



Dialects, cultural identity, and economic exchange

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ABSTRACT

We study the effect of cultural ties on economic exchange using a novel measure for cultural identity: dialects. We evaluate linguistic micro-data from a unique language survey conducted between 1879 and 1888 in about 45,000 German schools. The recorded geography of dialects comprehensively portrays local cultural similarities that have been evolving for centuries, and provides an ideal opportunity to measure cultural barriers to economic exchange at a fine geographical scale. In a gravity analysis we show that cross-regional migration flows in the period 2000–2006 are positively affected by historical dialect similarity. Using different empirical strategies, we show that this finding indicates highly time-persistent cultural ties that foster economic exchange across regions.

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“It is impossible for an Englishman to open his mouth without making some other Englishman hate or despise him” (George Bernhard Shaw – *Pygmalion*, 1916)

1. Introduction

Scholars from various disciplines have long argued that economic phenomena are affected by culture, but quantitative research on the impact of cultural ties on economic exchange has started only very recently. *Culture* is not an easily operational concept, however, and is thus difficult to measure. Specifically, proxies for cultural ties are often available only at a high level of aggregation, typically for different countries, and may thus coincide with other effects on economic outcomes, such as institutions. We develop a novel approach for studying the economic implications of cultural ties. Our units of analysis are small-scale regions of the same country (Germany)

across which institutional barriers are much lower than between countries. We explore – for the first time in the economics literature – linguistic micro-data which provide a unique opportunity to comprehensively measure deep and persistent cultural ties at an unusual degree of detail: the region-pair level.

Our data are derived from an encompassing language survey conducted by the linguist Georg Wenker between 1879 and 1888. This survey was intended to provide an in-depth inquiry into language variation within the newly created German Empire, at a time, where a standardized national language (“*Hochdeutsch*”) had not yet become prevalent, and where people even from neighboring villages were occasionally not able to properly communicate with each other. It includes detailed grammatical and phonological attributes (such as the pronunciation of consonants and vowels) of the German dialects spoken by pupils in about 45,000 schools from all over the Empire.¹ Below we provide several

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¹ To this day, the Wenker survey is the most complete documentation ever of a nation’s language and has defined standards in the linguistics discipline (for a detailed introduction, see Lameli, 2010). Similar data are not available for other countries or languages at a comparable degree of regional detail.

examples of our data showing that the geography of dialects as recorded in the late 19th century is the outcome of an evolutionary process and—almost like a genome—stores information about historical interactions across the German regions that would be very difficult, if not impossible, to capture without linguistic data. That language data are extremely useful in that regard is not a new idea; in fact, already Charles Darwin advocated the use of linguistic data when he wrote, in his seminal book, *Origin of Species*:

If we possessed a perfect pedigree of mankind, a genealogical arrangement of the races of man would afford the best classification of the languages now spoken around the world; and if all extinct languages, and all intermediate and slowly changing dialect, were to be included, such an arrangement would be the only possible one.

(cited after Cavalli-Sforza, 2000, pp. 167)

In this paper, we investigate to what extent historical dialect similarity affects contemporaneous economic exchange. More specifically, we study the impact on gross migration flows across 439 German districts (NUTS 3 regions) by estimating a theory-based gravity equation. Such migration flows are a well suited economic outcome variable for our purpose, because migration (also across regions) typically occurs only rarely in an individual's lifetime and involves repeated face-to-face interactions with culturally unfamiliar individuals at the new location. Cultural factors are thus likely to influence such decisions even more strongly than, say, the decision to trade goods with someone from a different region.

Our central finding is that, conditional on geographical distance, the contemporaneous migration is significantly positively affected by the similarity of the dialects prevalent in the source and the destination area more than 120 years ago. Quantitatively, the impact is smaller than the effect of geographical distance on migration flows that is typically in the focus of gravity analyses, but still it is economically important: Had there been no dialect barriers, internal migration in Germany would be almost 20 per cent higher than it really is.

This finding does not arise because dialects impose actual communication barriers that hinder migration decisions. Linguistic studies clearly show that dialect use in Germany is far less common today than in the 19th century when the language data were collected, since standard German (as used, e.g., by the national media) is now much more widespread. Nevertheless, even if today individuals can more easily communicate with each other everywhere in the country, dialect differences still reflect persistent *cultural* differences across German regions that have developed over centuries.

