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Introduction

Do institutions and networks generate or shape preferences, and if they do, by what mechanisms? What role do these preferences play in the social and institutional contexts in which they were generated? An affirmative answer to the first question was assumed to be true, and was used as a premise by authors as diverse as Aristotle, Alexis de Tocqueville, J.S. Mill and Karl Marx.¹³⁵ Furthermore, authors like Steven Lukes argue that not only can preferences be shaped or generated, but that agents with power can, and in fact often do, induce compliance of those whose interests are opposed to the *status quo* by influencing their desires.

However, the absence of a clear answer to the question on mechanisms, and the epistemic risks of ad-hoc answers to the second question, leads many social researchers to doubt the validity of explanations that assumes the generation or change of preferences to account for complex social phenomena. In addition, the assumption of static, exogenously given preferences, part of the analytical framework of neoclassical economic reasoning, proved fruitful for explaining a wide range of phenomena.

Recently, however, there has been an increasing interest in the social sciences on the ways networks and institutions impact individual preferences (e.g. Bowles 1998, 2004). Arguably, one of the reasons why these questions have received a renewed interest has been the difficulty of accounting for the ways institutions change and persist under changing conditions from the game-theory perspective of self-enforcing institutions (see e.g. Greif and Laitin 2004; Levi 2006). In addition, the development of socio-biology and social psychology has created expectations that a

systematic account of preference formation is attainable (e.g. Witt 1991, 1999; Binder and Niederle 2006). A clear account of the way networks and institutions generate or shape preferences still faces many challenges. In particular, this approach needs to make clear the mechanism that causally links networks or institutions with individual preferences, and to prevent ad-hoc explanations by providing an empirically testable account of when those preferences are likely to be present¹³⁶ and what role they are likely to play. Such an account is necessary for any conception of power that includes individual preferences as plausible targets of power mechanisms (Lukes 1974; Gaventa 1982).

The objective of this paper is to contribute to the intelligibility of preference shaping and generation by pointing to a setting in which endogenous preference formation seems to be required and by suggesting a specific mechanism for such formation. In particular, I look at social and economic changes that transform rural communities, making communal norms unenforceable and promoting new forms of cooperation based on trust and trustworthiness. This occurs in the transition from small rural communities to large urban areas. I argue that in this setting the presence of individual behaviour consistent with no-longer-enforceable communal norms can be accounted for in a better way by preferences endogenous to the rural networks. I offer a mechanism of preference formation as well as an account of when individuals are likely to exhibit such behaviour with empirical implications. I also examine what role those preferences are likely to play, and suggest the ways in which endogenous preferences can illuminate the prevalence of institutions under changing circumstances. I discuss the implications of this account for the debate over the possibility and mechanisms of induced preferences as a form of power. As I discuss in detail, social norms in small rural communities are enforced mainly by the threat of exclusion. Thus, if the argument here presented is correct, it also illuminates how the very threat of exclusion can have far reaching effects on individual preferences. I close the paper with a brief discussion of the implications this account has for the study of exclusion.

I believe that studying the mechanism here presented is interesting both empirically and theoretically. It is empirically interesting because, as I will argue, it is a very intuitive mechanism of endogenous preference formation. It is theoretically interesting because it is a mechanism whose study illuminates ways in which insights and concerns of different areas of knowledge can come together, such as the study of endogenous preferences formation and theories of power that incorporate preferences as the third dimension of power (Lukes 1974), and insights of the network theory.

Groundwork

(a) "Preferences"

Let me begin by clarifying how "preference" is used in this paper. As several authors have noted, "preference" is a problematic term. There are two issues with the way this term is used to explain individual behaviour which are particularly problematic for accounts of endogenous preferences: (1) it can encompass very different mental states, thus its referent is not always clear and one can easily incur fallacies of equivocation and misunderstandings, and (2) the term as used in social science accounts has a wider set of referents than its ordinary use, so some statements that would be highly implausible in the latter case can be plausible in the former.

In accounting for individual behaviour, three kinds of determinants are usually identified: beliefs, capacities and preferences. This implies a negative definition of "preferences" as reasons for actions that are neither beliefs nor capacities. As Bowles notes, these involve a wide range of psychological phenomena that encompass at least tastes, the way in which the individual construes the situation in which the choice is made, and psychological dispositions (Bowles 1998, 79). In contrast, the ordinary definition of "preference" seems narrower. "Preference" is defined in the *Oxford English Dictionary* as "a greater liking for one alternative over another or others". "Preference" defined as "a greater *liking for*" most clearly depicts tastes, while it is further from the way in which the individual

frames the decision situation or some psychological dispositions.

