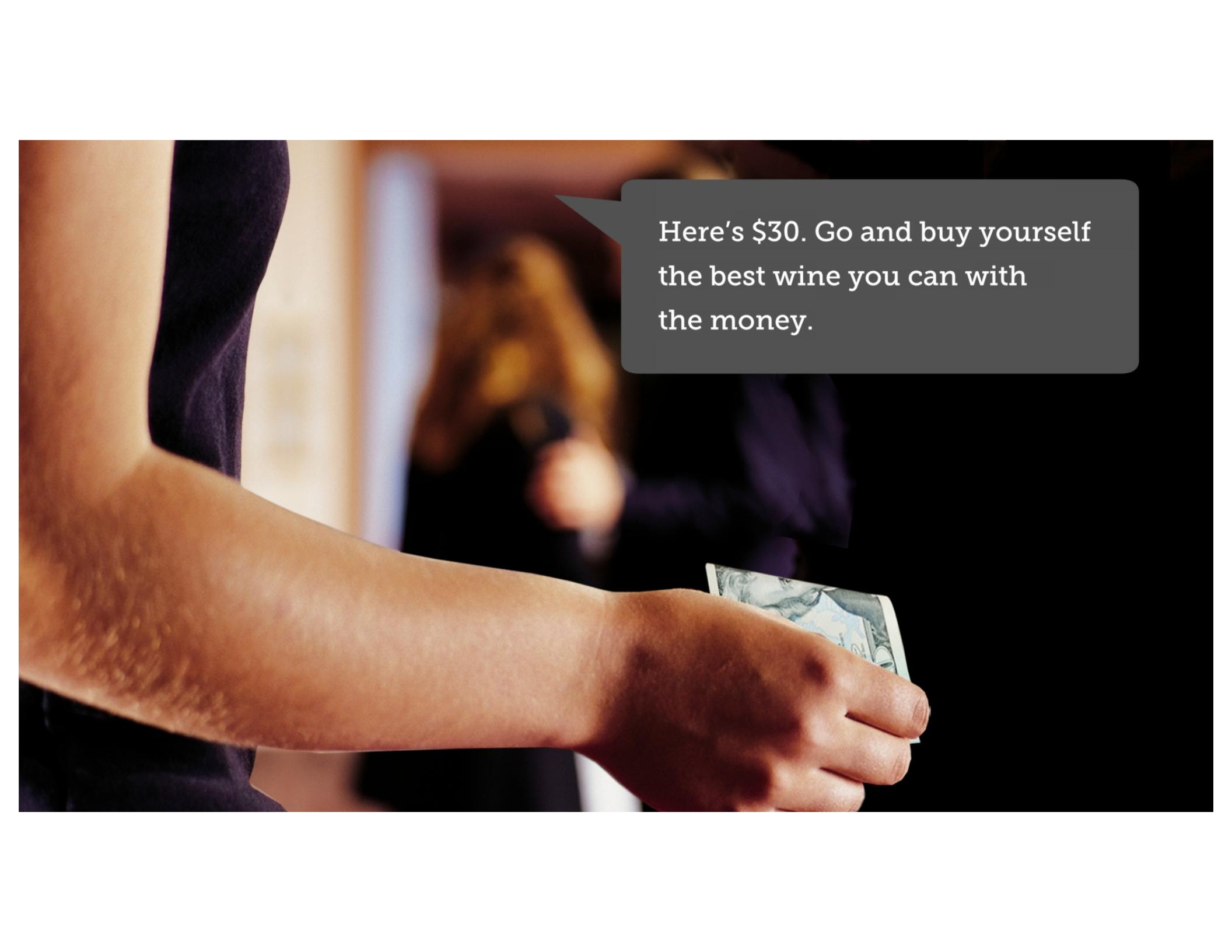


## **Part 7:**

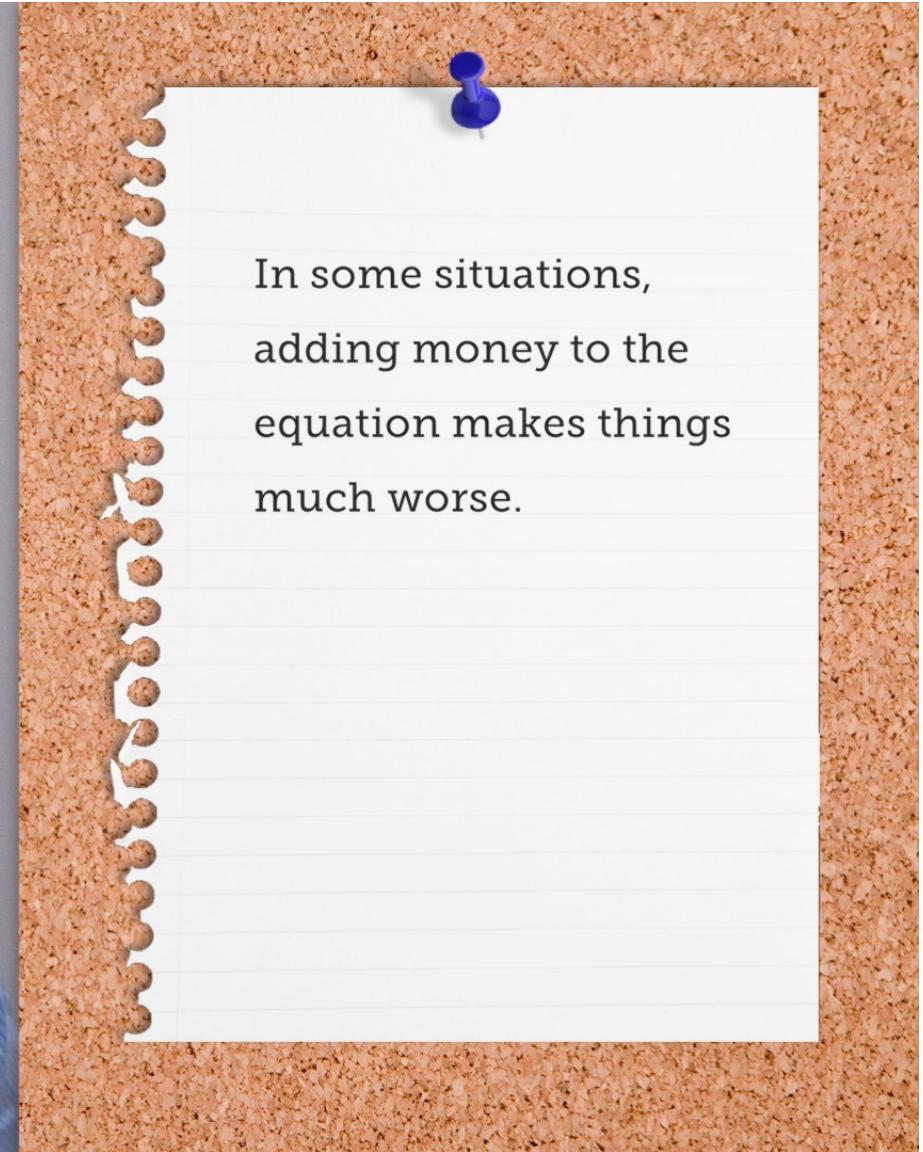
### Market and Social Norms

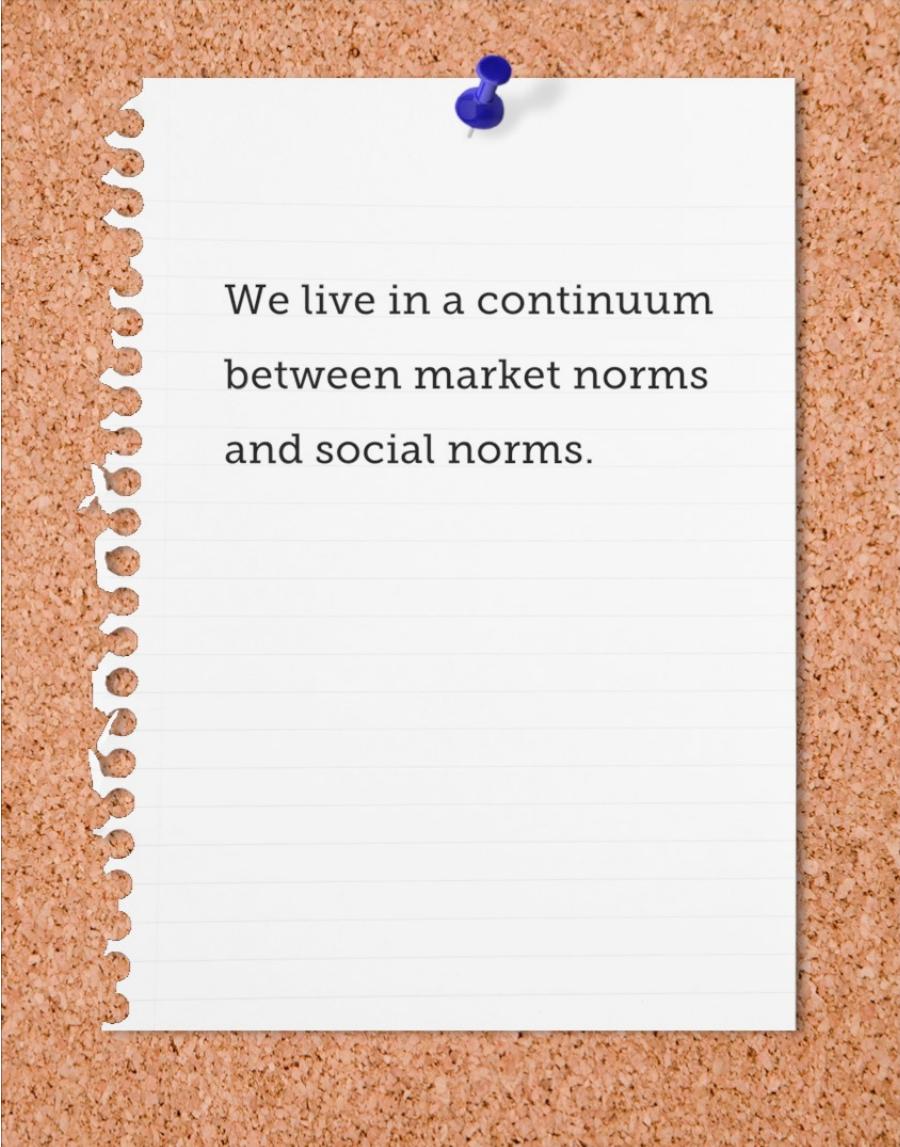
A close-up, profile shot of a man and a woman smiling. The man's face is on the left, showing his nose and mouth. The woman's face is on the right, looking towards the man. They appear to be in a romantic setting.

