

Draft
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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 behavior 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, 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)

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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 behavior 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. Where the mechanisms involved are self-enforcing 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, in part, with culturally shaped behaviors, including endogenous preferences that can limit the prospects of poorer, or subordinate, groups. So 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.² 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 consider the dynamics of the system, including both cultural dynamics and how these interact with 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

² Note that economic characterizations of poverty traps generally apply only absolute, not relative poverty. See below.

paper more speculative. There is micro support for the view that there are interactions between culturally shaped inequality traps and accumulation. At the macro level, the evidence is less clear, but there is a case for considering 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 a culturally shaped agency is (often) an ingredient of equality of opportunity, going beyond many existing formulations of this notion. In terms of 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” inequality equilibrium, that has a positive causative relationship with growth. 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 endogenous processes within the system, including social mobilization, from elite groups deciding to effect change from above. Either may be influenced by exogenous influences, or endogenous economic and political changes.

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 serves to illustrate 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, of which informal mechanisms for managing the commons is a major example. (See Baland and Platteau, 1996, for an extensive review).

1. 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.³ 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 the 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 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 her life, and the mix of identities that matter to a person can change over time (Sen, 1998). However, which of a person’s many identities matter is a function of the context. We are concerned with group-based affiliations that have potentially significant impacts on the well-being of individuals.

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. Caste is inherited and marriage is confined to people of the same group.⁴ At the bottom of the hierarchy were a group formally outside the caste structure—known in the past as

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

⁴ The ancient classification system was into five hierarchical groups, including four *varnas*—*brahmins* (scholars), *kshatriyas* (warriors), *vaishyas* (merchants), and *shudras* (artisans and laborers)—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. For a brief account of caste see Deshpande (2001 and 2007)

untouchables, because of ritualistic restrictions on contact between higher castes and individuals in these groups—and since independence mainly known as *dalits*. Their occupations were restricted to low status and menial jobs, such as leather tanning, sweeping, or clearing human waste. 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 became the subject of explicit state policy after 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*), including in the Indian Constitution, backed by a series of subsequent policy initiatives to promote their position in society.

The continued relative deprivation is evidenced in measures of human development and expenditure poverty (Tables 1-3). Both scheduled castes and tribes were substantially more deprived in terms of infant mortality and literacy in both 1980 and 2000. There is 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.⁵ 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

⁵ 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.

live). Note that these results are already inconsistent with a most theories of a poverty “trap”, since the latter would imply groups stuck in absolute poverty.

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: NSS.

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, and—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.⁶ 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.

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.

1.1 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. 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, labor 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 it looks similar to what might be found in recent poverty studies undertaken by development agencies, such as the World Bank. (The latter also have descriptive income or expenditure-based statistical accounts of the extent and depth of poverty.) Yet this notion quickly became linked to the view that such a range of attributes were linked to “cultural” aspects of the poor—socialized norms,

⁶ See Rao and Ban (2007) for a brief discussion of the literature.

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 (who are usually bundled into households). 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 income at low levels of spending is generally expected to be greater than the same level of income at higher levels of income).

Within this view, 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 behavior 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 again primitive.

A second economic strand of work 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.⁷ Another would be that they can only save the bare minimum for the reproduction of the household system (e.g. just 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 on trends 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.

⁷ 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.

1.2 Critique

The main critiques we are interested in here come from within anthropology. (We come back to the 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 they advocate for a poverty reduction strategy. They sometimes see empowerment as something that can occur without disturbing overall structures of power, but this was nevertheless an important step for organizations that typically gave limited attention to power.⁸ 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 amounts to a form of

⁸ See World Bank 2000.

“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.)

The second aspect of critiques we would highlight concerns the future. As Appadurai argues, 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 some 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. These views are inadequate as accounts of how culture interacts with social behavior, 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 slumdweller and social activist groups in Mumbai. This is conceived as a capacity to conceive of, plan, organize and take action with respect to future 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 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 incorrectly blaming the victim. This matters for policy design. It can form the basis, implicitly or explicitly, to justify a policy of neglect or punishment for being poor, or, at best, a paternalistic stance. We return to normative and policy questions in the last two sections of this paper.