One could plausibly say that an individual's psychological disposition as an extreme risk aversion is an individual's preference in the former sense, i.e., is an attribute that can explain a particular behaviour in addition to beliefs and capacities. However, if the narrower ordinary sense of "preference" was used, that claim would seem awkward; if a psychological disposition of extreme risk aversion leads an individual to a decision, it would be awkward to characterize her as being motivated by a "greater liking". In a similar vein, if an individual's behaviour is determined by the way she frames the decision situation, it probably would not make sense to say that her motivation was "a greater liking". In contrast, if her motivation was a taste, that description would be accurate. In sum, "preference" will be used here in the wider sense, not only referring to tastes.

(b) Motivations for Cooperative Behaviour: from Communal Norms to Trust and Trustworthiness

Let me now give an account of the setting for the analysis that will help us understand the complicated and slippery questions of whether institutions and networks shape preferences and, if so, what role those preferences play. As I have stated, the setting in question is the transition from small rural communities to large urban areas. For the purposes of this paper, the most important characteristic of this setting is the transformation in the way cooperation is motivated.

As Cook and Hardin have argued, cooperation in small rural communities is more efficiently motivated by communal norms which sanction individuals who violate them with different degrees of exclusion, while in large urban areas cooperation is more readily attained through dyadic relations of trust and trustworthiness (Cook and Hardin 2001). Small closed communities and large cities are strategically different, so we can see why that would be the case. In order to be able to generalize my argument later on, let me briefly introduce four taxonomic categories to contrast these networks: density, coverage, tie strength, and homogeneity.

1. Density is a structural property of networks that indicates the extent to which their members are interconnected; hence, "the more of a person's associates who are associates of one another, the denser his or her network" (Fischer 1982: 139). Networks in small rural communities are very dense while urban networks tend to have lower density.¹³⁷

2. Coverage is the property of the network that describes the realm of potential cooperation covered by the network (Cook and Hardin 2001). In other words, the coverage of the networks determines in how many different ways the members of the network are involved with each other. This property has also been called "multistrandedness" (see Fischer 1982), and it can be formally defined as "the ratio of people's social activities to their social partners – 'social' defined most broadly" (Fischer 1982: 144). Small rural communities tend to have a large coverage since their members tend to have a very multiplex cooperation with each other, while urban areas tend to have a low coverage.¹³⁸

3. Strong versus weak ties is a distinction that applies to dyadic relations, and so at the network level the distinction to be made will be between networks that are mainly composed of weak ties and networks that are mainly composed of strong ties. The strength of a tie is defined as "a (probably linear) combination of the amount of time, the emotional intensity, the intimacy (mutual confiding), and the reciprocal services which characterize the tie" (Granovetter 1975: 1361). Urban networks have a larger proportion of weak ties while rural networks have larger proportion of strong ones.¹³⁹

4. Homogeneity is a characteristic of the network that tells us how similar the members of the network are with respect to certain background features. Hence, this characteristic of networks is not structural, but tells us something about the features of the members that constitute the network. The type of homogeneity that is relevant here is what resources individuals bring to the cooperative endeavour. While rural communities tend to be more homogenous in this respect, urban areas, where there is larger division of labour, tend to be more heterogeneous.

Now we are in a position to understand why rural networks more efficiently produce cooperation through communal norms while urban networks rely on trust and trustworthiness.

On the one hand, cooperation through social norms is enabled by (1) a higher density, (2) a wider coverage, (3) a larger proportion of strong ties, and (4) a higher degree of homogeneity regarding the resources each individual brings to the cooperative endeavour since they facilitate the enforcement of communal sanctions and lower their cost. Networks with characteristics 1 to 3 facilitate the acquisition of information about individual behaviour that contravenes communal norms and provides ample opportunities for monitoring and sanctioning (Cook and Hardin 2001: 334). Homogeneity regarding the resources each individual brings to the cooperative endeavour lowers the cost of the norms of exclusion in these networks by providing an easy replacement for any ostracized individual.

On the other hand, when networks have very low density, a narrow coverage, and a low proportion of strong ties, the enforcement of norms of exclusion becomes unfeasible. Then, cooperation tends to be achieved by establishing dyadic relations over specialized realms where each partner can obtain higher benefits from an ongoing relation than by defecting; relations where each partner has an interest in attending to the other's interests because each wants the relationship to continue (Cook and Hardin 2001; Hardin 2002). In other words, in these contexts, cooperation is achieved through relations of trust and trustworthiness (see: Hardin 2002).¹⁴⁰

In sum, cooperation in modern urban areas and small rural communities is motivated differently, and this fact follows from the different capacities of enforcement that each type of network enables. Hence, the setting which I claim can illuminate the endogenous generation and shaping of preferences – i.e., the transformation from rural communities to urban areas – can be characterized as a setting where communal norms become unenforceable. I will now argue why this setting is interesting.

