World Development 104 (2018) 154–172

Contents lists available at ScienceDirect

World Development

journal homepage: www.elsevier.com/locate/worlddev

Does social identity matter in individual alienation? Household-level evidence in post-reform India

Prashant Gupta [a], Sushanta Mallick [b,*], Tapas Mishra [c]

[a] Economics Department, School of Management, Swansea University, Bay Campus, Fabian Way, Swansea SA1 8EN, UK
[b] School of Business and Management, Queen Mary University of London, Mile End Road, London E1 4NS, UK
[c] Southampton Business School, University of Southampton, University Road, Southampton SO17 1BJ, UK

ARTICLE INFO

Article history:
Accepted 3 November 2017

JEL Classifications:
O1
R2
I3
D1

Keywords:
Consumption distance
Social identity
Social distance
Counter-factual distribution
Education
India

ABSTRACT

Does consumption distance as a measure of individual alienation reveal the effect of social identity? Using the central idea of Akerlof's 'social distance' theory, individual distance is calculated from their own group mean consumption and then we examine whether individuals from different social groups – caste and religion – are alienated across the distance distribution. Using India's household-level micro-data on consumption expenditure covering three major survey rounds since the inception of the reform period, we find a non-unique pattern where the marginalised and minority group households tend to be alienated across the distance distribution. However, among them, the households with higher educational attainment become more integrated as reflected in the interaction effect of education. These results are robust even after controlling for the endogeneity of education. Given this significant group difference in consumption, we undertake a group-level comparison by creating a counterfactual group through exchanging the characteristics of the privileged group to the marginalised group (or Hindus to non-Hindus), and find that the privileged group still consumes more than the counterfactual marginalised group, explaining around 77% of the estimated average consumption gap at the median quantile in 2011–12 (or 59% for Hindus versus Non-Hindus). This suggests other inherent identity-specific social factors as possible contributors to within-group alienation (relative to a better-off category) that can only be minimised through promoting education for the marginalised (or minority religion) group.

© 2017 Elsevier Ltd. All rights reserved.

"Our inequality materializes our upper class, vulgarizes our middle class, brutalizes our lower class".

– *Matthew Arnold (English Essayist (1822–1838))*

"This civilization is the impact of the world's consumption behavior". Toba Beta, *Betelgeuse Incident: Insiden Bait Al-Jauza*

– *Carol Graham, The Economist, Feb 1st, 2010*

1. Introduction

Whether income growth alone is sufficient to improve economic well-being in the long run remains a disputed issue,[1] especially in developing countries like India where the economy has experienced a high growth rate of 8–9% in the last decade compared to 5% in the 1990s (Dev, 2013). At the same time, the official statistics and academic research have shown that the increasing trend in income growth has contributed to higher economic inequality both at the aggregate level and among different social identities (Motiram & Sarma, 2011; the Government of India, 2013). Research on this view using data from developing countries also shows inequality limiting social mobility (Andrews & Leigh, 2009; Corak, 2013). This fact, in turn, suggests that if there is lack of social mobility among certain groups, this may then increase social distance[2] between groups. It also signals eroding social cohesion that could force groups to continuously engage in conflicts. Dutta, Madden, and Mishra (2014), for instance, established that 'societies with

* Corresponding author.
E-mail addresses: prashant.gupta@swansea.ac.uk (P. Gupta), s.k.mallick@qmul.ac.uk (S. Mallick), t.k.mishra@soton.ac.uk (T. Mishra).

[1] Banerjee and Duflo (2007), Basu and Mallick (2008), Kumar, Mallick, and Holla (2009), and Mallick (2014).

[2] The concept of social distance was developed first by sociologist Bogardus (1933) who measures the degree of closeness or acceptance that one feels toward other groups. In the recent years, the notion of social distance in economics is defined as the degree of reciprocity that exists within a social interaction.

https://doi.org/10.1016/j.worlddev.2017.11.007
0305-750X/© 2017 Elsevier Ltd. All rights reserved.

low levels of inequality show no conflict; groups engage in conflict only when inequality exceeds a certain threshold level'. Arguing in a similar vein, albeit different from the inequality literature, evidence suggests that the lack of interaction between two groups could lead them to higher social alienation (Esteban & Ray, 1999; Esteban, Mayoral, & Ray, 2012), while Jayadev and Reddy (2011) illustrate different types of group-based inequality to capture the degree of segregation, clustering, and polarization between groups that may contribute to social unrest and violence.

Under this backdrop of alienation of certain groups in a society, in this paper we use the theoretical idea of 'social distance' as conceptualised in Akerlof (1997) and construct consumption distance (as an indirect measure of social alienation) from a societal benchmark and demonstrate to what extent higher/lower individual consumption distance is associated with their social identities – castes[3] and religions.[4] The term 'social distance' refers to how an agent's sense of belonging and aloofness from a desirable social outcome can determine the welfare of an individual. It is not unusual to observe that consumption pattern of some social groups does not dynamically co-move with the general rise in income (or consumption) at the aggregate level. Although social identity is a multidimensional concept, a person's identity is determined at birth in terms of a religion and a particular sub-group. The household surveys conducted by the Government of India identify a single identity to each household which makes our identification strategy credible. In this regard, we raise two core questions. First, whether individuals from some social groups are alienated more relative to other groups, or whether they are alienated less when they get educated? Second, what would have happened to consumption differences between groups if one exchanges their household characteristics? More specifically, this research is focused on consumption behaviour of two social identities – castes and religions, but the results can be generalised to similar socio-economic settings in other countries.