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 suffered histories of exclusion, lower status, weaker provision of public goods and lower opportunities by 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.

1.3 An alternative: culturally shaped inequality traps

So far the argument has been negative, that the culture of poverty view is an 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 for the poor. Building on the view that culture is essentially relational, this argues that we need to focus on inequality, with effects on the poor reflective of overall relationships between groups. An intuitive definition is provided by Rao (2006): “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, and analytically distinct from a poverty trap. Intrinsic to the concept is the possibility of multiple equilibria in a society, with greater and lower levels of inequality (and also potentially different levels of efficiency). Culture can be an element of this. Second, we outline the different ways in which cultural factors can lead to a relatively high-inequality equilibrium. These have been approached in quite different ways, depending on whether the underlying source of high inequality equilibrium is about information and coordination, or from group-based differences in power, status and stigma.

For those who prefer a formal statement, we develop a simple definition in terms of the dynamics of a general notion of “advantage”.⁹ 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.¹⁰ 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 $u_i^j = u(c_i^j, e_i^j, \phi_t)$ where c^j is the circumstances of the group j , e^{ij} 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 . Similarly, an individual i 's effort levels today may also depend both

⁹ This formalization draws closely on Bourguignon, Ferreira and Walton (2006)

¹⁰ The distinction between circumstances and effort is important to normative concerns, to which we return below.

on past advantage (their own or of a previous generation), and on the *distribution* of past advantages: $e_t^{ij}(u_{t-1}^{ij}, F_{\phi_{t-1}, t-1}(u), \zeta_t)$, 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 .¹¹

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 at time $t-1$: $\phi(F_{\phi_{t-1}, t-1}, \theta_t)$, where θ_t denotes a third innovation at time t .¹² 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 assumed 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

¹¹ 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.

¹² 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.

for this process, a particular long-run equilibrium k^* ($k^* \in K$) as 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 .¹³ 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.

For the sake of abstract simplicity this has limited the definition to a dynamic process with a limiting distribution—that constitutes a long-run equilibrium. In practice, we may more loosely classify as an inequality trap as situation where the process of moving to a less unequal equilibrium is glacial. As already noted in Tables 1-3, there may be some upward convergence of scheduled castes on some indicators in the past couple of decades. But the ideas of distinct circumstances, at least partially endogenous efforts and policies, and of multiple equilibria are useful and intuitive.

The definition is exclusively about the distribution of advantage. Yet we are also interested in levels. This is especially so given the initial motivation of this paper in terms of poverty. If we have an absolute conception of poverty (at least for the comparisons that we are concerned with, whether these are between equilibria, between time periods or between societies), then poverty is arithmetically given by the interaction between average (or aggregate) levels of advantage and their distribution. Thus we are keenly interested in the efficiency properties of alternative equilibria.