When Communal Norms Become Unenforceable

As has been discussed, incorporating preferences endogenous to networks or institutions in our accounts of complex social phenomena, while appealing and arguably even necessary to account for complex dynamic phenomena like institutional change, entails several difficulties. One of these difficulties is to provide evidence that this is in fact the case. This problem becomes even harder if, as arguably is often the case, preferences that are endogenous with respect to a specific socio-political setting reinforce the incentives and constraints of that setting.

Let us take the setting of a small rural community. As already discussed, in small rural communities individuals are under the strong threat of exclusion which motivates cooperative actions. To claim that living in such a setting shapes individual preferences, it is necessary to distinguish the effects that the threat of communal sanctions has on individual actions from the effects that living in such setting has over individual. Now, if in addition it is claimed that those endogenous preferences reinforced the status quo, it would be problematic to provide reliable evidence in favour of such a claim, since the effects of those preferences would be behaviourally equivalent to the effects of communal norms backed by sanctions. In this case, using Ockham's razor, the hypothesis that the relevant behaviour is only based on the threat of sanctions would be considered more epistemologically sound.

Social and economic transformations that rapidly transform closed rural communities into urban areas where communal norms are no longer enforceable provide the opportunity to falsify my claims. If the only motivations for individual behaviour that reinforced the status quo were the threat of communal sanctions, then an automatic and universal behavioural adjustment should be observed. Since communal norms are no longer enforceable, rational actors would no longer behave as they did when they were. However, there is ample evidence that, in these settings, such behavioural adjustment is neither automatic nor universal. Individuals that live these great transformations adjust at different rates

to the new setting; some maintain “inertias”, exhibiting behaviours consistent with the no-longer-enforceable norms and rejecting the new forms of interaction, while others will adjust easily to the new setting.

Notice that to make plausible the claim that such diversity constitutes evidence in favour of the presence of endogenous preferences, I need first to discuss whether an account of the non-adapted behaviour without giving up the assumption of exogenous preferences can be given, and second to provide a consistent account of why such diversity is observed, i.e., why not all individuals behave in accordance with the postulated preferences. Let me go over the former now and the latter after I have discussed a mechanism by which networks may shape preferences in the following section.

If living in a rural community where non-cooperative behaviour was collectively sanctioned and behaving in ways coherent with communal norms did not have any impact in the individual's preferences, how can the behaviour of those who do not adjust automatically be accounted for? One could either say that their behaviour is ungrounded and completely irrational, or posit that they have cognitive difficulties (e.g., they wrongly believe that norms are still enforceable).

The former option is not satisfactory, as it would imply that you would have to assume that those individuals were rational only as long as they behave as predicted by such an account (i.e., acting in agreement with the communal norms), and that they become irrational as soon as they do not. The latter option, while more plausible, faces the problem that it would arguably need to ascribe some kind of cognitive dysfunction to those individuals, since the evidence that great social transformations occur when they do is overwhelming. Furthermore, it would need to posit systemic dysfunctions to the groups of persons that have been found to present systematically the behaviour in question. A further difficulty would be faced if individuals who do not adapt tend to explicitly disapprove of the changes in their societies, which would imply their knowledge that those changes have occurred. While above, Ockham's razor leads us away

from the account that adduced endogenous preferences, the assumption of rationality and cognitive competence leads us now to it.

However, as noted above, to make the thesis that “non-adapted” behaviour can be accounted for by the presence of preferences endogenously generated in rural contexts, a plausible account of the heterogeneity of behaviours during and immediately after the process of transition from a rural community to an urban area would need to be explained. In order to address this question in a clearer way, let me first suggest a causal mechanism of preference formation or shaping.

A Mechanism of Preference Formation

The mechanism I want to suggest here links preferences – in particular, certain psychological dispositions – with the kind of networks individuals in small rural communities have through the cognitive motivations that lead those individuals to comply with communal norms. Thus, the first step is to show that such networks produce certain beliefs that induce compliance with norms of exclusion, and then to show that such beliefs are likely to lead to certain psychological dispositions.

