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Groups and trust: Experimental evidence on the Olson and Putnam hypotheses

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ABSTRACT

Mancur Olson and Robert Putnam provide two conflicting views on the effect of involvement with voluntary associations on their members. Putnam argues that associations instill in their members habits of cooperation, solidarity and public spiritedness. Olson emphasizes the tendency of groups to pursue private interests and lobby for preferential policies. We carry out the first field experiment involving a sample of members of different association types from different age groups and education levels, as well as a demographically comparable sample of non-members. This enables us to examine the differential patterns of behavior followed by members of Putnam-type and Olson-type associations. Coherently with both the Putnam's and Olson's view, we find that members of Putnam-type (Olson-type) associations display more (no more) generalized trust than non-members. However, when we examine trustworthy behavior we find the opposite pattern, with members of Olson-type (Putnam-type) associations more (no more) trustworthy than non-members. No systematic effect for the intensity of participation in associations emerges. We analyze the issue of self-selection through a structural equation model. This supports the view that membership has a significant effect on prosociality.

1. Introduction

The role of groups in shaping individuals preferences and modes of behavior has attracted the attention of many scholars in the social sciences. Two main theories on the relationship between groups and individuals are contrasted in contemporary investigations. The first is due to Robert Putnam. Drawing on Tocqueville's (1840) seminal analysis, Putnam posits that "associations instill in their members habits of cooperation, solidarity and public-spiritedness." (Putnam, Leonardi and Nanetti, 1993: 89–90). The second theory is due to Mancur Olson (1965, 1982). Putnam's optimism on the beneficial role of associations is here replaced by a disenchanted view of the underlying reasons for the existence of associations. Olson emphasizes the tendency of groups to pursue private interests and lobby for preferential policies. Far from instilling public-spiritedness in the society, parochial and partisan interests prevail in the associations' objectives.

These two views are not necessarily irreconcilable. It has been argued that voluntary associations differ in characteristics and purposes. Some types of associations may operate in accordance with Putnam's theory, other with Olson's. In their seminal contribution, Knack and Keefer (1997) classify trade unions, political parties or groups, and professional associations as "Olson-type" associations, as these associations are "most representative of groups with redistributive goals" (Knack and Keefer, 1997; p. 1273). "Redistributive" here is synonym with rent-seeking behavior. The objective of these associations is mainly to redirect society's resources to the benefit of their own members. Education, arts, music or cultural activities; religious or church organizations; and youth work (e.g., scouts, guides, youth clubs, etc.) are defined as "Putnam-type" associations. They are "identified as those groups least likely to act as "distributional coalitions" but which involve social interactions that can build trust and cooperative habits" (Knack and Keefer, 1997; p. 1273).

The previous study, along with other contributions drawing on aggregate country-level data in order to study the effect of

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associational membership (see Section 2 for a review), cannot take into account either the possibility that individuals are members of more than one type of association, or the intensity of their associational activity. Other studies, reviewed in Section 2, analyze the effect of associational membership using individual-level surveys (Stolle and Rochon, 1998; Stolle, 1998; Wollebaek and Selle, 2002). Although these contributions are better able to investigate the micro-mechanisms of the relationship between prosociality and membership in voluntary associations, the possibility of confounding effects and misreporting that is intrinsic in survey questions hamper their conclusions (e.g. Bertrand and Mullainathan, 2001; Glaeser et al., 2000; Anderson, Mellor and Milyo, 2004). Moreover, the use of survey questions on trust has raised much criticism. As Glaeser et al. (2000: 800) put it, "While these survey questions are interesting, they are also vague, abstract, and hard to interpret".

In this paper we revert to an experimental analysis to examine the differential patterns of behavior followed by members of Putnam-type and Olson-type associations. We carry out the first field experiment involving a sample of members of different association types from different age groups and education levels, as well as a demographically comparable sample of non-members. We investigate the level of generalized trust (toward people from the general population) and particularized trust (trust towards fellow members),[1] of members of Putnam-type, Olson-type and other types of association within a Trust Game (Berg et al., 1995).

First of all, our analysis aims at testing four main hypotheses inspired by the Putnam's and Olson's approaches that we will call *PUTNAM HYPOTHESES* (*A* and *B*) and *OLSON HYPOTESES* (*A* and *B*):

(1) *PUTNAM HYPOTHESIS A*: Members of Putnam-type associations display more trust towards the general public (i.e. generalized trust) than non-members;
(2) *PUTNAM HYPOTHESIS B*: Putnam-type members display levels of trust toward their fellow members that are higher than the levels of trust towards the general public; that is, particularized trust is higher than generalized trust;
(3) *OLSON HYPOTHESIS A*: Members of Olson-type associations do not show higher levels of generalized trust than non-members;
(4) *OLSON HYPOTHESIS B*: Members of Olson-type associations display more particularized than generalized trust.

