



DECISION-MAKING

Why your thoughts on a zero-sum game matter

If a given cultural trait encourages a certain way of understanding how the world works, then it follows that it also determines economic decision-making.

Question: A farmer in your neighbourhood has had an exceptionally productive 2016. He has managed to double wheat output, and his favourite cow, Daisy, was awarded first prize in the national competition. What is the reason for the farmer's success? Is it: (a) He has worked very hard, (b) he was lucky, or (c) he put a spell on the rest of the farmers in his village?

This is an example of the type of survey questions a team of Harvard economists have been asking subsistence farmers in the Democratic Republic of Congo on several visits over the last few years. In contrast to what one might think, the answer to this question is almost always the same: (c). Witchcraft and supernatural beliefs are widespread in Africa and throughout the developing world. One aim of the research is to identify how these cultural traits affect economic decision-making.

Clearly, if my answer to this question was that the farmer's success was due to hard work, I would conclude that the way to excel is to work harder. But if my understanding is that this farmer somehow cheated – that his success was due to a spell he put on the rest of the community, and that his gain was our loss – then I would think that I need to spend more of my surplus not on investing in my farm, but on bribing the local spiritual leader for favours.

The belief that the world is a zero-sum game is widespread. Like these Congolese farmers, many of us believe that the success of one member of our community must be to the detriment of others. In some cases, this is of course true: when one bowler in cricket takes seven wickets in an innings, it leaves only three scalps between the remaining bowlers. But generally the world is not zero-sum. China's success is not a consequence of America's

decline, despite what the Trump propaganda machine says. Trade, as economists have known since David Ricardo, can be mutually beneficial, even if it means that the benefits and costs of growth are not shared by everyone equally. My neighbour's financial success after she designed and marketed a new app is not the result of her "stealing" my success.

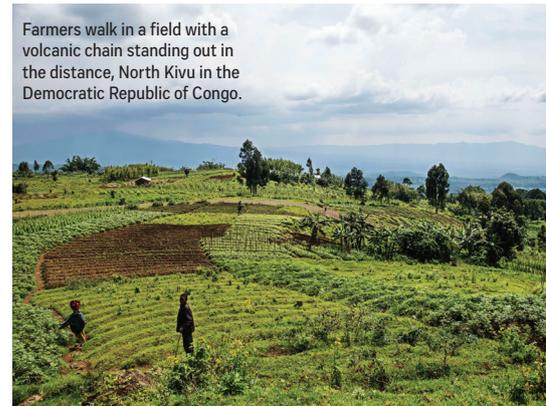
The widespread belief in a zero-sum world results in what has become known as Tall Poppy Syndrome (TPS). I've seen this in action: students that excel sometimes draw the envy of their poorer-performing peers. It has consequences: the envious ones believe that the good student must have achieved the high marks because of external factors, such as being the teacher's favourite. They avoid taking responsibility for their own mediocre efforts. The star student, depending on the sanction of the envious ones, also reacts, either

by withdrawing from social interaction or, worse, by putting in less effort in the next test to avoid standing out.

TPS is prevalent in all societies, but its density and effects are likely to vary. If TPS is more concentrated in poorer communities, for example, it will hamper social mobility, reinforcing both the poverty and the cultural beliefs itself. Development economists are therefore hoping to not only

identify the causes of these beliefs, but also how to change them.

This will not be easy: beliefs are difficult to measure accurately, and their origins may be deep in history. Nathan Nunn and Leonard Wantchekon's work several years ago showed how the Atlantic slave trade still affects trust in African societies: people that today live in areas where most slaves were captured are more likely to distrust their neighbours and the government. In a new paper, Oded Galor and Ömer Özak show that people's belief about time preference – whether you have a long-term horizon or not – were affected by what type



Farmers walk in a field with a volcanic chain standing out in the distance, North Kivu in the Democratic Republic of Congo.

of crops their ancestors grew. Both trust and time preferences are necessary ingredients for development. As Adam Smith already pointed out in the 18th century, trust is necessary for specialisation and exchange. A long-term horizon allows one to forego future income, invest in the present and earn the higher future returns. It affects our propensity to save, to adopt new technologies, and, as Galor and Özak show, even our likelihood to smoke.

If these cultural beliefs are so deeply rooted and have such a pervasive influence over our behaviour, what can be done to change them? This is difficult to answer, and requires the interdisciplinary efforts of psychologists, economists, anthropologists and neuroscientists. The answers they provide may not only contribute to sustainable development and social mobility, but may have applications elsewhere. Marketers may have to design products that appeal to those with a zero-sum world view, or managers may have to lead teams of people where some ascribe to this view. The incentives that motivate people who have TPS, for example, are likely to be different to those who are less envious of their successful colleagues.

Our beliefs about the world shape our economic decision-making. We are only now beginning to understand how it does, and what to do to change it. ■

editorial@finweek.co.za

Johan Fourie is associate professor in economics at Stellenbosch University.

China's success is not a consequence of America's decline, despite what the Trump propaganda machine says.