As I discussed in the first part of the paper, cooperation in small rural communities is most efficiently obtained by communal norms backed by sanctions. I discussed how the high density level, the large coverage, the high proportion of strong ties and homogeneity made the collective enforcement of norms of exclusion more efficient by enabling cheap diffusion of information, monitoring, and sanctioning. This account is given from a third-person perspective, and explains what makes *collective* enforcement of norms *possible*. However, for the purposes here pursued, a first-person account that explains why this threat is enough to motivate compliance with those norms is needed. Arguably, for such a threat to be sufficient, the individual needs (1) to consider that it is *credible* that *she* would be sanctioned if she does not comply¹⁴¹, and (2) to believe that such sanctions would be more costly than the benefits she would obtain by not complying with communal norms.

She will consider the threat *credible* if she believes that it is *common knowledge* that her community has little or no *dependence* on her. Here I am using Lewis' notion of common knowledge. Thus to say that it is common knowledge that they have no dependence on her is to say that there is some state of affairs (*A*) such that: (1) All members of the network have reason to believe that *A* holds, (2) *A* indicates to everyone in the network that everyone in the network has reason to believe that *A* holds, and (3) *A* indicates to all the members of the network the degree of dependence that they have with regard to her (Lewis 1969: 56).

Now, what is the state of affairs (*A*) that provides the members of the network with the common knowledge of the degree of *dependence* they have with regard to that specific member?¹⁴² Following Emerson, the degree of dependence will be determined by: (1) the value that the members of the community ascribe to that member's resources, and; (2) the available supply of those resources from other sources (Emerson 1962: 1964; Cook and Emerson 1978).¹⁴³ For example, suppose Alicia is a member of a Mexican rural community. Then, some elements of the state of affairs that arguably indicate to all the members of her network that they have no dependence on her could be the fact that she mainly brings unskilled work to the cooperative endeavour, and that such work could be done by almost every other person.

Now, as has been said, for the threat of exclusion to be sufficient to motivate cooperative behaviour with (often very costly) communal norms, the individual also needs to believe that such sanctions would be more costly than the benefits she would obtain by not complying with communal norms. A social group may credibly threaten an individual with exclusion and the individual may still refuse to comply if she considers that norm too costly. How costly a given norm of exclusion is depends on the degree of dependence that individual has on the *community*, i.e., how much she values the resources of the community and the availability of alternative suppliers of those resources.

Note that the *availability of alternative suppliers* needs to be established

from the perspective of the individual in question. Thus, for example, if it was going to be incorporated as an explanatory device into Edward Banfield's classic study about a village in southern Italy, Montegrano, where he explains its extreme poverty largely by the inability of the villagers to cooperate, the focus would need to be the villagers and not on Banfield's evaluation of all their possibilities to become part of a supplementary network (Banfield 1958). When considering the possibilities of migration that villagers have, Banfield tells us, "about Australia, another possibility, very little is known [...] there is no place where the peasant can get a reasonable accurate account of the possibilities (to migrate abroad)" (Banfield 1958: 59). Hence, in order to establish the degree of dependence of a given villager on her network, her *objective* possibility to migrate to Australia would not be considered.

In sum, the threat of exclusion would be sufficient to motivate an individual if she believes (1) that it is common knowledge that the community is not dependent on her, and (2) that she is highly dependent upon them. Let me now briefly show how these beliefs are caused by the characteristics of the individual network using the categories I introduced in the first part of the article.

All things being equal, the larger the coverage of a given network, the greater the dependence a given member will have upon it. A greater coverage implies that a larger number of resources would be lost if cooperation were withdrawn. Thus, an individual would perceive as more costly the exclusion from a network that covers $x+y$ areas than one that only covers x , and would believe that she is more dependant in the former than in the latter.

As I have discussed, the density of small rural communities enables the collective capacity to sanction individual defection. This capacity transforms the relation of dependence between individuals. I could have little dependence on you if I consider your individual resources in isolation, but I may still not be able to defect from you in an exchange since that could be sanctioned by the whole community. In other words,

if our exchange takes place in a very dense community, my dependence on you may be greater than it would be if it did not (one of your resources is that you can recur to our common relations and make my defection more costly). Thus, arguably, density fosters individual perceptions of dependence on each of the network's members.

Homogeneity with respect to the resources of a network's members tends to decrease their dependence on the average member since it increases the available suppliers of her resources within the network. This is the case as long as the extent that the cooperative interaction and number of the network's members does not prevent this kind of inner-network substitution.¹⁴⁴ However, these conditions are not found in the rural networks that are the focus of this paper.¹⁴⁵ Given that the credibility that a norm of exclusion will be enforced against a specific member depends on the dependence of the community in relation to that individual, then the more homogenous the community is, the more credible this threat will be for the average member.

