



Wissenschaftszentrum Berlin
für Sozialforschung



PEP1.5 Final Symposium

**Integrating diverse social sciences towards
quantitative modeling of demand-side solutions**

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Main themes of this presentation

- Role of social ties, peer effects, and social norms for environmentally friendly behaviors and decarbonization
- Interplay between monetary and non-monetary incentives
- Motivated beliefs

Theory: Are social norms beneficial?

(Akerlof QJE 1980)

Norms do not necessarily erode if they are bad for everybody in the group. Why?

1. A norm is defined as a moral expectation shared by a group of people, entailing moral indignation aimed at deviators.
2. Survival of a norm does not only depend on the (material) attractiveness of following it, but also on the number of followers. Thus, norms do not always promote self-interest nor common interest.

Evidence: Norm enforcement

(Bandiera, Barankay, Rasul QJE 2005)

- Norms can be internalized and/or reinforced by external sanctions.
- **Field experiment: relative performance pay**
Public observability makes norm adherence more frequent.

Public observability is likely to matter for environmentally friendly behaviors.

Evidence: Do social ties increase peer effects?

(Bandiera, Barankay, Rasul REStud 2010)

Social distance determines the power of peer effects.

- **Field experiment: individual performance pay**
Compared to when she has no social ties with her co-workers, a worker's productivity is significantly higher when she works next to friends more able than her, and significantly lower when she works alongside friends less able than her.

For environmentally friendly behavior, peer effects can be higher among people with social ties.

Norms can interfere with climate policy

(Jakob, Kübler, Steckel, Van Veldhuizen, JPubE 2016)

Widespread criticism of emissions trading and carbon offsets:

- “Congress’s new cap-and-trade scam would put the Church’s indulgence scheme to shame.”
(Earth Island Journal, 2006)
- “The strategy of buying and selling carbon credits [...] may simply become a ploy which permits maintaining the excessive consumption of some countries and sectors.”
(Pope Francis, 2015)

Social norm/ moral responsibility

(Jakob Kübler, Steckel, Van Veldhuizen, JPubE 2016)

Lab experiments show

- Social norm to clean up one's own mess
- Immoral to buy one's way out of this responsibility

Can explain people's resistance to emissions trading and carbon offsets.

Theory: Can norms be changed?

(Kübler JLEO 2001)

1. Changing monetary incentives to follow or break a norm.
2. Changing the content of the norm or convincing actors that following the norm is inappropriate („norm entrepreneur“ discredits the norm).

Example: Norm to fly around the world to give talks and attend conferences

- Ad 1. Provide monetary incentives or prizes to people who break the norm (raise costs of plane tickets, skype etc.)
- Ad 2. Use advertisement campaigns, change textbooks in schools to discredit the norm (Fridays for Future, Greta)

Adverse effects of monetary incentives: Crowding out?

- **Monetary incentives destroy reputational gains**
Status incentives can be destroyed by financial incentives, see Ashraf, Bandiera, Jack 2012
- **Monetary incentives license behavior**
“A fine is a price” (Gneezy, Rustichini 2000)

Motivated reasoning

(Kahan 2012, Bénabou/Tirole 2016)

- People's beliefs and expectations are influenced by their goals such as feeling competent as part of a social group or as a moral being.
- These goals matter for what evidence people pay attention to, which past events they recall etc.
- Thus, beliefs are biased by personal motivations and fulfill psychological needs.

Conclusions

- Many actions that are environmentally relevant are not (yet) subject to social norms.
- Climate change moralizes and politicizes them.
- Old slogan of feminism: “The personal is political”
- Norm change can be beneficial, but beware of adverse effects and backlashes.
- Find ways to correct motivated beliefs.