



Cultural integration: Experimental evidence of convergence in immigrants' preferences[☆]



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ABSTRACT

Cultural traits play a significant role in the determination of economic outcomes and institutions. This paper presents evidence from laboratory experiments on the cultural integration of individuals of Chinese ethnicity in Australia, focusing on social preferences, risk attitudes, and preferences for competition. We find that greater exposure to Western culture is in general associated with a convergence to Western norms of behaviour. Specifically, the share of education an individual receives in the West has a strong negative impact on altruism, trust towards individuals of Chinese ethnicity, and trustworthiness, while it has a significant and positive impact on trust towards Australians. For risk and competitive preferences, our results are gender-specific. These findings have important implications for policy making and institution building in multi-cultural societies.

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1. Introduction

Social preferences, preferences for competition, and risk attitudes vary significantly across cultures (see, e.g., Henrich et al., 2005; Holm and Danielson, 2005; Buchan et al., 2006; Alesina and Giuliano, 2011a; Luttmer and Singhal, 2011; Gneezy et al., 2009; Vieider et al., 2014). This paper seeks to examine how these cultural traits evolve over time when members of

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one culture move to a country with a distinctly different culture.¹ Do we see a persistence of cross-cultural differences or a convergence to the traits of the host country?

Cultural traits play a significant role in the determination of economic outcomes (see, e.g., Guiso et al., 2006). They are also important in shaping the economic, political, and social institutions of a society.² For these reasons, policy makers are often actively interested in how best to design policies that encourage cultural integration because they believe it will contribute to harmony and resilience in society. Examples of such policies include strict citizenship tests or changes in educational curriculum to emphasise key cultural values. The particular policy approach taken by a government will depend on the degree of cultural integration that is targeted. However, whatever the ultimate aim, effective policy making requires a good understanding of the rate and process of cultural integration.

The goal of this paper is to analyse the extent to which cultural integration occurs. We broadly define cultural integration as the process via which immigrants take on the characteristics of the host country.³ Our focus will be on social preferences (altruism, trust, and trustworthiness), preferences for competition, and risk attitudes. We present evidence from laboratory experiments and focus on the convergence patterns of individuals of Chinese ethnicity in Australia. To evaluate both own-ethnicity and cross-ethnicity effects, we conducted single-ethnicity sessions, with individuals of Chinese ethnicity only, as well as mixed-ethnicity sessions, with individuals of Chinese ethnicity and Australians of European descent. The subjects participated in a Dictator game, a Trust game, a Risk game, and a Competition game.

To assess the degree of cultural integration, we consider the impact of exposure to Western culture on the subjects' behaviour in these four games. Our measure of exposure is the share of each participant's education that was gained in Australia. We use this measure since it is a more direct measure of the amount of exposure immigrants have to the cultural traits of the host country than the percentage of one's lifetime spent in a Western country. Even if immigrants spend a considerable portion of their life in the host country, they may end up having minimal exposure to the institutions and culture of their new home if they interact mainly with their own ethnic group. Indeed, Western education share as compared to the percentage of one's life spent in Australia is found to have a similar but statistically stronger relationship with cultural integration.

Our results reveal that greater exposure to Western culture is generally associated with subjects' behaviour more closely reflecting Western norms of behaviour. Specifically, greater exposure to Western culture has a significant and negative impact on altruism, in-group trust (i.e., trust towards individuals of Chinese ethnicity), and trustworthiness, while it has a significant and positive impact on out-group trust (i.e., trust towards Australians). The impact of exposure to Western culture on risk attitudes and preferences for competition are gender-specific. While greater exposure to Western culture makes women more risk-loving, it does not have a significant impact on the risk-taking behaviour of men. Greater exposure to Western culture does not change the willingness of men to engage in competition either. However, women's willingness to compete has an inverted-U shaped relationship with Western education share. We find that the relationship is driven by their confidence levels.

In the economics literature, a lot of attention has been given to the *economic* integration of immigrants. There exists a recent but fast-growing literature on the *cultural* integration patterns of different immigrant groups.⁴ Our paper contributes to this literature by considering cultural integration along the dimensions of social preferences (altruism, trust, and trustworthiness), preferences for competition, and risk attitudes. Cultural integration along these dimensions has hardly been analysed in the literature and the existing studies rely on survey data.⁵

In the experimental literature, a few papers have studied cultural differences between migrant and native populations, but how cultural traits evolve in multi-cultural settings has largely been ignored. In this literature, two related papers are Guillen and Ji (2011) and Cox and Orman (2010). Both examine trust and provide mixed evidence. Guillen and Ji (2011) find that international students treat other international students and domestic students similarly, but that they exhibit

¹ By culture, we refer to “those customary beliefs and values that ethnic, religious, and social groups transmit fairly unchanged from generation to generation” (Guiso et al., 2006).

² For example, Algan and Cahuc (2009) show the impact of civic virtue on labour market institutions (the provision of unemployment benefits), Alesina et al. (2010) study the influence of family values on labour market regulations, and Alesina and Giuliano (2011b) examine how family values affect political participation. See also Algan and Cahuc (2014) for a survey of the literature on the impact of trust on economic development through the realms of finance, innovation, organisation of firms, the labour market and the product market.

³ See Algan et al. (2012) for a discussion of the different theories of cultural integration developed in the social sciences, namely assimilation theory, multiculturalism, structuralism, and segmented assimilation synthesis (p. 4). One important difference between the different theories is the extent to which cultural characteristics of immigrants are preserved in their new existence. Hence, cultural integration may reflect the learning of and adherence to the new country's social norms and/or a change in one's own identity and norms. While differentiating between these different ways of integrating is interesting, it is not the focus of this paper.

⁴ See, for example, Manning and Roy (2010), Bisin et al. (2008), and Constant and Zimmermann (2008) on ethnic identity, Fernandez and Fogli (2009) on fertility, Algan and Cahuc (2010) on trust, De Palo et al. (2006) on social relations, Guiso et al. (2006), Alesina and Fuchs-Schuendeln (2007) and Luttmer and Singhal (2011) on preferences for redistribution, Bonin et al. (2012) on risk proclivity, and Giuliano (2007) on living arrangements.

⁵ One exception is Algan and Cahuc (2010), who focus on the transmission of trust within families. In other related work, Guiso et al. (2006), Alesina and Fuchs-Schuendeln (2007), Alesina and Giuliano (2011a), and Luttmer and Singhal (2011) focus on preferences for redistribution. Guiso et al. (2006), Alesina and Giuliano (2011a), and Luttmer and Singhal (2011) find evidence of a lasting effect of culture using data from the General Social Survey in the U.S. World Values Survey, and the European Social Survey. Alesina and Fuchs-Schuendeln (2007) investigate preferences for redistribution among East and West Germans. They find that, after the German reunification, East Germans are more in favour of redistribution than West Germans, but that East Germans' preferences converge towards those of West Germans.

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