Finally, let me discuss how a greater proportion of strong ties will tend to increase individual perception of dependence on the network. In order to do so, I need to introduce Granovetter's definition of "local bridges". Local bridges are "ties between two persons that are the shortest (and often the only plausible) route by which information might travel from those connected to one to those connected to other" (Granovetter 1983: 217). Now, given that networks composed of strong ties are – as discussed – highly dense, it follows that all local bridges are weak ties (note that it does not follow that all weak ties are local bridges) (Granovetter 1983: 217).

Granovetter argues that local bridges are very important for individuals since they are the means through which vital information can be transmitted. Among the information that local bridges enable, the most important, for the purposes of this text, is the information regarding potential collaborators outside a cooperative network, with whom one could collaborate if one became ostracized. If so, having a great proportion

of strong ties grounds the belief of greater dependence.

In sum, I have shown that being a member of a dense and homogenous network with a wide coverage and a large proportion of strong ties will ground two important beliefs in the average member: (1) that it is *credible* that *she* would be sanctioned if she does not comply with communal norms, and (2) that such sanction would be more costly than the benefits she would obtain by not complying. Let me now argue that these beliefs are likely to lead to certain psychological dispositions that would reinforce the communal norms.

How is growing up and living with these beliefs likely to impact individual attitudes toward actions that violated social norms? Attitudes are "learned predispositions to respond in a consistently favourable or unfavourable manner with respect to a given object [or action]" (Fishbein and Ajzen 1975: 6). As an individual forms a belief with regard to an object or an action, he simultaneously forms an attitude towards it (Binder and Niederle 2006).

Growing up and living with the belief that breaking social norms will be more costly than the benefit of not complying with them will very likely produce a negative attitude toward norm-breaking in general, and towards disregarding the content of the effective norms in particular. Therefore, those specific actions would tend to be negatively evaluated by the members of the community, while actions consistent with norms will be evaluated favourably. Clearly, such evaluations would reinforce the communal norms in question.

In addition, it is worth noting that those evaluations are likely to be reinforced independently of the above individual beliefs by the processes of cultural learning, including schooling and child rearing (see Bowles 1998). In such contexts, a child is likely to learn that the content of communal norms is good, and that what they promote is valuable.

In this way, I close the account of the mechanism that I suggest links preferences with the kind of networks individuals of small rural communities have through the cognitive motivations that lead those

individuals to comply with communal norms. Clearly, since attitudes have a cognitive base, they can change; with new experiences I can come to regard favourably actions of which I used to disapprove. In this section, the point was to make a case for the formation of those attitudes based on the above beliefs. In the next section, I will present an argument for why the negative evaluations about disregarding specific norms may rationally persist in some individuals even when those norms are no longer effective. Let me return to the case of Alicia, the member of a rural community. The common knowledge that the members of her network have no dependence on her, while she depends on them, is likely to make her value more her membership and participation in her community, and to acquire a negative attitude towards norm-breaking in general, and towards disregarding the content the communal norms that so effectively sanction her behaviour.

Explaining Behaviour once Norms are no Longer Enforceable

I have argued that the social transformation that takes place in the process of urbanization of rural areas brings with it a very good opportunity to explore the presence of preferences endogenous to social networks. I have suggested that the presence of those preferences provides the best account for behaviour consistent with communal norms once these norms are no longer enforceable. For such a hypothesis to be plausible, I must give an account of the diversity of behaviours observed in these settings, an account that clearly points to the possible determinants of such behaviours and that has testable implications.

As I argued in the first section of the paper, urban and rural areas are strategically different. In particular, in large urban areas, individuals have incentives to develop relations of trust and trustworthiness to attain cooperative behaviour. Now if, as I have suggested, growing up and living in rural networks promotes the formation of preferences consistent with communal norms, then it would be expected that the average individual in a setting of very recent and rapid urbanization would have a mix of some

endogenous rural preferences (e.g. some rural attitudes), some incentives given by the new social context, and some given preferences (e.g. needs or innate wants, see Witt 2001). Whether an individual acts on her “rural” preferences will depend on the perceived benefits of doing so vis-à-vis acting in ways consistent with the new social context.

The first thing to note is that not all individuals are equally placed in the new urban context. Some individuals have resources that are more valuable in this context, and thus they are more likely to encounter partners easily with whom they can establish beneficial trust relations. Other individuals would find it much more difficult to do so, having ultimately no other option but to depend on cooperation from their strong ties. All things being equal, the closer a given individual is to the former case, the greater the cost of acting on his rural preferences will be. This gives us the first testable implication of this account: individuals with more and more valuable resources for the urban setting (e.g. years of schooling) will be less likely to exhibit behaviours that are in agreement with “rural preferences.”