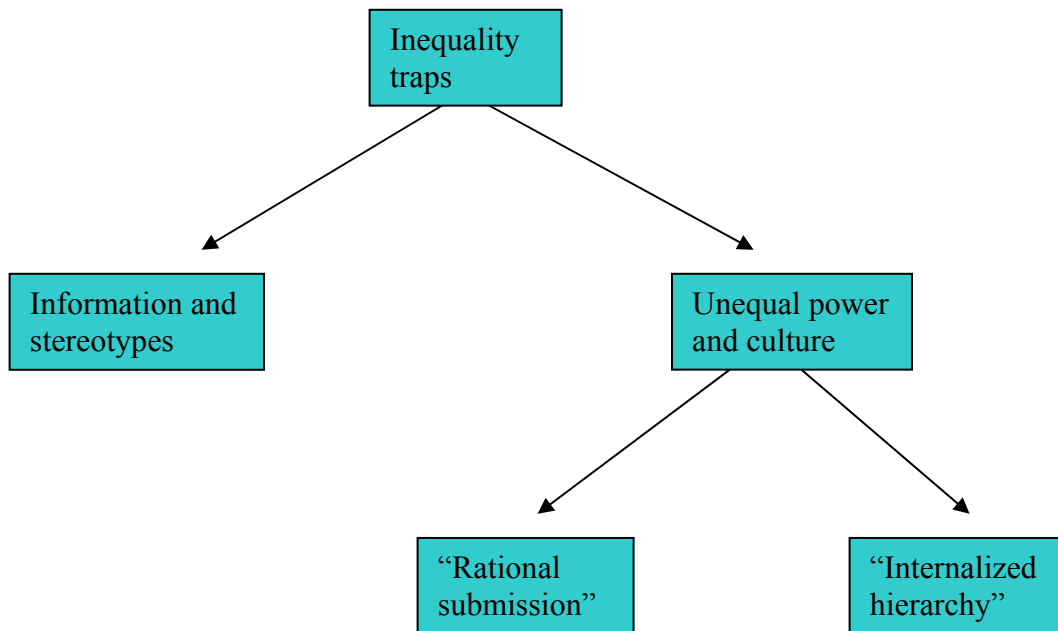
This has so far nothing on culture. Indeed, an inequality trap could be caused by many factors, flowing from economic, political, cultural, environmental or other influences. We focus on cases where cultural factors play a role in supporting a trap, though there

¹³ Dominance can be by a demanding first-order stochastic dominance criterion; or by the weaker, and probably more reasonable, second-order stochastic dominance criterion .

will typically be interactions between cultural, economic and political structures. On this question there has been significant work in both economics and anthropology (or sociology).

While much existing work has not been explicitly formulated to explain an inequality trap, there are a variety of approaches to bringing culture in. We categorize these into three (Figure 1): models, or approaches, driven primarily by issues of information; and two categories of approach where the culture-power interaction is key, that we divide 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.¹⁴ 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.

Figure 1. Cultural factors and inequality traps



Information, coordination and stereotypes. In the first category of approach, a fundamental driver is limited information, often embedded within strategic interactions.

¹⁴ 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.

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, that nevertheless has economic consequences. Views on types may be supported by histories of discrimination, and sustained by social custom. But the underlying driver is cognitive—working out how best to make a decision

Take the results of recent surveys of employer behavior 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 that in the modern, forward-looking company sector, discrimination by caste or other category was a thing of the past (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.”) Now 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-back 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).

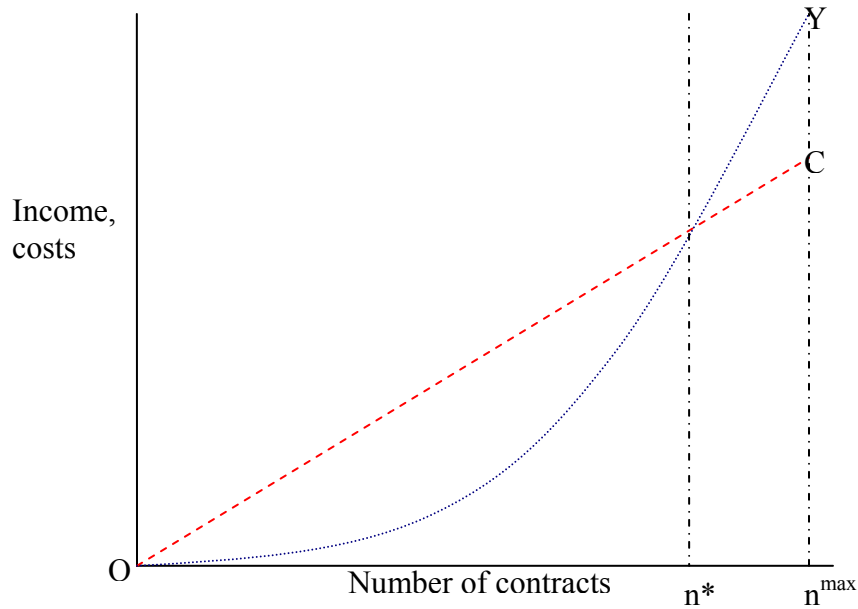
The main question in this kind of case concerns how a “discriminatory” outcome can be a long-term equilibrium, that is a critical element of an inequality trap. Why don’t

