Motivation for shocking aspirations paper

Bilal:

The issue is that we say that aspirations change quite drastically and in opposite directions for these two groups. The natural question is what happens to their performance? Do we see similar dichotomy in sales and profits? This seems like a very good extension and perhaps we should include those regressions in this paper.

Especially if we find that profits and sales are also affected by pre-existing levels of aspirations in the same way, then we have a paper about channels of impact. Shocking aspirations leads to changes in aspirations which leads to changes in outcomes.

What do you think?

We don’t have time to do this in the next few days but before we submit I’d also like to do causal mediation analysis to formally test how much of the effect on profits and sales is mediated through aspirations. It is a new technique and I can explain it over a call.

Patricio:

I like the idea, Bilal. It´s the natural question that comes after shocking aspirations. I also agree that we have to be very clear in distinguishing the focus of each paper. Each paper has to address independent (though related) questions. Here is an idea on how to do this:

1) Learning from peers. Focus on social learning and business growth. We ask whether it is possible to learn and implement business practices implemented by top peers and achieve business grow. In addition, we look at different type of channels that can affect learning: learning with information alone, learning by observing the experience of others, learning by experiencing yourself with a nudge.

2) Determinants, predictive power and dynamics of aspirations: Comprehensive study of what determines small businesses aspirations, how they adapt with time and its predictive power.

3) Shocking aspirations: Focus on the malleability of multidimensional small business owners aspirations and measures the causal impact of exogenous changes of business aspirations on business performance and children aspirations. We ask: What is the effect on aspirations of widening the aspirations windows of small entrepreneurs? How this affect their firm performance and their aspirations for their children? Since our treatments enlarged the business aspirations windows for everybody up to the same level (all businesses received the same information about the top practices), the actual change of the business aspirations windows for each individual entrepreneur will depend on how far entrepreneur´s initial business aspirations are from the best world we presented to them.  An entrepreneur who sees his-her ideal business too far from the top businesses we introduce with our treatments, will have their aspirations windows enlarged more than an entrepreneur who sees his-her ideal business closer to the picture we give them of the ideal business. Debraj Ray´s models provide a clear prediction to what will happen to their business aspirations. Quoting Ray (2004) "If economic betterment is an important goal, the aspirations window must be opened, for otherwise there is no drive to self-betterment. Yet it should not be open too wide: there is the curse of frustrated aspirations. There must be individuals in our immediate cognitive neighborhood who do better than we do, yet if they do a lot better, there will be no investments made even if the cognitive neighborhood to such individuals is unbroken. In short, the experiences of others may have little effect on us either because they lie outside our aspirations window, or even they do, their living standards (which form our aspirations) are far away from ours." What we find cannot be closer to this paragraph! (note aside: Ray is Associate Editor of AER, and Duflo is the Editor) :)

Now, with our treatments, we exogenously widen business aspirations windows but we also provide complementary psychological (role models) and material (assistance) resources that should feed into their business aspirations. As an aside note, recall that to implement these practices there is no need to have economic resources. That´s an advantage of focusing on business practices that are simple and implementable at no monetary cost.  (link this to the paper of Galiani, Gertler..., which shows that an increase in aspirations windows can backfire if you don´t have material resources to fulfill your aspirations).

Here is what I think each treatment is doing:

Handbook: provides information about how to grow using local practices, but does not provide any other complementary resource. Depending on how far the entrepreneur believes he is with respect to the ideal business we introduce, some may wonder: can I actually do this? The answer is NO if he she perceives is too far, and that can even backfire aspiration for business growth.

Handbook plus Role model: provides complementary psychological resources (I can also do it) only if the person feels identified with the role models. We try to provide heterogeneous role models, and I think we asked whether people identified with the role models or not. We can look into this later.

Role models don´t solve problems that may emerge when trying to implement the practices.

Handbook plus Assistance:  provides complementary psychological resources (I can also do it) without needing to identify yourself with a role model and it also provides soft material resources to help you implement it.

All three: provide all sort of psychological and material resources needed to lift aspirations.

The hypothesis on how each treatment affect the aspirations of different groups of entrepreneurs (BM-AM BL aspirations) can be derived directly from this. I see a 2 (Below-above median aspirations) x 4 design (Handbook, role models, assistance, all three)

 We can fine tune this later...but at least I wanted to put in words now  how I thought about this.