In this connection, it may be interesting to note that the above account may enable an explanation of the presence of “conflicting feelings” that some otherwise “well adapted” individuals present in contexts of great social change. For instance, it may explain the internal conflict that some women who belong to the first generation of professional females have for not being full-time caregivers of their children or parents. Being raised in a social context where social norms assign those roles to women, they are likely to have acquired correspondent attitudes, which make them evaluate in a more favourable way behaving in those fashions. While acting on those preferences may be too costly, those preferences may still increase the perceived trade off, creating internal conflicts.

It is also important to note that not all behaviours promoted by rural norms have the same degree of conflict with the incentives of an urban environment, and thus acting on preferences consistent with them may have different costs. Thus, all things being equal, individuals will more

commonly behave in accordance with “rural preferences” that entail less cost. For example, in rural Mexico it is a norm to invite visitors to a meal or a drink (and for the visitor to accept it).¹⁴⁶ Another common norm is that of the *mayordomía*, which compels the individual(s) with greater earnings in a given year to provide funding for the community’s annual party.¹⁴⁷ While growing up in such social contexts will arguably promote positive attitudes toward offering food and drink to any visitor and to organizing great parties in a good year, an individual will be more likely to act on the former than on the latter once the correspondent social sanctions are not enforceable.

As time goes by and new generations are born in the urban setting, behaviour consistent with communal norms will tend to disappear. However, a few of these behaviours, the ones that entail no or very little costs may survive. This behaviour will arguably be motivated by preferences consistent with rural norms, which originated in previous generations that lived in a rural setting and were transmitted to new generations by mechanisms of cultural reproduction.

To explain the divergence of individual behaviour, an important element will be the strength of rural attitudes and the likelihood of having other preferences trumping them. Attitudes, as discussed, are formed as a person forms beliefs about an object or an action. They respond to the experiences of the stimulus object or action. Thus, the strength of the attitudes will be arguably grounded, at least in part, on individual experiences. For instance, all things being equal, a person who lived most of her life evaluating certain actions unfavourably will have a stronger attitude toward this action than if she has just acquired it. Thus, one would expect older people to have stronger rural preferences than younger ones and thus to be more likely to act on them.

In sum, individuals with different resources, capacities, and traits would be expected to act differently in a setting of rapid and recent urbanization. Some will exhibit behaviours that are consistent with communal norms that are no longer enforceable, and among those behaviours the ones that

entail lower costs will be more likely to survive. Let me finally go over two pending issues: the role that endogenous preferences are likely to play given the account presented here, and the consequences this account has for the discussion of the possibility of derivatively induced preferences and the role that the very threat of exclusion has in the enforcement of social norms and the endogenous formation of preferences.

Further Consequences of the Account

(a) The Role of Endogenous Preferences

In the account here presented, the characteristics of a network have an impact on each of its members' beliefs regarding dependence on partners, and their dependence on them. These beliefs, on the one hand, motivate members to act in cooperative ways, and on the other, promote the formation of corresponding preferences, in particular, attitudes and values that reinforce the cooperative behaviour. In times and areas when the communal norms are effective, endogenous preferences would not play a significant role in motivating cooperative behaviour, since the incentives and given preferences would be sufficient (i.e., this behaviour would be over-determined). However, when those norms are less efficient, for instance, they are weakened by an external shock; the endogenous preferences can play a conservative role. For example, they can create inertias that oppose governmental policies that promote new behaviour in rural communities. Clearly, if the shock is too strong, such as that of a process of urbanization, those preferences would not be able to create an effective opposition to change.

Moreover, as I have noted, even as dense networks with a large coverage are very effective in monitoring individual behaviour, such monitoring always implies some costs and it may not be possible with regard to all behaviours all of the time. In those times, and with regard to those behaviours, endogenous preferences may play a role in motivating behaviour consistent with norms. For instance, it may motivate a woman to behave in agreement with communal norms during a short trip, even

when she has strong reasons to believe that there is no effective monitoring in place. Here it is important to note that for this to be systematically maintained (in particular if the behaviour entails considerable costs) a background of effective enforcement would be needed.

If, as I have claimed, networks and effective institutions, which put in place incentives for individual behaviour, promote the formation of endogenous preferences, this account could be used to explain both conservative inertias that increase the cost of policies to transform behaviour, making the establishment of new effective incentives harder, as well as specific behaviours that reinforce the equilibrium in the absence of very effective constraints that may be important in particular junctures.