So far, I have  
spent \$124 on  
our date.

A close-up photograph showing a person's arm and hand reaching towards another person's hand. The second person's hand is visible, holding a stack of US dollar bills. The background is blurred, showing what appears to be a restaurant or bar setting.

Here's \$30. Go and buy yourself  
the best wine you can with  
the money.

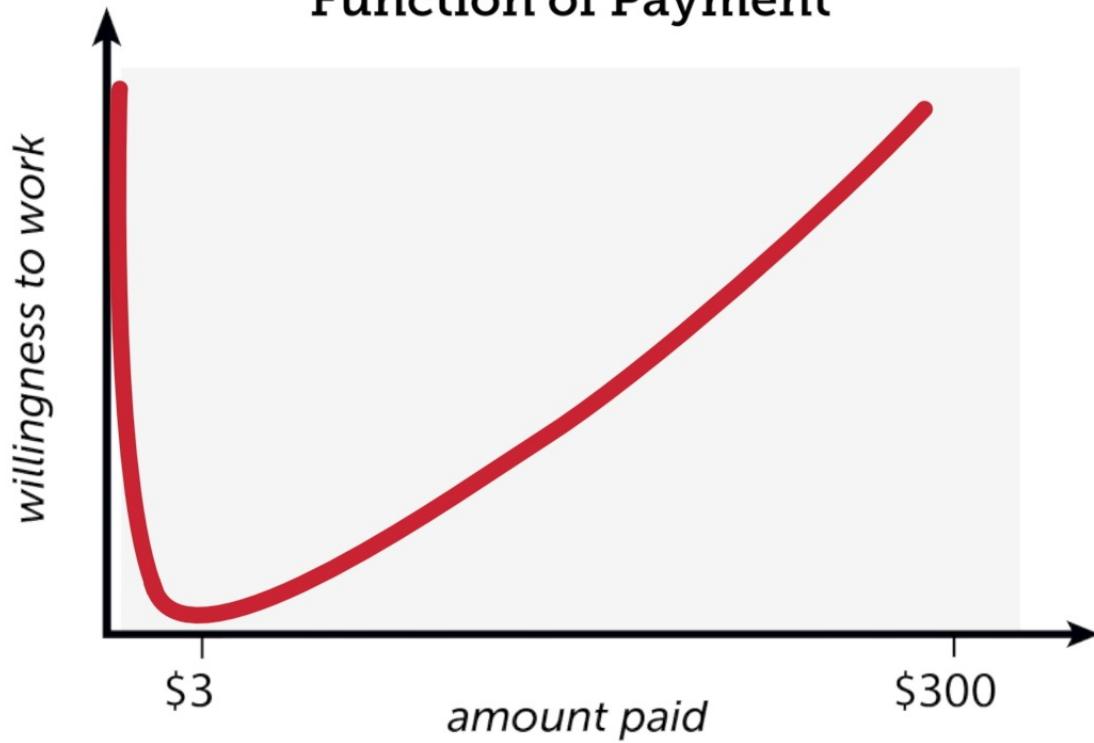




We live in a continuum  
between market norms  
and social norms.



