Contracts Justifying Nonconformity: Experimental Evidence from Motortaxi Organizations in Uganda

Claude Raisaro*

Job Market Paper

Abstract

This paper studies the role of financial incentives in mitigating harmful norms. Beyond monetary gains, I hypothesize that financial incentives are more powerful when they help justifying choices otherwise costly vis-à-vis peers. I test this hypothesis on a high-stakes and widespread harmful behavior in low-income countries: overspeeding. Multiple experiments with 360 motortaxi groups in Uganda show that: (i) drivers' demand for financial incentives to limit speeding increases when the contract can also be used as a justification, (ii) the availability of a justification doubles the effectiveness of the financial incentives, increasing speed limit compliance by 45 percent compared to no incentives, and (iii) labor supply is not affected regardless of the visibility of incentives, while productivity increases more with incentives that help justify one's action with colleagues. My findings highlight how, in the presence of harmful norms, financial incentives can be significantly more powerful than their payoffs effects because they help undermining the behavioral grip of bad norms.

*University of Zurich and Stockholm School of Economics. Email: claude.raisaro@econ.uzh.ch. I am indebted to Lorenzo Casaburi, David Yanagizawa-Drott for their guidance and support throughout this project. I gratefully acknowledge financial support from the Swiss National Science Foundation (grant no. 195266), the Forschungskredit of the University of Zurich (grant no. FK-22-020), the Swiss Re Foundation for Research in Development Economics, and SurveyCTO. I also thank Michelle Acampora, Dominik Biesalski, Iacopo Bianchi, Cristina Clerici, Martina Björkman Nyqvist, Pietro Biroli, Joshua Dean, Jonathan de Quidt, Ernst Fehr, Anne Karing, Michael Kremer, Guilherme Lichand, Francesco Loiacono, Elisa Macchi, Andreas Madestam, Michel Marechal, Regina Seibel, Samuel Skoda, Anna Tompsett, Roberto Weber for suggestions that have substantially improved this paper. The experiments would not have been possible without Josh Bwiira and his outstanding research assistance as well as the great team of technicians. The experiments were approved by the Ethics Committee of the Department of Economics of the University of Zurich (OEC IRB 2022-078), Mildmay Uganda, and the Uganda National Council for Science and Technology (REF 0501-2022). The experiments were preregistered on the AEA RCT registry here, here and here.