Let me provide an institutional example. It has proven difficult in many countries to increase the rule of law, even when important political and legal changes have taken place, transforming an important part of the incentives of office holders. The difficulty may in part be explained by behavioural inertias created by endogenous attitudes. Increasing the rule of law implies transforming the behaviour of many office holders, for instance local prosecutors, who may be used to behaving in accordance with network norms (e.g. those of their community or their political party) or with relations of trust and trustworthiness (e.g. overlooking the illegal behaviour of some partners).

In this setting, political transformations tend to diminish the effectiveness of some of the previous norms (e.g. by reducing the benefits that a political network is capable of delivering), and institutional changes that accompany them tend to make those behaviours more costly (e.g. by creating supervisory institutions). However, if present, endogenous preferences (e.g. looking favourably upon “loyal behaviour”) may increase the costs and time required to change office holders’ behaviours, in particular in cases where monitoring is not effective. Note that in a country with a history of adhering to the rule of law, endogenous attitudes may be important to reinforce the equilibrium in areas or cases where monitoring is very costly or in critical junctures where exogenous shocks

threaten the equilibrium, and thus help to account for its persistence over changing circumstances.

(b) On the Possibility of Inducing Preferences

Whether or not preferences can be deliberately induced has been a very controversial issue. On the one hand, some authors, among whom Steven Lukes has a leading role, argue that individuals with more power are in a position to induce preferences in less powerful individuals; preferences that reinforce the equilibrium.

Is it not the supreme and most insidious expression of power to prevent people, to whatever degree, from having grievances by shaping their perceptions, cognition and preferences in such a way that they accept their role in the existing order of things, either because they can see or imagine no alternative to it, or because they see it as natural and unchangeable, or because they value it as divinely ordained and beneficial? (Lukes 1974, 24)

In a very different approach, but still supporting the possibility of preference inducement, Gary Becker argued that the preferences of the lower class are shaped by the upper class but “in this approach the upper class does not ‘brainwash’ other classes, for they voluntarily allow their preferences to be induced” (Becker 1996: 226). In Becker’s account, upper classes have the capacity to trump free-riding and act collectively to create norms which shape the preferences of the other classes. However, the members of the other classes must decide “whether to ‘allow’ the norms to become part of their preferences” (Becker 1996: 226), and they will do so if they are compensated for such changes if the changes lower their utilities (Becker 1996). On the other hand, some authors, like Jon Elster, have argued that this inducement is impossible. In particular, Elster has strongly criticized authors like Lukes, arguing that their position entails what he calls the *Intellectual Fallacy of By-Products* (Elster 1983: 44).

What does the account of preference formation presented in this paper have to say about this debate? The account of preference formation presented here supports the feasibility of theories that consider preference

inducement to be a form of power (Lukes 1974). While I would grant Elster's criticisms regarding the inducement of preferences that are generated through a process of dissonance reduction (i.e., the adaptive preferences), I argue that his criticisms would be misplaced regarding endogenous preferences originated through other processes, like the one here presented. Let me first give a brief account of Elster's argument.

About states that are essentially by-products Elster says:

Some mental and social states appear to have the property that they can only come about as the by-product of actions undertaken for other ends. They can never, that is, be brought intelligently or intentionally, because the very attempt to do so precludes the state one is trying to bring about. (Elster 1983: 43)

Elster's examples of such states includes sleeping, appearing indifferent, having an empty mind, and spontaneous laugh. What concerns me here is the subcategory of *mental* states that are essentially by-products. To claim that some mental states are essentially by-products is part of the broader and well known claim that the will to have certain mental states is not enough to bring them about.¹⁴⁸

Elster identifies two fallacies that ignore the specific character of states that are essentially by-products: *the intellectual fallacy of by-products* and *the moral fallacy of by-products*.¹⁴⁹ The former fallacy takes place when we observe that a desirable or useful essentially by-product state is present, and we infer that such a state was the result of an action designed to bring it about, "even though it is rather a sign that no such action was undertaken" (Elster 1983: 44). The mere attempt to bring it about would have blocked it.

It is important to note that, for the critique to hold, the preferences in question need to be states that are essentially by-products, since clearly not all mental states are. That is, for Elster's critique to be valid for all preferences, he must provide an argument showing that all preferences are essentially by-products, and hence are incapable of being brought

about by any action directed to do so. Elster does not provide such a general argument: he only provides a much more specific argument that holds that certain kinds of preferences, the adaptive preferences, are in fact mental states that are essentially by-products. It is important to note that the argument relies on a feature very specific to "adaptive preferences" which does not apply to other endogenously generated preferences. For a preference to be adaptive, it must not only respond to the set of alternatives that are judged to be feasible, but most importantly it must "overwrite" a previous conscious preference. Thus, preferences that do not overwrite previous preferences (e.g. values and attitudes acquired in the community in which one is born and raised like the ones this account focuses on) would not be affected by Elster's argument and could, at least *prima facie*, be induced.¹⁵⁰

