



On trust in honesty and volunteering among Europeans: Cross-country evidence on perceptions and behavior



Anja Dieckmann^{a,1}, Veronika Grimm^{b,*}, Matthias Unfried^{a,2}, Verena Utikal^{c,3}, Lorenzo Valmasoni^{b,4}

^a GfK Verein, Nordwestring 101, 90419 Nürnberg, Germany

^b University of Erlangen-Nuremberg, Lehrstuhl für Volkswirtschaftslehre, insb. Wirtschaftstheorie, Lange Gasse 20, D-90403 Nürnberg, Germany

^c University of Erlangen-Nuremberg, Lange Gasse 20, D-90403 Nürnberg, Germany

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ABSTRACT

We conduct an experimental study among European citizens regarding cross-cultural perceptions related to trust in two dimensions: volunteerism and honesty. We use representative samples from five major economies of the Euro area: France, Germany, Italy, the Netherlands, and Spain. We find that European citizens rely on nationality to infer behavior. Assessments of behavior show a north/south pattern: participants from northern countries are perceived to be more honest and to provide more effort in a volunteering game than participants from southern countries. Actual behavior is, however, not always in line with these assessments. Assessments of honesty show strong evidence of social projection: Participants expect other European citizens to be less honest if they are culturally closer to themselves. Assessments of volunteerism instead show that both northern and southern Europeans expect higher performance in northern than in southern European countries.

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1. Introduction

One of the objectives of the European Union is to “ensure economic, social and territorial cohesion between Member States” (European Union, n.d.). To defend its objectives, the European Union has developed a complex institutional framework. However, institutions might not be sufficient to ensure cohesion, especially in the recent crisis in the Eurozone that seems to have deeply threatened trust and harmony among northern and southern Europeans (Bowles, 2014). An essential ingredient for cohesion is trust among European citizens. In the recent debate regarding the European economic crisis, prominent newspapers have repeatedly turned readers' attention to this topic (Garton Ash, 2013; The Economist, 2013).

* Corresponding author. Tel.: +49 911 5302 224.

E-mail addresses: anja.dieckmann@gfk-verein.org (A. Dieckmann), veronika.grimm@fau.de (V. Grimm), matthias.unfried@gfk-verein.org (M. Unfried), verena.utikal@fau.de (V. Utikal), lorenzo.valmasoni@fau.de (L. Valmasoni).

¹ Tel.: +49 911 395 2033.

² Tel.: +49 911 395 4514.

³ Tel.: +49 911 5302 229.

⁴ Tel.: +49 911 5302 690.

Such a focus seems reasonable, because trust among citizens has been documented as affecting important economic variables, such as trade and investment (Bottazzi et al., 2011; Guiso et al., 2009) and growth (Knack and Keefer, 1997). Indeed, a lack of trust may induce individuals to devise costly mechanisms to monitor others' effort provision and honesty (Laffont and Martimort, 2009). Moreover, trust based on incorrect perceptions could cause inefficient investment and trade levels across countries or misjudgment of product quality due to the consumers' inclination to choose products based on the country of origin as a signal of their quality—as shown by a large strand of literature in marketing referring to it as country-of-origin effect (Verlegh and Steenkamp, 1999).⁵ The aim and the main contribution of this study is to shed light on trust among Europeans by eliciting people's perceptions and behavioral predictions concerning other European citizens in a controlled environment and then comparing those perceptions to the corresponding actual behavior.

Our study builds on extensive experimental literature, which provides ample evidence that culture affects essential economic behavior, such as bargaining (Chuah et al., 2007; Henrich, 2000; Henrich et al., 2001), trust (Bornhorst et al., 2010), cooperation, positive and negative reciprocity (Gächter and Herrmann, 2009), and punishment (Henrich et al., 2006; Herrmann et al., 2008). In a controlled experiment, we elicit behavioral data as well as the related cross-cultural perceptions with respect to effort for the sake of others and honesty in five major European countries: France, Germany, Italy, the Netherlands, and Spain.⁶ These samples are representative in terms of age, gender, education, and territorial distribution. We find that individuals clearly rely on nationality to infer behavior. Moreover, cultural proximity affects perceptions of honesty: Individuals believe that their compatriots and citizens from countries considered culturally closer to them are less honest, on average, than are citizens culturally further from them. With regard to effort, assessments follow a clear north/south pattern in which all individuals associate northern countries with better performance than southern countries. With regard to both honesty and effort, we find that perceptions are not always in line with the assessed behavior.