The paper uses quantile regression to answer the first question in assessing the consumption distance across the distribution, and counterfactual decomposition method to answer the second question. We use household-level data on consumption expenditure from National Sample Survey (NSS) for three rounds: 1993–94, 2004–05 and 2011–12 and perform the following tasks. First, we construct a measure of consumption distance at the household level using individual consumption expenditure and investigate whether a unique pattern (higher or lower consumption distance) can be discerned across social identities, controlling for demographic and other household characteristics, including educational attainment levels, while dealing with the endogeneity of education. Second, we also undertake a group-level comparison after exchanging group characteristics in a counterfactual sense to study whether the conditional average consumption gap between two groups tends to get wider across the distribution or rises over time.

Our results reveal that household consumption pattern is indeed influenced by individual identities while controlling for the effects of education, age, and household type. From the distribution of raw consumption data, we find that there are multiple clusters (or equilibria) indicating the existence of both poverty and growth traps. This is in line with the wider literature that within-country income inequality has been on the rise, despite the reduction in between-country inequality in the recent decades. Using household-level consumption, we have focused on alienation as a form of individual distance from a group mean for different social groups under a given identity in order to contribute to this issue of growing within-country inequality.

We find that the consumption expenditure, when transformed in terms of distance as a deviation from the group mean consumption, is non-unique across the distribution and among social groups. The differences in consumption expenditure among different identities have not changed significantly over time for those households who are on the lower ladder of the consumption expenditure distribution. However, households with education are found to have higher per capita consumption relative to their group mean (see Table 1). In this context, we examine for the first time in the NSS dataset the problem of endogeneity, using the number of schools and school enrolment at the district level as exogenous instruments for educational attainment. Even with this endogeneity correction, both marginalised social groups and minority religious group remain alienated across the distribution, relative to their respective counterparts.

In particular, we find that (i) on average, the consumption distance within a social group is getting wider across the distribution and rising over time, implying alienation of the marginalised and minority group households, even after 25 years of economic reforms; (ii) the consumption distance of both marginalised and non–Hindus groups, without and with controlling for endogeneity, however remains similar at the bottom end of the distance distribution, while it gets wider at the top end, (iii) After exchanging the group characteristics among both social identities – castes and religions, the estimated consumption gap across the distribution is observed to rise over time in both unmatched and matched samples. In light of our findings, we conclude that the evidence of rising consumption distance across the entire distribution, over time, and across social groups could signal heightened social alienation and thus possible group conflicts. Despite resounding success in India's growth in the recent decades, the rising consumption distance across social divides appears to reflect continued within-country economic inequality – the solution of which will require more inclusive policy decisions including promoting education.

The rest of the paper is structured as follows. Section 2 presents an overview of the literature. Section 3 provides data description, outlines strategies for the construction of consumption distance, and presents preliminary results. In Section 4 we present our main results (without and with accounting for endogeneity concerns). Section 4.3 discusses the counterfactual decomposition results and the robustness exercise. Finally, Section 5 provides a critical summary of the main results and their possible policy relevance.

2. A brief review of the literature

The literature has emphasised to what extent social affinities (caste and religious affiliation) govern different channels of economic development. In this section, we look at some closely related studies which have observed how caste or religious identity matters in economic development. Caste affiliation and religious barrier are not new in India and deeply rooted since independence in the Indian society. Despite various efforts by the government since independence, it has been observed that marginalized groups

[3] In India, caste is classified into 4 sub-groups, namely – Scheduled Castes (SC), Scheduled Tribes (ST), Other Backward Class (OBC) – categorized together as marginalised group – and High Caste (HC) or Privileged group. The constitutional term for SC is Dalits; the term refers to their special status under the constitution as a group entitled to special protection and to stop positive discrimination through reservations. This group accounts for around 16% of total population. The constitutional term ST is Adivasis; this term refers to their special status under the constitution as a group entitled to special protection and any positive discrimination through reservations. This group accounts for around 13% of total population. The third group Other Backward Class (OBC) has not been subject to the same discrimination of untouchables in India, but they are considered socially and economically deprived like SC and ST after the Mandal Commission report, and the NSS started collecting data for this group since 1999–2000 survey. This group accounts for around 39% of total population. The privileged group (HC) has complete privilege over other three groups and this group accounts for around 32% of total population.

[4] In the case of religion, we strictly categorize it into two groups – Hindus and Muslims. According to latest Population Census, Hindus account for around 79.8% and Muslims account for around 14.23% of total population of India.

Download English Version:

https://daneshyari.com/en/article/7392095

Download Persian Version:

https://daneshyari.com/article/7392095

Daneshyari.com