

Caste System

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Abstract

In standard economics, individuals are rational actors and economic forces undermine institutions that impose large inefficiencies. The persistence of the caste system is evidence of the need for psychologically more realistic models of decision-making in economics. The caste system divides South Asian society into hereditary groups whose lowest ranks are represented as innately polluted. After the historical encounter between colonial powers and South Asia, caste became capable of expressing and systematizing what had been diverse forms of social identity, community, and organization. This paper reviews work that estimates the economic costs of the caste system in particular environments: (1) In North India, discrimination between higher-caste landowners and lower-caste tenants in markets for groundwater for irrigation reduces the tenants' agricultural yields by 45 percent. (2) Making caste identity public in North

Indian classrooms reduces the cognitive performance of low-caste boys by 23 percent. (3) Because of lower-caste men's control of working-class occupations, the proportion of lower-caste children enrolled in English-language schools in Mumbai after India opened itself up to the world market grew only one-fourth as quickly for boys as for girls, restricting boys' occupational mobility. Given the benefit of access to caste-based networks, most Indians practice caste endogamy. The caste system is a dramatic example of an institution to which it may pay *each* individual to conform because *others* conform. The caste system also illustrates the two-way influence between people and institutions emphasized in psychology: people construct institutions, and institutions shape understandings. Abolition by law of an institution may change neither understandings nor behavior.

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CASTE SYSTEM

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CASTE SYSTEM

The caste system divides society in the Indian subcontinent into mutually exclusive, hereditary groups called castes, ranked by ritual status. Traditionally, South Asians believed that a man's social capacities were known from the caste into which he was born, and his caste prescribed the occupations that he could enter. The most distinctive features of caste ideology are the emphasis on the innately polluted state of the lowest ranked castes, formerly known as untouchables, and the strict exclusiveness of the so-called clean castes in relation to marriage. There is virtually no mobility of individuals across caste groups. Nothing quite like the caste system has evolved in other parts of the world.

When India became independent in 1947, a political goal was to create a "modern" casteless India. The Constitution of India legally abolished caste and created for the formerly untouchable castes a system of quotas ("reservations") in university admissions, government jobs, and political posts. Since 2007, the poorest state of India (Bihar) has targeted initiatives to the worst-off of the formerly untouchable castes. The reservation system has helped keep the concept of caste prominent in politics. The gap in average socioeconomic status between high and low castes remains large. This paper emphasizes some of the economic costs of the caste system in India.

The word *caste* corresponds to two distinct concepts: *jati* (community) and *varna* (archetype). The *jati* is the community within which one was traditionally required to be married and that forms social identity. Dwellings in villages are usually clustered by *jati*. In contrast to the vast number of *jatis*, *varna* is a scheme with only four divisions, and they are symbolic types: first, priests; second, warriors; third, merchants and agriculturalists;

and fourth, laborers and servants. The formerly untouchable *jatis* occupy a place outside the *varna* scheme (they are “outcastes”), whereas all other *jatis* are within it. The usual name for the formerly untouchable castes is Dalits, which means oppressed in Sanskrit. The official name is Scheduled Castes. This name comes from the schedule made by the British colonial government in 1932.

Discrimination

In standard economics, individuals are rational actors and economic forces undermine institutions that impose large inefficiencies. Standard economics predicts that discrimination in competitive markets will not persist, since discriminators have higher costs than non-discriminators. Behavioral economics, with the first studies appearing in the 1970s (most of them written by psychologists), has different models of the individual: he or she is a “quasi-rational actor” influenced by seemingly irrelevant features of context (emphasized in Strand I of behavioral economics) and an “enculturated actor” whose cognition and preferences are influenced by social constructions (emphasized in Strand II of behavioral economics). The distinction between the two strands is made in Hoff and Stiglitz. Behavioral sciences helps explain the persistence of the caste system. Social constructions that are shared within a culture shape how people perceive and understand the world and themselves.