We argue that our findings can be interpreted as the causal impact of such intangible and highly time-persistent cultural borders which limit the degree of integration of the national labor market. To address if this interpretation is sound, we conduct several extended analyses that tackle the main estimation concern for our empirical analysis, namely biases from persistent omitted factors. These factors may have shaped the geography of dialects in the past, e.g. by means of historic migration flows, and still influence migration today. However, we show that dialect similarity is not confounded with other types of region-pair-specific congruencies, like a common religious or political history, a similar industry structure, connectedness through historical trading routes, or regional differences in persistent geological features. Controlling for these features reduces the measured impact of historical dialect similarity on current migration flows, since there is correlation with these other region-pair specific ties. However, beyond that there is still a highly significant impact of dialect similarity, which is consistent with the argument by Charles Darwin that linguistic data capture an entirety of historical imprints and otherwise

immeasurable aspects of culture. For a subset of German regions (Bavaria) we are even able to conduct an instrumental variable (IV) approach, where the historical dialect similarities are used as an instrument for contemporaneous linguistic similarities across regions. This exercise is useful to assess the quantitative impact of current cultural similarities on migration flows, and lends further support to our interpretation that cultural ties indeed foster economic exchange at the regional level.

Our paper is related to the extensive literature about language and economics. That literature has, however, mostly focussed on the coexistence of domestic and foreign languages within one country, or on the language acquisition of foreigners.² Our focus is different and novel because we study dialects, i.e., regional variation of the *same* language.³

Furthermore, our study is closely related to a recent line of research on the economic effects of cultural ties at the international level. In an important contribution, Guiso et al. (2009) show that trade and investment flows across European countries are fostered by bilateral trust, which in turn is enhanced by cultural, religious, genetic, and somatic similarities across countries.⁴ Our study adds to this literature by showing that cultural ties affect economic exchange also *within* nations and, hence, on a much finer geographical scale. Furthermore, our study allows us to abstract from distortions such as institutional barriers, which are difficult to separate from the effect of culture in a cross-country analysis, as those other distortions surely matter more at the international than at the regional level.

On a more disaggregate spatial scale, Tabellini (2010) studies the interaction of culture and institutions in determining output differences across European regions. Recognizing that contemporaneous cultural values are endogenous to current economic outcomes, he instruments culture with historical regional variables on literacy rates and political institutions. In our study, we can directly observe past cultural similarity across regions by relying on dialects measured in the 19th century and, therefore, face no comparable simultaneity problem.⁵

Finally, our paper is also related to recent research in urban economics on individual (self-) sorting and segregation of households across neighborhoods. This sorting is mostly thought to arise along such dimensions as income, human capital, or ethnicity, with discrimination often playing an important role (see Kuminoff et al., 2010; Gabriel and Painter, *in press* for recent overviews). Our findings show that individuals also base their location decisions on their tastes for living in culturally familiar environments.⁶

The remainder of this paper is organized as follows. In Section 2 we describe our linguistic data. Section 3 sets out a simple gravity model for regional gross migration flows that serves as the

² Important contributions include Lazear (1999), Alesina and La Ferrara (2005), Melitz (2008), or Ginsburgh and Weber (2011).

³ The only other economic study we are aware of that exploits linguistic variation within the same language is Grogger (2011). He finds that black workers in the United States systematically earn lower wages if their speech can be distinctively identified as African-American English. Our focus is different in that we are not interested in labor market discrimination against particular dialects (or sociolects), but in the effects of cultural similarity (represented by dialect similarity) on economic exchange.

⁴ See Felbermayr and Toubal (2010) for a related approach. Culture and genes are further put into perspective by Desmet et al. (2011) who show that countries with more distant gene profiles exhibit stronger differences in cultural values, and by Spolaore and Wacziarg (2009) who find a positive relationship of genetic and current income differences across countries.

⁵ Relatedly, Tabellini (2008) explores how grammatical features of languages interact with institutions across countries. While his approach focuses on grammar as indication of underlying social norms, our paper considers similarities in the linguistic code as an expression of cultural similarity across regions.

⁶ Using a very different research design, Dahl and Sorenson (2010) obtain a consistent result. They find that skilled technical workers in Denmark are more likely to accept job offers from regions close to where grew up.

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