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 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 on the underlying productivity, a belief about the extent of social networks of different groups, or about discriminatory behavior 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 a 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. The effects of increasing returns in the number of contracts of a potential entrepreneur



Source: Basu, 2006

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 allocation. Now, 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.) This could raise a new set of significant collective action problems.

As a third variant, there may be induced effects on the behavior of the group with an “inferior” identity. Loury (2002), chapter 2, proposes several conditions under which this can occur for blacks in the United States. In general, 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. If returns to education are lower, because of beliefs of 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.¹⁵

From information to culture and power. This category of 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.

¹⁵ 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.

We suggested above that aspects of culture should be treated as reflecting and sustaining power differences. This takes us to approaches that treat 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. James 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 behavior 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

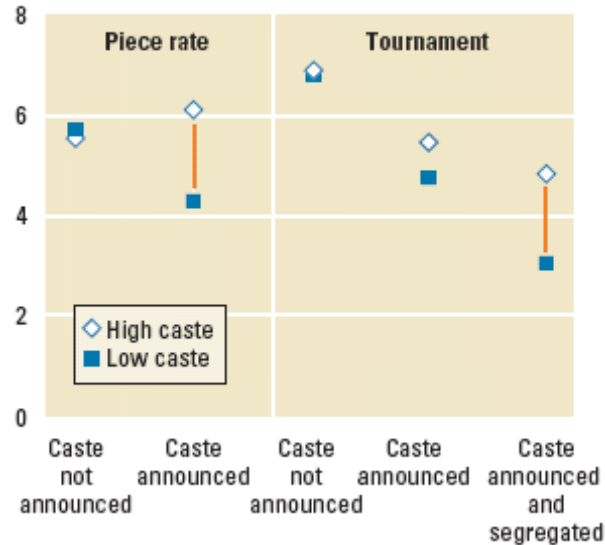
poorer) parts of the African American community. He sees the group as suffering from a “spoiled identity” a product of a historical “racial dishonor”, or “an entrenched if inchoate presumption of inferiority, of moral inadequacy, of unfitness for intimacy, of intellectual incapacity, harbored by observing 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.”

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 piece rate treatment, or for child who did the best in six mazes, in a tournament case (Hoff and Pandey, 2004). 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 was 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 of 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. Results on children's performance when caste is announced

Average number of mazes solved, by caste, in five experimental treatments



Note: a vertical line indicates statistically significant differences.

Source: Hoff and Pandey (2004)

A more recent set of experiments explore the potential impact of caste on behaviors in a contractual setting (Hoff, Kshetramade and Fehr, 2007). 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 behavior 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, with sharing simulating cooperative behavior in an economic transaction. The

focus of the experiment is on the behavior 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* and upper caste 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 that higher caste third party actors are substantially more likely to punish non-cooperative behavior than low caste ones—irrespective of whether the observed transaction is between two members of the same caste as the observer, or mixed.¹⁶ 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.

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 behavior with limited information, in which individuals make use of their beliefs on group characteristics (or stereotypes) to make decisions. Others draw on histories of power and social differences, that underlying contemporary structures of social stratification. In practice resultant behaviors of subordinate groups are likely to be mixture of internalized beliefs, cultures of interaction and rational responses to diminished economic prospects—or the retributions—on the other. 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 in diminish their economic advance. In “freeze frame” 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, and this makes an important difference for diagnostic, normative and policy purposes.

¹⁶ 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.

1.4 Dynamics and transitions

So far we have deliberately structured the questions in terms of long-term equilibria—an essential feature of an inequality trap. But we are 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 a sound 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 involve 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 outcaste. 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). As the economic system evolves the parameters that shape decisions such as these 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, favoring 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 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. In practice 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 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 labor force participation was very 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. We first look at political influences on caste, and then on how caste can interact with political parties.