The two "B Hypotheses", i.e. that interaction *within* associations are characterized by higher level of trust than interactions between association members and strangers, are based on the concept of *direct* and *indirect reciprocity* (Fehr and Gächter, 2000; Seinen and Schram, 2006; Engelmann and Fischbacher, 2009). Social networks generated through the association trigger mechanisms based on reciprocity, reputation, monitoring and sanctioning that increase cooperation among members of the same group (Putnam, Leonardi and Nanetti, 1993; Putnam, 2000; Paxton, 2007). Indeed, we should observe members of associations to trust fellow members more than people from the general public regardless of association types.

However, Putnam and other followers of the Tocquevillian tradition argue that participation in associations also fosters prosocial attitudes in interactions with generalized others in the society at large, that is, *outside* the association. This may be in part explained by the very fact that associations increase the density and the overlap of social networks, as this activates the mechanisms based on reciprocity, reputation, monitoring and sanctioning mentioned above. Nevertheless, in large part, this is also based on the conjecture that associational membership will work towards increasing trust in, and co-operation with, absolute strangers (Putnam, Leonardi and Nanetti 1993; Brehm and Rahn 1997; Stolle and Rochon 1998; Putnam 2000; Wollebaek and Selle, 2002). From this approach we derive our *PUTNAM HYPOTHESIS A*.

Conversely, Olson's view (1965; 1982) hinges upon the role of associations in pursuing private interests of members and in relegating the general public interest to a minor role. From this perspective, we expect associations not to affect positively generalized trust (*OLSON HYPOTHESIS A*).

Secondly, not only does the Trust Game allow us to analyze Putnam-type and Olson-type members' patterns of trusting behavior, but also it enables us to study their trustworthiness.[2] Our study is the first to tackle the issue of trustworthiness in relation to different types of association.

Thirdly, we also examine whether increasing one's involvement with associations affects the behavior of members of different types of associations in our Trust Game. For this purpose we analyze the impact of the number of associations that an individual has joined and the number of hours that individuals report as spending in associational meetings and activities every week.

Finally, we investigate what we call the causality issue. Does membership instill prosociality in association joiners, or are people endowed with stronger prosocial attitudes in the first place more likely to join associations? For this purpose we perform an analysis with a structural equation model (SEM) of our data, posing a relationship of co-causality between membership on the one hand, and prosociality attitudes on the other. We model prosociality as a latent variable whose indicators are the measures of trust and trustworthiness that we observe in our experiment. We also discuss the relevance of the intensity analysis for the causality issue.

We investigate the previous issues by randomizing our sample into an in-group and an out-group treatment. In the in-group treatment association members are paired with people from their own association. In the out-group treatment they are paired with people from the general population. Behavior in the in-group and out-group treatments gives us a measure of particularized and generalized trust, respectively. The comparison with the behavior of people from the general population also enables us to contrast generalized trust by members and non-members.

We follow Knack and Keefer's (1997) classification of Olson-type and Putnam-type associations. We involve in our experiment members of trade unions and cultural associations (see Section 3). These are representative of the former and latter group, respectively. We also sample members of a group that, in the original Knack and Keefer's (1997) classification, are neither Putnam-type nor Olson-type. These are social welfare and health services

[1] Generalized trust may be interpreted as a general predisposition toward other people, especially people whom one does not know (Uslaner, 2002) and may be defined as "a trust that goes beyond the boundaries of kinship and friendship and even beyond the boundaries of acquaintance" (Stolle and Rochon, 1998, p. 48). It differs from the notion of particularized trust which consists in relying only on people who belong to one's own "moral community" and share the same characteristics (Uslaner, 2002). Berggren and Jordahl (2006, p.143) distinguish between particularized trust and generalized trust where "the former entails trusting people you know or know something about; the latter trusting most (but not all) people you do not know or know anything about." In this perspective, the notion of knowledge-based trust (Yamagishi and Yamagishi, 1994) clarifies that particularized trust is strictly related to the available information.

[2] We are aware that different motivational drivers may lead subjects' decisions in Trust Games (e.g. Becchetti and Degli Antoni, 2010). In particular, subjects may be motivated by other regarding preferences (Cox, 2004), altruistic or inequality-averse preferences (Fehr and Schmidt 1999), social-welfare preferences (Charness and Rabin, 2002), warm glow (Andreoni, 1989, 1990) and trust (only on the part of the first mover) or reciprocity (only on the part of the second mover). We are not able, neither is it an aim of our analysis, to disentangle among the different motivations behind subjects' decision in our Trust Game. We simply assume that a higher amount sent by the Sender and a higher share returned by the Receiver are representative of a greater propensity to cooperate. In what follows, we generically refer to trust and trustworthiness when talking about Senders' and Receivers' behavior.