## Willingness to Work as a Function of Payment



A photograph of a person's torso and arms. They are wearing a light grey ribbed sweater over a blue and white striped shirt. They are holding a dark green bottle of champagne with both hands. A red ribbon is tied around the neck of the bottle. A small, white, octagonal label is visible on the front of the bottle.

Gifts are in the  
social domain.

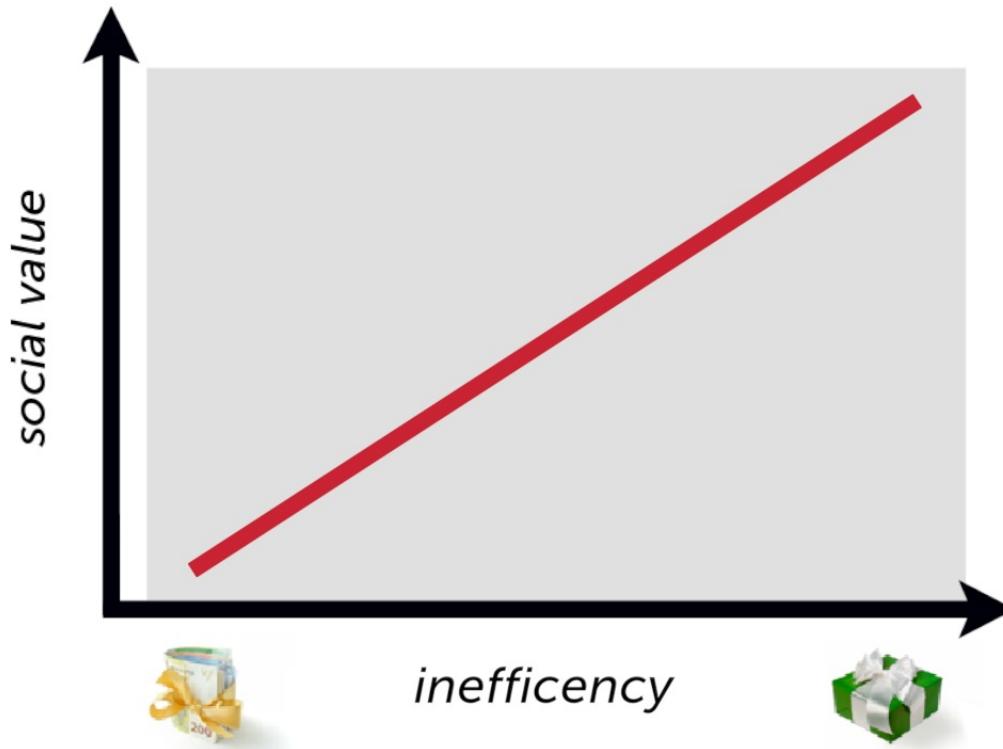


If you advertise the cost of your gift, you violate social norms.

Social norms often dictate when  
money is an appropriate gift.



## The Social Value of Gifts





Gifts in the workplace  
move relationships  
toward the social  
domain and build  
social capital.

Social relationships  
create a greater sense  
of reciprocity.



Sorry I'm late –  
it won't happen again!

## A Fine is a Price

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**Abstract:**

The deterrence hypothesis predicts that the introduction of a penalty that leaves everything else unchanged will reduce the occurrence of the behavior subject to the fine. We present the result of a field study in a group of day-care centers that contradicts this prediction. Parents used to arrive late to collect their children, forcing a teacher to stay after closing time. We introduced a monetary fine for late-coming parents. As a result, late-coming parents increased significantly. After the introduction of the fine, the number of late-coming parents increased significantly. We argue that penalties are effective because they may change the behavior of the agent. They may be opposite than what one would expect if the agent's behavior is driven by self-interest. The results suggest that the strength of the clause is not the only factor determining its effectiveness.

Uri Gneezy and Aldo  
Rustichini introduced  
a small fine for parents  
who were late to pick up  
their kids from daycare.





The kindergarten can  
hold on to my kids.  
I have more important  
things to do!

Introducing a fine  
moved behavior  
from social to market  
norms, and then it was  
impossible to go back.

There were no  
consequences to  
being late.





complete  
contracts

incomplete  
contracts

In an effort to write  
complete contracts,  
social norms suffer.

Complete contracts  
enforce the letter of  
the law, rather than  
the spirit of the law.



A medium shot of a man with dark, wavy hair, wearing a light blue long-sleeved button-down shirt. He is gesturing with his right hand while speaking. The background is a plain, light-colored wall.

The woman's proposal  
moved any potential  
relationships from social  
to market norms, and  
her chance of success  
was spoiled.