Evidence for political influences on caste 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 political salience of caste is of particular relevance 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 vote-bank, with a mutual interest between political elites in offering patronage and members of the ethnic group in offering votes. This can again lead to increased salience of the group identity mobilized for political purposes, in relation to alternative identities. This 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. 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 it is useful to explore cultural influences as a constituent of inequality traps, that can usefully be analyzed as examples of 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 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.

2. 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.

2.1 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 the Calvinism was good for capitalism and therefore for the pursuit of long-term growth.¹⁷ 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

¹⁷ In fact Weber himself did not argue for a straight causal relationship but for a more complex “elective affinity.”

consequence of “Asian Values” of thrift, family support and so on. Conversely Deepak Lal argued that rigid social structures, that generated a rather “Hindu rate of growth” of just over 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 such 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 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 started; 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!

2.3 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, though we do not have evidence of how important this is. There is only beginning to be microeconomic evidence of the importance of these processes. It is plausible that the effects are significant, but we can say little about quantitative importance on economy-wide growth processes.

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.¹⁸ 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 the link between Chandra's concept of the interaction between a patronage-democracy and group identity as a vote-bank. There is the potential for both increased salience of a group identity (as an example of the political construction of caste, say) and this further consolidating 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 along group lines interacts with weak provision of public goods (from decent infrastructure to law and order) to support a low growth, high inequality, high corruption equilibrium. 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.

¹⁸ See Acemoglu, Johnson and Robinson (2001) Engerman and Sokoloff (2002) World Bank (2005)

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 confronting 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 involve action to support cultural transformation, including use of theatre and public performance as means of confronting and changing unequal socio-cultural structures and attitudes. 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 were about 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.

3. 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 of section (2),

the question of culture enters in two conceptually different ways: first, as a way in which groups are classified; second, in terms of actual cultural processes.

3.1 *Welfare approaches*

A natural place to start is with approaches in moral philosophy and welfare economics that are concerned with equality of opportunity.¹⁹ Consider a society that is organized into different culturally defined groups—by caste category, *adivasi*, religion and so on. Now most contemporary societies formally take the position that there should be equality of opportunity across such groups, since these are morally irrelevant to outcomes. This is certainly at the core of debates at Indian independence, and incorporated into India’s legal structures. It is fully consistent with traditions of thought that flowing 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 values and does, ranging from quite basic ones such as living a healthy life, to more complex ones, such a participating in the community.²⁰ Individuals may choose different 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.

To be more specific we here follow the approach developed by Roemer (1988)—though again the formalization is only to give more clarity. Roemer abstracts from what is valued, referring to a certain form of “advantage”. He then draws a distinction between “circumstances”, features of life outside the control of an individual, and “efforts” that they choose to exert. Efforts, but not circumstances, can lead to morally justified differences in outcomes. As with the positive discussion of inequality traps above, a person’s advantage level, u , is produced by the interaction between circumstances, c , effort levels, e , and policy ϕ . If assume that policy is a control variable, contrary to the

¹⁹ The first part of this section draws closely on Bourguignon, Ferreira and Walton (2007).

²⁰ See Sen, 1992

earlier positive discussion, then we can think of a society choosing policies that seeks to further the pursuit of equality of opportunity. While this may sound implausible, it is not inconsistent 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.

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 an immense 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 a

definition of an *equitable development policy* as the policy ϕ_t that solves, at time t the following:

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

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

where δ is a discount rate, which we assume constant, for simplicity. Policies affect saving and accumulation incentives, which in turn affect the growth process of μ^j . This policy has the following features:

- (i) it accounts explicitly for the dynamic nature of the development process, the optimal policy is the one which maximizes the presented discounted value of advantages for the least-advantaged type--policies affect saving and accumulation incentives, which in turn affect the growth process of μ^j ²¹;
- (ii) provided that it is consistent with the absence of severe deprivation (defined by having no individual advantage below some critical level \bar{u}_t , which is allowed to vary over time, as a society's definition of deprivation changes²²);
- (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. Thus, forced labor, 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.

