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Trust issues: Evidence on the intergenerational trust transmission among children of immigrants[☆]

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ABSTRACT

This paper estimates the intergenerational transmission of trust by studying children of immigrants in 29 European countries with ancestry in 87 nations. There is significant transmission of trust on the mother's side, and the transmission is significantly stronger than on the father's side. The transmission is stronger in high trust countries. Building trust in high trust environments is a process lasting generations. Intriguingly, trust transmission is strong also in low trust birth countries if ancestral trust is very high. There is persistence of very high trust in low trusting environments through cultural transmission in the family.

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1. Introduction

Trust has been shown to correlate with favorable economic outcomes (Knack and Keefer, 1997) and with indicators of good government (La Porta et al., 1997, 1999) in cross country data. Recent papers examine the influence of trust on outcomes by instrumental variables within countries. The focus has been on historical political institutions that transmit trust, which in turn affect income (Tabellini, 2008, 2010) and social capital (Guiso et al., 2008). Algan and Cahuc (2010) use the trust measures of different waves of immigrants to the U.S. to obtain a measure of how trust has changed over time, which they regress on growth to estimate an effect of trust on growth across countries. The evidence points to an important role for trust in economic and social development, but the knowledge of how trust is formed at the micro level is limited.

Intergenerational transmission of trust in the family is examined by Dohmen et al. (2012) using a survey in Germany that samples both parents and their adult children. They find strong positive correlations between the parents' and their children's trust attitudes, which is consistent with a causal effect of parental trust on children's trust. To address potential

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concerns about reverse causality they apply an instrumental variables approach. However, as pointed out by the authors, the results should only be seen as suggestive of a causal effect due to a lack of good instruments.

The objective is to build on this work and provide an estimate of the intergenerational transmission of trust using a different method; a method with a stronger claim to estimating a causal effect. This paper studies how second generation immigrants' trust are affected by the average level of trust in the parent's birth country. This approach avoids the reverse causality issue. To measure parental trust the average level of trust in the parent's birth country is used. This parental trust measure is not influenced by the trust of the child, who is born in and resides in a different country.

Some evidence of intergenerational transmission of trust among immigrants is given by Guiso et al. (2006). They regress trust on ancestry country or region fixed effects for immigrants in the US. The fixed effects would not only directly capture the cultural influence of trust from the country of ancestry but also other aspects of cultural transmission. They find that the average level of trust in 14 immigrant groups is correlated with average trust in the corresponding countries. In a regression analysis of immigrants in the U.S. Algan and Cahuc (2010) find that trust is significantly related to trust in their ancestral country. They consider immigrants from 24, primarily European, countries.¹

The current literature has not considered the intergenerational transmission of trust in a broad range of countries, nor has it considered individuals from a wide set of backgrounds. This paper adds to the literature on intergenerational transmission of trust in several ways. First, the paper studies individuals who reside in 29 European countries, which display a rich variation in the institutional and cultural environment individuals' face. Such variation increases the validity of the results as immigrants to the U.S. could be particular and the results in that environment may not generalize. Second, I consider immigrants from 87 countries of ancestry which include not only Europe but also a wide range of countries in Africa, the Americas, and Asia. By decreasing the reliance on immigrants from one region, Europe, which could be different from individuals in other regions, my results can address if Algan and Cahuc's (2010) are general or specific to European immigrants in the U.S.

Third, heterogeneity of the intergenerational transmission of trust is examined. This paper studies if the transmission is stronger on the mother's compared to the father's side, and if it is stronger for individuals residing in high trust countries or for those with high trust ancestral roots. It is also examined if certain individual characteristics, such as being more integrated or having a highly educated mother, are associated with different influences of ancestral trust. The current literature has not addressed the heterogeneity of the intergenerational transmission. The heterogeneity estimates provide evidence on which channels are stronger and what the complementary influences are.

Fourth, this paper studies a determinant of trust in the ancestral country. The factor examined is language structure, in particular if pronoun drop is allowed and if there is second person pronoun differentiation (such as Tu-Vous in French). These linguistic features may indicate different levels of respect for the individual, which in turn may affect trust.² While the regressions of second generation immigrants provide a natural experiment in itself, they take the trust level of the ancestral country as given. The objective of using language structure is to understand some deep roots of what drives trust in the ancestral country.³ The second step is to use the part of the ancestral country trust that is shifted by the language structure and relate it to the individual trust of the children of immigrants. This approach combines two distinct methods in the literature in a novel way.

Trust expressed by children of immigrants is on average similar to the general population, although this similarity in means masks systematic differences across ancestries.⁴ The paper presents evidence of significant cultural transmission of trust, which is strongest on the mother's side. Individuals whose mothers have high trust ancestry express significantly higher trust than others. There is also evidence of intriguing heterogeneity, where the influence is significantly stronger on the mother's compared to the father's side. Moreover, the transmission seems much more persistent in certain contexts. The transmission is strong for individuals born and residing in high trusting countries such as Northern Europe and weaker in low trusting environments such as Southern Europe. The findings are consistent with individuals who adjust quickly to the lower trust levels in Southern and Eastern Europe, no matter their ancestry. Adapting to the higher trust in Northern Europe is a long process as captured by the intergenerational transmission estimates.⁵ The evidence fits with previous findings that social capital can depreciate quickly, but it takes a long time to build.⁶

Intriguingly, when high ancestral trust is restricted to include only countries with very high trust the transmission in this group is significant also in low trust birth countries. This indicates a strong persistence of trust at very high levels also in environments which may not reinforce high trusting beliefs per se. The result suggests a mechanism for the persistence of high trust societies and a non-linearity in the benefits of promoting trust to very high levels, as very high trust may be robust to perturbations in the environment because of strong transmission in the family.

The study of trust formation at the individual level in this paper is also important because directly related work finds that higher trust promotes economic success, information technology adoption, and health of individuals (Ljunge, 2012a, 2013a,

¹ Tabellini (2008) presents similar evidence on immigrants in the U.S. from 21, primarily European, countries. Also see Uslaner (2008) on immigrants in the U.S. from 9 regions. Moschion and Tabasso (2013) study the U.S. and Australia.

² These features have been used in the literature to address different questions in cross-country analysis, see Licht et al (2007) and Tabellini (2008).

³ Similar in spirit is Durante (2010) who uses weather patterns as shifters of risk sharing institutions.

⁴ Children of immigrants and second generation immigrants are terms used interchangeably in this paper.

⁵ As an example, the share of the population in Sweden who say that most people can be trusted is twice that of Italy.

⁶ See for example Nunn and Wantchekon (2011).

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