Anatomy of Stigmatized Behavior: Peer Influence and Relative Concern†

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†This paper is based on an ongoing joint work with David Sahn and Xiaobo Zhang.

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INTRODUCTION
- Despite the resultant disutility, some people, in particular the poor, are still engaged in behavior carrying social stigma, such as selling body parts, child labor, prostitution, abdication and human trafficking, drug abuse as well as toxic wastes.
- Poverty is the immediate and popular interpretation of obnoxious markets. However, the fact that even among the poorest not everyone is engaged in stigmatized behavior suggests other factors matter.
- When consequences of falling behind on social ladders is grave, concern for status shapes stigmatized behavior. Examples: 1) Failure to access informal insurance; 2) Low likelihood of marriage in the tightening marriage market; 3) Mistrust, stress and poor health outcomes.
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- We suspect that community level inequality measures may not be able to capture heterogeneity in the distribution.
- Moreover, peer influence might stigmatized behavior, as the associated disutility reduces when more peers engage in, generating negative externality due to the social multiplier.
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- Empirical economic studies on stigmatized behavior are largely absent due to lack of data.

GIFT NETWORK DATA
- Long-term (10 years) gift-exchange records
- Spontaneous and written
- All households and all gift links
- 3 villages among the 18 surveyed villages
- Ceremonies: wedding, funeral, childbirth, moving, come-of-age...
- Cash gift and in-kind gift

PEER INFLUENCE
- Measuring Peers’ Donation Behavior
- 1) Simple average donation;
- 2) Average donation weighted by centrality;
- 3) Average donation weighted by gift intensity.
- Three Peer Effect Identification Strategies
- Strategy 1: conventional IVs: community average income and sanitary conditions;
- Strategy 2: centrality-based reweighting;
- Strategy 3: spatial instruments from network structure: peers’ peers characteristics and peers’ peers peers characteristics.

MAIN CONCLUSIONS
- A 100% rise in peers’ engagement in blood sales increases one’s sales probability by 12%-21%, sales value by 9%-12%, and a second household member selling blood by 9%-16%. The results are robust to adding heterogeneous intensities of social ties and definitions of reference groups.
- Household-specific measures of relative status plays an important role in shaping stigma behavior. However, status concern is not captured by the conventional community-specific inequality measures.
- Our results call for a big caution using the well-accepted Gini index in predicting social behavior.
- Special attention should be given to the negative externality originated from peers’ stigmatized behavior.

HOUSEHOLD SURVEY
- Census-type, 800-900 households
- 18 random remote villages in rural Guizhou, China
- More than 20 ethnic groups
- Detailed information on household demographics, income, consumption, transfers, blood donation, and expenditures and incomes related to gift exchanges and household ceremonies.
- Blood donation compensation accounts for a large share of cash income for donors.
- The unique karst landform in the surveyed area and the isolated remote rural communities enable reference group definition.

RELATIVE CONCERN
- Reference Group Definition
  - Natural village boundary, Gift networks...
  - Runckman (1996) argues that one is deprived if the others in the reference group possess something that one does not have.
- Conventional Relative Income Measures
  - Gini, Rank, Rankgini...
  - RDA, RDX
  - Willman Relative Depreciation Index
    \[ d_{x}(\text{Y}) = \{x \times (1-F(x)) \} / [(F(y) - F(x)) \times (1-F(y))] \]
  - Deaton Relative Depreciation Index
    \[ d_{x}(\text{Y}) = \{x \times (1-F(x)) \} / [(F(y) - F(x)) \times (1-F(y))] \]

LITERATURE CITED

ACKNOWLEDGEMENTS

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