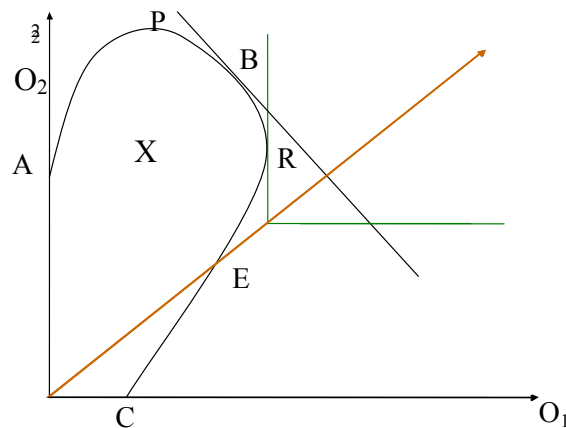
How would this objective compare with alternatives? This can be illuminated by Figure 3. This portrays an “advantage possibility frontier” that defines for two groups the range of potential advantages given the production technology, if resources are deployed

²¹ 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.

²² 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.

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. 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 3. Different choices along an “Advantage Possibility Frontier”



Note: Figure 1 is a reproduction of Box Figure 4.1 in WDR 2006 and, as acknowledged there, is drawn from Buchanan (1976), through Atkinson and Stiglitz (1980).

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 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.)

In the survey of positive analyses, a distinction was drawn between approaches that (usefully) 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 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, that are briefly sketched here.

A good place to start is the endogeneity of effort. In a Roemer-based framework this is, at one level, taken account of via the equal opportunity principle that 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 behavior 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 action—in spending, regulation and so on—that have little to do with these 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 do not 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.

A concept of equality of agency is potentially goes 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.

3.2 Implications for evaluation

What does this imply for the evaluation of the culturally shaped inequality traps that we discussed earlier?

The general approach illustrated by equation (4) and Figure 3 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 the point E and point R in Figure 1. 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.

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 achieve maximize the potential outcomes for, say, the bottom half or quarter of the within-*dalit* or within-*adivasi* .

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 a group. 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 when 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.

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*.

4. Policy implications

So far the paper has argued that culturally shaped inequality traps are relevant in many (most?) socially differentiated societies and that there can be 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 are 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 the internal agency of some groups. All 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 culturally salient groups, and policies that intrinsically involve cultural processes.

Interventions can be organized by along two dimensions. First, they can be categorized by their proximate objectives: whether they seek to directly redress a group-based difference opportunities or outcomes; or whether they seek to enhance the agency of a deprived, subordinate group (that is directly 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 needs of the subordinate group; and policies that directly engage with cultural process.

Table 4 summarizes, with examples of the kinds of policies implied.

Table 4 A categorization of policies to tackle culturally shaped inequality traps

	Policies intended to redress group-based opportunities and outcomes	Policies intended to increase the agency of deprived groups
Preferential policies conditional on group membership	Reservations in jobs and schooling “Tribal” policies	Political reservations 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.

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 of political calculations around political support. Intellectual debate and action by individual actors also mattered—notably, of course, B. R. Ambedkar, himself a *dalit* and the drafter 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 pressures 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—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. 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, including *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.²³

Results have been mixed. The broad brush outcomes summarized in Tables 1-3 indicate worse outcomes for *dalits* and *adivasis* some 60 years after independence, but with signs of convergence for *dalit* groups. Indeed there are particularly noteworthy results from Uttar Pradesh—the most populous Indian state. Between 1993/94 and 2004/05, poverty incidence amongst *dalits* fell from 60 to 45 percent in rural areas, compared with a decline from 38 to 29 percent for “other” groups, while it fell from 60 to 44 percent amongst *dalits* in urban areas, compared with a fall from 32 to 28 percent for “others”(Table 3). This is a rapid relative advance in a State traditionally known for embedded, inertial inequalities (Drèze and Gadar, 1997). It is of interest that Uttar Pradesh is the State where there has been most effective organization and advances of the *dalit*-based BSP, though we have no view here on mechanisms or causation. More broadly, international experience suggests that some group-based differences are highly persistent: the position of race in the United States and indigenous groups in the Latin America are cases in point.²⁴

²³ These were later extended to “other backward castes”, traditionally above *dalits* but below upper castes in the social hierarchy.