Previous survey evidence shows that individuals tend to deem people in northern European countries as more competent (competent, confident and skillful) but less warm (friendly, sincere, and good-natured) than people in southern European countries, suggesting that they possess structured beliefs about differences in behavior among Europeans (Cuddy et al., 2009). Indeed, nationality can represent a proxy, an observable characteristic that individuals can use to predict others' behavior. In the economics literature, this behavioral pattern is typically called statistical discrimination. More generally, proxies of others' behavior may refer to ethnicity or physical appearance, including race and gender, or may be endogenously chosen, as in membership to a club. Statistical discrimination is induced by prior experience or statistical knowledge, which may or may not be correct. In contrast, taste-based discrimination is associated with preferences or dislikes for specific groups (Anderson et al., 2006; Arrow, 1973, 1998; Becker, 1971; Fang and Moro, 2010; Fershtman and Gneezy, 2001; Phelps, 1972).

In a cross-cultural context, an individual generally faces an in-group (his or her own country) and one or more out-groups (other countries). Various theories and studies in social psychology report people's tendency to judge and treat in-group members more favorably than out-group members in various aspects (Hewstone et al., 2002; Platow et al., 1990).⁷ Social projection theory (Krueger, 1998; Robbins and Krueger, 2005), which includes the false consensus effect (Ross et al., 1977), suggests that a person tends to project his or her own opinions, attitudes, and behaviors when making predictions about other people.⁸ In addition, projection is stronger for in-groups than for out-groups, which indicates asymmetric projection. Another explanation for this effect is the Social Circle Heuristic (Pachur et al., 2005), which suggests that an individual tends to make predictions by sequentially sampling instances of an event from various social circles, starting with the closest circle, himself or herself, and gradually shifting to further circles, such as friends, acquaintances, and so on. In a cross-cultural setting, this implies that not all citizens perceive citizens of other countries in the same way. Indeed, a factor like cultural proximity may play a role. For instance, individuals might have different attitudes toward a firm or product originating from their own country or a country they perceive as similar to their own. This might result in what the marketing literature calls consumers' ethnocentrism, in which consumers are inclined to buy domestic products (Balabanis and Diamantopoulos, 2004), or in the tendency to invest in local companies (Bottazzi et al., 2011) and in companies that have cultural backgrounds similar to those of investors (Grinblatt and Keloharju, 2001). Indeed, people's level of experience with a specific country and its cultural

⁵ A recent article in *The Economist* cites a study, conducted by the Pew Research Center, that points out that cross-cultural perceptions often vary across countries and are probably not in line with reality (The Economist, 2012). For instance, Greeks considered themselves the hardest working people among the countries included, whereas citizens of other countries considered Germans the hardest working. Clearly, in order to understand who is right and who is wrong, an objective basis for comparison would be necessary. That is possible with our methodology, because we measure perceptions and the corresponding actual behavior.

⁶ These five countries represent a large share of the European economy. Namely, they contributed 82% of the total GDP of the Euro area in 2014 (OECD).

⁷ Besides that, a large body of literature studies the effect of group membership on behavior; for a review of the literature in economics and social psychology see Chen and Li (2009).

⁸ Note that the label "false" has been subject to much debate among psychologists. "The effect has been labeled 'false' on the grounds that, because there is an actual endorsement rate in the group, systematic deviations from it in the direction of the subject's own response supposedly cannot result from an accurate estimation procedure" (Dawes, 1989) (p. 1). However, many authors argue that the effect can be completely in line with rational information processing, for example when other information on endorsement rates is unavailable (Dawes, 1989; Engelmann and Strobel, 2000). Engelmann and Strobel (2000) argue for a more narrow definition and state that the "false consensus effect is considered to be present if people, when forming expectations concerning other people's decisions, weight their own decision *more heavily* than that of a randomly selected person from the same population" (p. 242, emphasis added).

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