
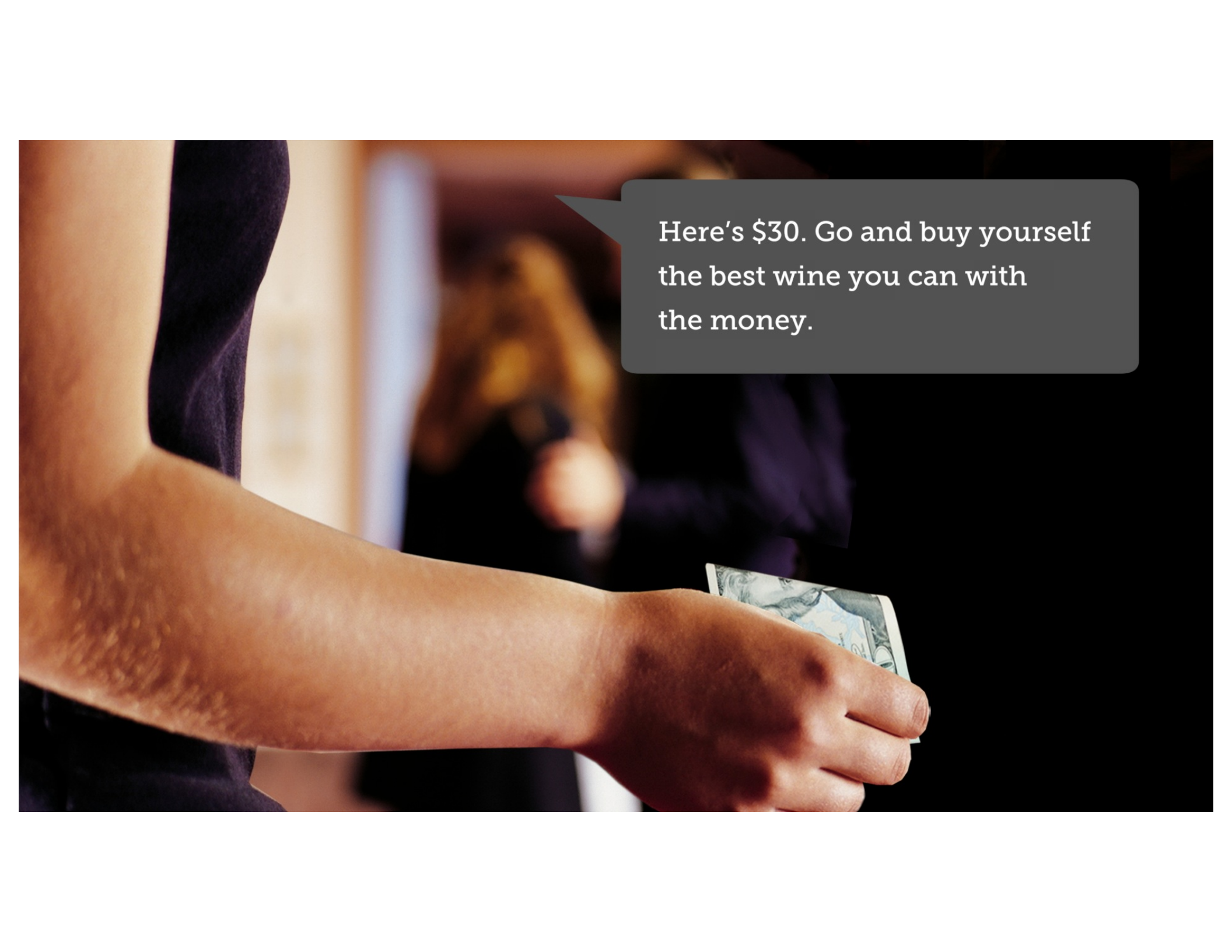


**Part 7:**  
Market and Social Norms




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

A close-up photograph of a person's arm and hand holding a US \$30 bill. The person is wearing a dark purple long-sleeved shirt. The background is blurred, showing another person in a dark jacket. A grey speech bubble with white text is overlaid on the right side of the image.


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





In some situations,  
adding money to the  
equation makes things  
much worse.