²⁴ This is not to say that all group-based differences are so persistent of course: little is heard of the relative position of say Italian- or Polish-Americans, though they too initially arrived as relatively deprived, ethnically distinct groups in the United States.

Table 3 Poverty incidence amongst scheduled castes and other groups in Uttar Pradesh

(in percent)

	1993-94		2004-05		Difference	
	Rural	Urban	Rural	Urban	Rural	Urban
Scheduled castes	60.4	60.1	44.9	43.5	-15.5	-16.6
"Others"	37.6	32.2	29.4	28.0	-8.2	-4.2

Source: NSS.

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. 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. There is a case for much more detailed work on interactions between group-based dynamics and sectoral policies.

In terms of 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. Also relevant is the interaction, noted above, between political party mobilization and *dalit* groups, that was hypothesized by Banerjee and Somanathan to be a causal factor behind the greater relative improvement in provisioning of public goods for these groups, relative to *adivasis*.

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. This has undoubtedly 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. For university graduates there is also evidence of greater difficulties in finding jobs, despite similar qualifications: whether this is due to real differences in unobservable characteristics or the prevalence of stereotyping and stigma amongst employers is hard to disentangle. Where public jobs are embedded within an inefficient, patronage-driven, and sometimes corrupt bureaucracy, the gains are limited to reallocation of rents to deprived groups.

Our understanding is also limited with respect to the design and impact of actions that seek to engage with what we have called cultural processes. The hypothesis is that these are important complements to action in both the political sphere and in areas that seek to improve policy and implementation in delivery of public services—and even less on interactions in private contracting. There is considerable experimentation over changes in local processes, especially in the context of the important decentralization to local representative levels of government under the Panchayati Raj system. However, there is little work that integrates careful study of cultural processes (exploring issues developed in Appadurai's work in Mumbai's slums) with rigorous analysis of consequences.

A richer assessment would require a serious evaluation of specific policies as they interact with other influences. We conclude with two overall comments. First, in designing and assessing policies it is important to see them in the context of the overall system of interactions—as working within complex, unequal systems—not as isolated measures to promote the position of a deprived groups. That is they need to be understood in terms of changing inequality traps, not culturally driven poverty traps! Thus policies linked to group-based membership can change the salience and significance of groups—and lead to incentives for particular categorizations. A contemporary 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. Similarly, we have seen that particular groups can become valuable vote-banks for particular parties—who have incentives to target them as objects of group-linked patronage. Second, policies in different areas will often be complementary. A general hypothesis is of two interesting

complementarities: between measures focusing on strengthening the agency of subordinate groups, and specific policies designed to directly increase equalities of opportunities or outcomes; and between action in the economic and political sphere, and action that works with cultural processes, seeking to render more equal the terms of recognition, and fostering the aspirational, organizational and symbolic capacities of subordinate groups. But these will need to be explored in future work.

4. 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 is illustrative of 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 exploring 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 complement to this positive analysis, the paper proposed a normative approach that draws both on ethical traditions based in equality of opportunity (or equality of capabilities), and recognizes the cultural influences on the capacity of different groups to shape their lives.

Policy analysis needs to integrate both the positive and normative approaches. In terms of structure, India has pursued a range of policies consistent with this, seeking 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. Despite some apparent progress in reducing group-based differences—if more for *dalit* than *adivasi* groups—much more work is needed in understanding the nature of the interactions and their consequences for both equity and growth.

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