In the rural sector of India, the “pollution barrier” between former untouchable castes and all others remains strong. A study of 565 villages in 11 Indian states found that despite legal bans, untouchability continued to be practiced in almost 80 percent of the villages. The following percentages indicate the proportion of villages in which each kind

of discrimination was observed: restrictions barring Dalits from selling milk (47%); restrictions barring Dalits from selling any goods in local markets (35%); separate utensils in restaurants and hotels for Dalits and non-Dalits (32%); and denial to Dalits of access to water for irrigating their fields (33%).

For the last example of discrimination, Siwan Anderson estimated the cost in North India, a region in which caste discrimination is particularly acute. Her study compares two types of villages: in the first type, the majority of the land is owned by higher castes; in the second type, the majority of the land is owned by lower castes. Since the origins of the land distribution across caste groups go back hundreds of years, the distribution can be viewed as a ‘natural experiment,’ and its causal impact can be identified. This natural experiment finds extensive discrimination against Dalits by higher-caste owners in markets for groundwater for irrigation. In villages where lower castes own most of the land, they own the majority of the private groundwater extraction mechanisms and rent them to the lower-caste tenants. But in villages where higher castes own most of the land, it is they who own the majority of the private groundwater extraction mechanisms, and they rarely trade with lower-caste water buyers: a severe breakdown of groundwater markets occurs. Comparing the two types of villages, holding all else equal, lower-caste water buyers have agricultural yields 45 percent higher if they reside in a village where the majority of water sellers are of lower caste.

Stereotype Threat

In standard (non-behavioral) economics, the individual is modeled as autonomous in the sense that social influences do not shape preferences or cognition. In contrast, psychology,

sociology, and anthropology recognize that one's sense of self, preferences, and cognition are in large part constituted through the concepts, practices, and social interactions that society makes available. Individuals have many social identities (that is, social groups relevant to their sense of self): for example, a person may be a parent, spouse, landowner, Hindu, member of a particular caste, and member of many other groups. Seemingly irrelevant cues to a particular identity can affect how the individual behaves and his ability to perform. An experiment by Karla Hoff and Priyanka Pandey assessed the effect of making caste identity salient on boys' intellectual performance. In the experiment, students in a six-person session generally did not know each other. They were taught how to solve mazes and were rewarded financially and in private for the number of mazes that they solved (which was never publicly revealed). The control condition of the experiment, in which each student's caste was not revealed, demonstrated that boys of former untouchable castes solve mazes just as well as high-caste boys. However, publicly revealing the boys' caste identities reduced the performance of the low-caste boys. Holding all else equal, low-caste boys solved 23 percent fewer mazes than high-caste boys if they were in a mixed-caste setting where caste identities were revealed. This is an example of *stereotype threat*: cueing a social identity that is stereotyped as mentally deficient actually impairs on average the performance of members of the group. Stereotype threat applies widely. In the United States, it applies to African-Americans and women. The experimental finding on maze-solving performance has been replicated in China for rural household status (rural *hukou* living in Beijing) and in the Slovak Republic for Romas (gypsies).

There is a theory in which a stereotype that represents a particular group as cognitively inferior can persist even when it is a pure fiction. There are three steps to the argument: (1) The stereotype causes stigmatized individuals, compared to non-stigmatized individuals, to perceive their achievements as lower than they otherwise would perceive it. (2) With lower perceived achievement, they have lower self-confidence. (3) With lower self-confidence, they underperform relative to the non-stigmatized individuals. The result is what Hoff and Joseph Stiglitz call “equilibrium fictions”: stereotypes that rank groups by intelligence may create productivity gaps between groups that sustain, and seemingly validate, the stereotypes. The theory formalizes an idea suggested by the philosopher Ian Hacking about “making up people”: the social construction of categories of people can produce behaviors that would not occur in the absence of the social constructions.

An experiment in the United States demonstrated dramatic effects on social interactions of gender salience in the classroom. The experiment manipulated the salience of gender in kindergartens over a two-week period. In the low-salience condition, children continued to experience a preschool environment in which the teacher did not make gender explicit. In the high-salience condition, the children experienced a preschool environment in which the teacher labeled individuals by gender (for example, the teacher said “Good morning, boys and girls,” instead of “Good morning, children”) and used gender-based organization (for example, assigning boys and girls to separate bulletin boards). This mild treatment made the children significantly less likely to play in mixed-gender groups. Unlike the caste system, the treatment did not prohibit any kind of social interactions between the two groups, yet the salience of the categories increased the likelihood that boys and girls would not interact in free play.