As I have argued, for the hypothesis of preference induction to be grounded, a mechanism of preference induction, a mechanism that connects some individual deliberate acts with preference formation in other individuals, is needed. The mechanism I have presented here links networks with preferences and thus, using Hayward's words, is a de-faced account (Hayward 2000). However, it could be extended to "give it a face" by adding an extra link. Under this account, one way in which preferences could be induced is by shaping the networks in which those whose preferences one wants to affect *are raised and live*. Note that such an account of preference inducement would differ from Becker's since it would not presuppose preference transformation, or compensation for the change. This account would also be less direct and would not imply that the individuals whose preferences are induced "allow" such in inducement.¹⁵¹

Let me provide an example of how such inducement could work. Some close communities impede the schooling of their young when they are required to pass the borders of their community. For example, the Amish community in Wisconsin sued and won a case before the Supreme Court of the United States that allowed them to restrict the education of their

children below the legal requirements.¹⁵² By restricting education to their children, these communities are reinforcing their communal norms in two ways. First, by lowering their human capital they make the children more dependent. Second, they are shaping their children's networks, making them denser (e.g. there is hardly anyone they know who is not known by their parents), with a larger coverage (e.g. their primary school teacher may also be a relative), more homogenous, and with an overwhelming proportion of strong ties. Thus, following the mechanism I presented in this paper, it would be expected that those children would acquire attitudes and values that will reinforce the communal norms.

To see in detail how this mechanism would work, let me return to the example of Alicia, the girl raised in the rural community I previously discussed. Suppose her father denies her basic education, prohibiting her attendance to the primary school located kilometres from her community. As just argued, by doing so her father is reinforcing the efficacy of the communal norms on her by lowering her human capital and making her network denser, with a larger coverage and with a larger proportion of strong ties. Now, Alicia and her network partners have access to this state of affairs and hence form beliefs of her relative dependence on her relations and her low capacity to turn to alternative partners on cooperative endeavours. But if this is the case, Alicia's knowledge of such a state of affairs will make her value her membership and participation in the community more, and she will consequently acquire positive attitudes towards the content of communal norms. Hence the effectiveness of her network's norms of exclusion on her will be enhanced. In conclusion, by shaping her network, Alicia's father has succeeded in shaping her preferences in a way that induces her to comply with a *status quo* that is arguably detrimental to her interests.

Conclusion

A clear account of the way networks and institutions generate or shape preferences needs to make clear the mechanism that causally links net-

works or institutions with individual preferences, and to prevent ad-hoc explanations by providing an empirically testable account of when those preferences are likely to be present, and what role they are likely to play. In this paper, I argued that the social and economic changes that transform rural communities, making communal norms unenforceable and promoting new forms of cooperation based on trust and trustworthiness, create a good opportunity to explore these issues in a restricted setting. I argue that, in this setting, the presence of individual behaviour consistent with no-longer-enforceable communal norms can be accounted for better by preferences endogenous to the rural networks. I also presented a mechanism of preference formation, and an account of when individuals are likely to exhibit such behaviour, with empirical implications. I further presented an account of what role those preferences are likely to play and suggested the ways endogenous preferences can illuminate the prevalence of institutions under changing circumstances. I argued that this mechanism improves the feasibility of theories of power that incorporate induced preferences.

Finally, let me briefly discuss the implications that the account here presented has for the study of exclusion. This account illuminates a form of exclusion that is sometimes overlooked, namely exclusion used as sanction against individual behaviour that violates social norms. In this case, the target of exclusion is an individual, not a group defined by common characteristics (e.g. women). In this text I used the example of rural communities, but it is worth noting that norms of exclusion are effective in other types of cooperative networks that share all or most of the characteristics here discussed (i.e., high density, large coverage, and high proportion of strong ties), such as certain social clubs.

It is also interesting to note that while the threat of exclusion from cooperative endeavours is common to the members of groups that use it as an enforcement mechanism, the force that such a threat has on individual behaviour varies from one individual to another. In particular, as has been argued, such a threat would be more effective on individuals with lower

human capital and who belong to cooperative networks that are denser, with a larger coverage, and with an overwhelming proportion of strong ties. Because exclusion is more costly for such individuals, they are more likely to abide with norms even if they are oppressive. Furthermore, if the account here presented is correct, the threat of exclusion would play an important role in the formation of endogenous preferences that reinforce social norms of rural communities and other cooperative networks of similar characteristics. This, I believe, is evidence of the weight that even potential exclusion can have on individual lives.

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