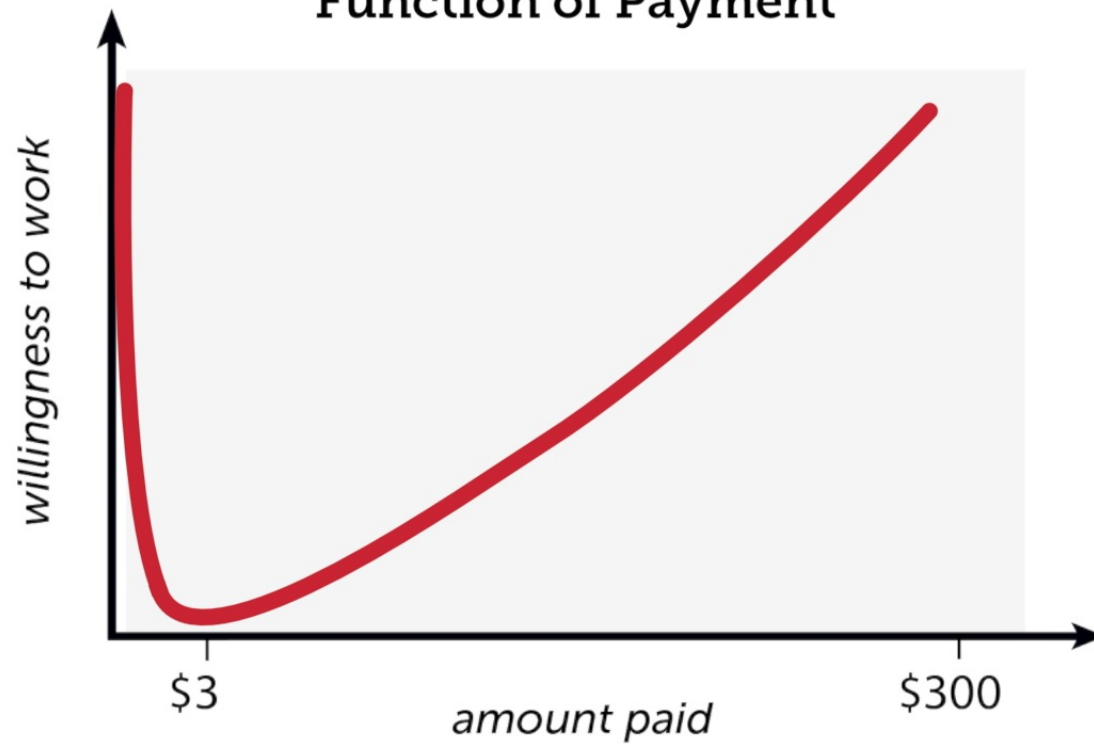




We live in a continuum  
between market norms  
and social norms.



### Willingness to Work as a Function of Payment







Gifts are in the  
social domain.



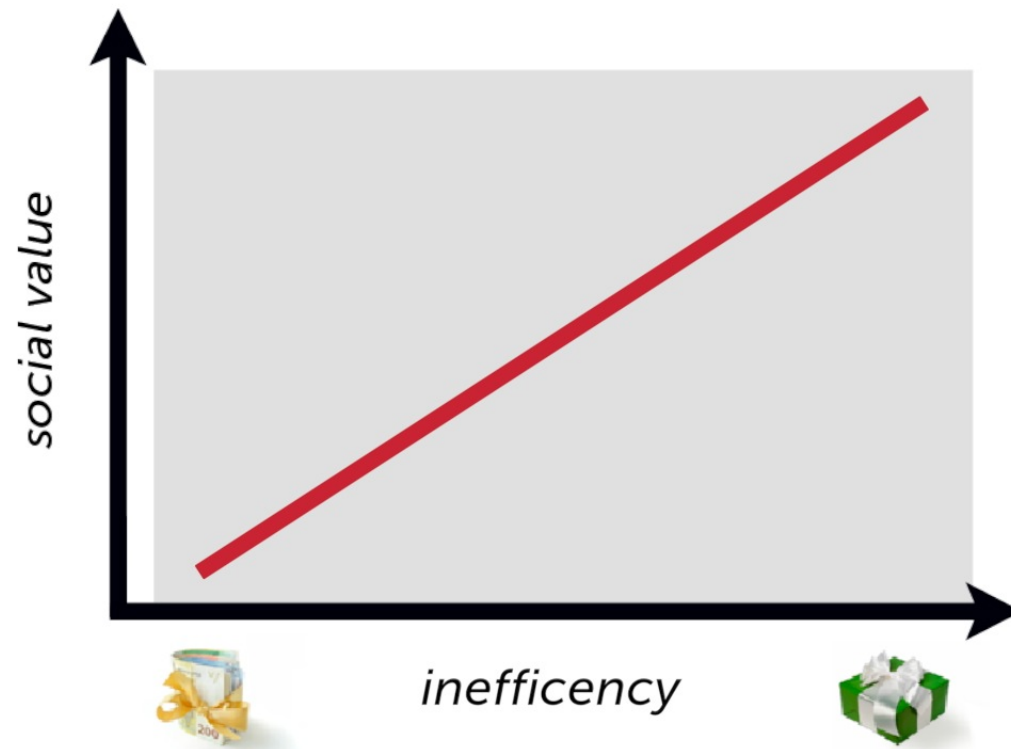
If you advertise the cost of your gift, you violate social norms.




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 fine, we argue that penalties are not always effective. They may change the behavior in a way that may be opposite than intended, reducing the deterrent strength, since the clause


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.







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