How Did the Caste System Emerge?

Ideas of caste can be traced back to Hindu texts dated from about the second century BC, but it was not until the 18th and 19th centuries that caste-like society began to take shape in South Asia as a rigid system of division. An answer to the question posed in the heading of this section has been offered by the historians Susan Bayly and Nicholas Dirks. They argue that the caste system is the product of the historical encounter between Indian and colonial rule. Caste became capable of expressing, organizing, and systematizing what had been diverse forms of social identity, community, and organization across South Asia.

Ruling groups in the 18th century found that they could increase their legitimacy and consolidate their power by projecting themselves as heirs of the heroic tradition of the warrior kings, and by naming and ranking classes of their subjects in a caste-like way. Sustained interaction between Muslim and Hindu dominion-builders increased the significance of *jati* titles.

In the 19th century, landowners in India faced volatile markets and greater revenue demands from the British East India Company. The landowners responded by turning ever larger groups of tenants and laborers into innately “unclean” menials defined in ways that had earlier applied only to individuals in ritually unclean occupations, such as waste removal and leatherwork. Being “unclean” meant that caste status was defined as an inherited quality of servitude: open-ended labor and tenancy relationships were turned into caste-based service bonds. This sometimes occurred for casual labor in factories, as well. The 19th century represented a shift in the language and reality of social life.

Caste Reproduces Itself Because It Is a Resource to Individuals and Groups

Why does caste persist? The caste system lowers market efficiency and individual mobility and causes suffering, but no one acting alone has the power to abolish it. Given that it is in place in South Asia, individuals have opportunities to use caste as a resource. If everyone else is in a network, an individual normally wants to be in a network, too. Historically most South Asians have not embraced castelessness. Many have tried to use the caste system as a source of concepts, shared community, narratives, and worldviews that could help give them access to social insurance, jobs, and dominance over individuals in lower-ranked castes.

Kaivan Munshi and Mark Rosenzweig provide a startling example of the persistence of networks based on caste. In Bombay (renamed Mumbai), networks of lower-caste men have controlled particular occupations for generations and do not admit outsiders. Women do not participate in these networks. When the Indian economy opened up to the world market in 1991, the returns to English language schooling in Bombay rose steeply for both boys and girls. English education increased the likelihood of obtaining a white-collar job, whereas education in the local language channeled students into working class jobs. However, the proportion of lower-caste boys schooled in English grew relatively slowly in the post-reform 1990s (from about 20 to 35 percent), whereas the proportion of lower-caste girls sent to English language schools almost quadrupled (from about 10 to almost 40 percent). The gender difference may reflect a positive externality associated with men's participation in the networks and tacit restrictions on occupational mobility for the sake of preserving the working class networks.

The long-run stability of the caste system requires caste endogamy. In an analysis of urban, well-off, highly educated Indians, Abhijit Banerjee and colleagues showed that 70 percent of people married within their caste (*jati*). The authors argue that caste-based preferences in marriage are likely to persist because the cost to an individual of marrying within his or her own caste is typically low: the observed matching is close to being what most individuals would have wanted on the basis of characteristics other than caste. In a survey, three-fourths of Indians stated that they were opposed to marriage of individuals from different *jatis*.

An individual is never fully aware of his culture, since it shapes how he processes information. Cultural concepts and categories are social constructions that affect everyone in the community. The influence of culture on cognition increases the difficulty of ending the caste system. The caste system is a dramatic example of an institution to which it may pay *each* individual to conform because *others* conform. The system also illustrates the two-way influence between people and institutions emphasized by psychologists such as Hazel Rose Markus: people construct institutions, and institutions shape understandings (culture). Abolition by law of an institution may change neither understandings nor behavior.

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