating ethnic fragmentation across and within countries with investments in public goods, and with quality of fiscal policies that contribute to public goods, which has substantial implications for poverty (Habyarimana, Posner et al, 2007 is a recent contribution and reviews the public goods literature; Persson-Roland-Tabellini, 2003 and Khemani and Wane, 2007, contribute new theory and evidence on the quality of fiscal policy when there are multiple groups). The central idea shared between models in this literature is quite different than that of “inequality traps”—it is more akin to *costly bargaining* between groups with equal or near-equal “power”. Some aspects of the policy implications of a costly-bargaining perspective might be directly opposed to that of “inequality traps”. Specifically, group-identity targeted preferential policies, which seem to come out of the normative analysis in this “inequality traps” paper, might exacerbate inefficiencies and inequalities in resource allocation if we are in a world of costly bargaining between groups.

The argument cautioning against group-based targeting, or at least showing a trade-off between group-based targeting and universal provision of public goods, is explicitly political. The paper cites work by political scientists that convincingly establish the view that the main currency of political competition in India is the provision of direct transfers and benefits to individual households (subsidies, welfare payments, jobs), often at the expense of broad public services (public/preventive health, quality education) that simultaneously benefit many. This argument has been made in broader contexts in the form of “clientelist” or “patronage” politics. Political science research takes the existence of patronage politics as given, or a left-hand-side variable, and then goes on to explore its

impact on political mobilization on the basis of ethnic identity, the right-hand-side variable.

Keefer and Khemani (2004, 2005) reverse the order—we seek to explain clientelism or patronage politics, using social fragmentation and polarization as one of several explanatory variables. In doing so we develop a new perspective on the nature of the inefficiency in resource allocation, which is different from the traditional view of clientelism as the capture of resources by the “elite” in exchange for delivering the votes of the non-elite who can be persuaded or coerced in various ways. We argue that social fragmentation combines with other forces (information asymmetries among voters on actions of political agents; credibility constraints of political candidates) to create incentives for poor or non-elite voters to mobilize to demand policies that deliver targeted and verifiable benefits to their individual households, at the expense of broad public goods that would provide greater benefits to their and other groups.

To exemplify the hypothesis in the context of the Indian case—*dalits* may organize to demand greater provision of in-house latrines to *dalit* households (a classic transfer targeted at *dalits*), *at the expense* of organizing to demand public sanitation improvements in concert with other poor voters from other social groups. Political mobilization around social identity might have the perverse effect of increasing within-group inequality by allowing some members to escape from poverty by availing of group-targeted transfers, with not much effect on increasing general advantage for the group because of fiscal constraints in reaching all eligible beneficiaries. Yet, the hypothesis continues, all group members would vote for the group-targeted transfer because they think they have a better probability of accessing benefits from public resources through their group membership than if resources were allocated to universally accessible public goods.

Devarajan et al (2007) argue that some fiscal policies, of decentralizing bits and pieces of budgets to village level governments (*panchayats*) in India can exacerbate the problem of non-elite mobilization for private transfers to members of their group, at the expense of mobilizing for broad public goods. Decentralization to *panchayats* is skewed in a particular way—they have considerable responsibility and discretion in beneficiary

selection for re-distributive schemes that are group-targeted, and this responsibility is well-publicized, in contrast to their residual and under-emphasized roles in maintaining local public goods that are constructed under national schemes. We argue that when non-elite citizens face such a local government they have incentives to mobilize to demand a greater number of beneficiaries be selected from their group, but at the expense of demanding better maintenance of local public goods, like schools or sanitation from which more members of the groups could receive greater advantage. Local elections would then turn on performance in providing targeted benefits at the expense of performance in maintaining public goods.

Walton discusses political reservations for *dalits* and *adivasis* as a policy response to cultural inequality traps, and cites a growing empirical literature which concludes that reservations increase the likelihood of targeting government program benefits to members of these groups. The extent to which reservations improve overall welfare of the targeted group (e.g., whether increased targeted services come at the expense of public good provision) is still unclear. Keefer and Khemani (2007) shed some light on this by examining a unique public spending program in India—the Member of Parliament Local Area Development Scheme—which entitles every member of the national parliament, elected from single-member constituencies, to substantial resources to spend on local public infrastructure in their districts. We find that in districts that are reserved for SC/STs, politicians spend less effort in using their MPLADS entitlement to bring public goods to the district, especially when they are politically dominant. SC/ST politicians who have been elected for consecutive terms from a district, spend 14 percentage points *less* of their entitlement than other politicians. That is, dominant incumbents from reserved districts are not dominant because they exert great effort in providing public infrastructure to their constituencies. Their dominance likely comes from other kinds of identity-based services, which may not be the optimal way to improve distribution of advantages across and within groups.

Future research could valuably focus on empirically distinguishing between competing hypotheses of the impact of group-targeted preferential policies and its possible trade-off with universal public goods policies.

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