

Rethinking Behavioral Economics in a Non-Western Context: Accepting Cultural Diversity

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Introduction

Behavioral economics has made significant contributions to our understanding of how individuals make decisions. But let's face it: it's a field heavily influenced by Western ideals, values, and ways of thinking. At its foundation, behavioral economics posits that individuals all over the world think and act in similar ways, with an emphasis on individual advantages and market-based rationale. While this may be true in certain areas, it does not necessarily apply in non-Western environments, where culture, community, and traditions play a far larger influence in molding behavior.

As the globe grows more linked, it's time to reconsider behavioral economics. We need to go beyond Western ideas and investigate how cultural diversity influences decision-making. This can result in wiser, more successful policies that reflect people's real-life experiences.

What Is Missing in the Western Approach?

The majority of research on behavioral economics originates from WEIRD (Western, Educated, Industrialized, Rich, and Democratic) nations. These studies frequently examine how people make decisions based on personal motivations, such as gaining a reward or avoiding a loss. However, in many non-Western countries, decisions are made for the group, society, or even long-standing traditions, rather than the individual.

In Western countries, for example, saving money is frequently accompanied by personal benefits such as tax rebates or lower interest rates. However, in many non-Western countries, saving is linked to societal needs, such as assisting with a neighbor's wedding or supporting family members during difficult times. Policies that do not account for cultural variations frequently fail because they overlook the larger picture of how people conduct their lives.

Adapting Behavioral Economics for Cultural Diversity

If behavioral economics is to work for everyone, it must represent the diversity of cultures and beliefs throughout the world. That entails reconsidering some of its key concepts and adapting them to diverse situations. Here are a few ways we can do that:

1. Social Norms and Community Focus.

In many non-Western cultures, what other people think is very important. Individual rewards are generally less influential on behavior than social standards and societal expectations. For example,

in East Asia, Confucian principles place a premium on family and civic responsibilities. In African and Latin American cultures, decisions are frequently influenced by what is best for the wider family or community.

Policies that draw on these societal norms can be more successful. Instead of providing a tax incentive for saving money, governments may promote cooperative savings clubs that benefit whole communities. Public recognition of persons who help others or contribute to the community may also encourage behavior in ways that personal financial incentives do not.

2. Trust in Informal Systems.

In Non-Western civilizations, formal institutions such as banks and governments are not necessarily trusted at the same levels. Many individuals rely on informal networks, such as rotating savings and credit associations (chit funds in South Asia and roscas in Latin America).

Instead than attempting to replace existing systems, policy should complement them. For example, including informal credit systems into financial literacy programs or providing government assistance to make these networks safer might help bridge financial inclusion gaps.

3. The Power of Framing

The way a message is presented may have a significant influence, particularly when it is consistent with cultural norms. In Middle Eastern cultures, for example, religious values such as zakat (charitable giving) have a significant impact on conduct. Policies that are framed as ethical or spiritual commitments, rather than exclusively focused on economic rewards, might have a greater impact.

4. Gender and Economic Participation

Gender roles range greatly among countries, and these variations frequently influence how women engage in the economy. In many non-Western civilizations, women's choices are inextricably linked to family obligations and cultural expectations. Policies aimed at increasing women's economic involvement must overcome these hurdles.

For example, providing childcare, offering flexible work arrangements, or developing community-based initiatives that change stereotypes about women's responsibilities can help empower women to enter the workforce.

Challenges and Opportunities Ahead

Adapting behavioral economics to non-Western cultures is not straightforward. Cultural variety among countries might make it difficult to provide one-size-fits-all solutions. Furthermore, conducting comprehensive, localized research can be time-consuming and costly. However, these problems also create opportunity. By accepting cultural variety, we can develop policies that are

both inclusive and successful in addressing global issues such as poverty, inequality, and climate change.

For example:

- Indigenous tribes often prioritize environmental protection. Policies might prioritize improving these behaviors over implementing Western-style penalties or incentives.
- Gamified savings applications that connect with cultural values, such as saving for community purposes, can improve financial literacy programs' engagement and effectiveness.

Why It Matters

Rethinking behavioral economics through a non-Western lens is more than an academic exercise—it is essential for creating policies that truly work for everyone. The field must evolve beyond its Western-centric foundations to reflect the rich diversity of cultures, values, and decision-making frameworks across the globe. By understanding how traditions, social norms, and community-oriented behaviors shape choices, we can design solutions that resonate with people's lived realities.

Embracing cultural diversity offers both a challenge and an opportunity. While there is no universal approach, localized, inclusive policies have the power to tackle global issues like poverty, inequality, and environmental sustainability more effectively. Culturally adapted behavioral economics can open up new pathways for success, whether by utilizing trusted informal institutions, framing solutions via ethical and spiritual convictions, or strengthening underrepresented populations.

In today's interconnected world, we cannot afford to overlook cultural aspects. By incorporating them into behavioral economics, we may advance toward a future in which policies are not only successful but also democratic, reflecting the needs, values, and ambitions of people worldwide.

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