

Culture: Part one

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What is culture?

- Customary beliefs and values that groups (nationalities, religion, social groups) transmit from generation to generation

What does culture do?

- Selects and sustains Nash equilibria when you have multiple equilibria (Myerson Grief)
- Directly influences preferences, determines “identity” (Akerlof and Kranton)

A brief history

- Classical economists freely used the concept of culture
- Economics was viewed as part of moral philosophy (Smith, Stuart Mill)
- Marx: economic structure determines sovrastructre of culture.

A brief history

- Weber reverses the direction of causality: culture determines economic development, protestant ethics determines development of capitalism

A brief History

- Antonio Gramsci, (Italian member of the Communist party incarcerated by the fascist regime and died in prison): two way causality: economic conditions determine culture, but workers can win dominance by exporting their culture on other groups and make it the hegemonic culture

Post WWII

- After WWII by and large economists tonally ignored culture
- Non economists did emphasized a lot culture and Weber in particular
- Banfield and Putnam on Italy

Banfield

- Study of the village of Chiaromonte in Southern Italy
- Amoral familism: people trust only members of the immediate family and distrust everybody else
- Moral behavior only toward immediate family antisocial behavior towards others linked to underdevelopment in Southern Italy

Putnam

- Where does the difference between north and south of Italy come from?
- Why such large and persistent differences in the functioning of society (public goods provision, trust, cooperative behavior, social capital in one word) even though political institutions are the same and in fact until recently relatively centralized?

Putnam

- History → Culture → Socio economic Outcomes
- Rather than History → Institutions → Socio economic Outcomes
- Hypothesis: Southern Italy has much less SC than the North because of a lack of the free city state experience in the XII XIV century

Persistence of History

- Putnam noted a correlation between that different historical development and current measures of social capital in Italy such as participation in civic groups, coral societies, etc
- Correlation between current social capital and functioning of society

A Primer in Italian Medieval History

- Toward the end of the first millennium Carolingian Holy Roman Empire is disintegrating
- The vacuum created by the weakening of the imperial authority lead to the emergence of local power.
- In some cities the response to the lack of government was the formation of small groups of individuals who agreed with a "*patto giurato*" to provide mutual help and collaborate to solve problems of common interest.
- Enforcement of the pact was achieved by a threat of exclusion, often sanctioned by the local bishop

A Primer in Italian Medieval History -2

- Development of free city is associated with
 - political decision making becomes a public matter, authoritarian structure of Feudal lords dismantled personal freedoms receive legal protection
- A structure is put in place to pay for public goods

Why not all free city states?

- In the South: Norman Kings prevented that
- In the North:
 - some cities found more difficult to coordinate
 - some cities found more difficult to protect themselves
 - in some areas Imperial power stronger

Putman revisited

- Guiso Sapienza Zingales (2007) “Long Term Persistence”
- Look more careful at Putnam's conjecture using variations even within northern cities

Testing Putnam's conjecture

- Not all towns that existed in year 1,000 became free cities in XII-XIV century
- Not all those that became free cities maintained independence
- Use heterogeneity in history across cities **within Center-North**
- Correlate social capital today to
 - History as a city state
 - Length of that experience

How to classify history?

- Individual city history not reliable
- We use historical atlases
 - 1176: Peak of the fight with the Emperor
 - 1300: Peak of the communal experience
 - Union of the two
- We restrict analyses to top 400 towns by inhabitants in 1871

How to measure social capital?

- Social Capital:
 - Number of associations
 - Turnout in referenda
 - Presence of an association of organ donors
- Other controls:
 - Crossroad of Roman roads: Historical Touring Club
 - Morphological characteristics +
 - Economic characteristics
 - Le Misure dei Comuni, 2003-2004 edition

Is Putnam Right?

- Per capita # of non for profits

Sample of 400 largest towns in the Center-North

Only History	History and geography	History, geography and endowment	No large towns	No province capitals	History, geog., endow. and income	History, geo, endow and area dummies
0.4227	1.1218***	1.0464***	0.9293**	1.6961***	1.0246***	1.1685***
(0.3633)	(0.3278)	(0.3284)	(0.3670)	(0.3836)	(0.2743)	(0.2777)

- We control for
 - Geography: altitude, steepness, proximity to the sea, location on Roman road
 - City size : population linear, square
 - Inequality in endowments: income and land ownership
- **Economic effect:** a town that has been a free city in the XI century has today **20% more SC** than one that has not be a free city

Objection

- Free city state could be a proxy for some unobserved variables that affect both SC and history
 - If so it must be a very persistent variable: e.g. geography, that is not picked up by our controls
- Deal with this with instruments for independent cities. What sort of instruments?
- Rely on history

In search for instruments for independent cities

History suggests two potential instruments

- Whether a city was a **Bishop city in year 1,000**
 - Lack of authority was initially made up with an informal agreement among the main families to run the city (*Patto giurato*)
 - Presence of Bishop facilitated coordination and made easier to run the pact and obtain independence; Bishop towns in year 1,000 became such in IV-VII century
- Whether it was **founded by the Etruscans**
 - Etruscans were organized in independent city states; for this they built cities that were easier to defend=> an easy-to-defend city is more likely to gain independence

First Stage

	Only instruments	Instruments and geography	First stage estimates
Bishop city	0.7379*** (0.0706)	0.7501*** (0.0651)	0.5393*** (0.0649)
Etruscan city	0.1664*** (0.0631)	0.1355** (0.0569)	0.2134*** (0.0537)

Is Putnam Right? Yes

	Non profit organizations	Referenda turnout	Organs donation organizations
Free city	1.0285**	1.8816**	0.4168***
F-test of excluded instruments	65.77	64.8	65.77
Sargan test: p-value	0.1507	0.0107	0.9928

A detour in Africa

- Disintegration of Central authority and creation of local authority is not a sufficient condition for the development of social capital and socio economic success.
- Gennaioli and Rainer JEcGrowth(2007)

Centralization is good?

- African tribes in pre colonization period varied on how much they were centralized in their structure of government, local chieftains versus a more structured tribal hierarchy
- Result: provision of public good in post colonial Africa much superior in countries with centralized tribes in pre colonial Africa

Back in Europe: Not only Italy

- Tabellini (2005) in the spirit of Putman looks at regional difference within eight countries in Europe
- History → Culture → Socio economic Outcomes
- Rather than History → Institutions → Socio economic Outcomes

Regions of Europe

- Compare regions with country fixed effects
- Difference in per capita output compared within country
- Country level variable account for by fixed effects
- Table 2 regions: a bit strange

Culture

- From World Value Survey
- 1) Trust: Generally speaking do you think that people can be trusted?
- 2) Respect: “her is list of quality that children should be encouraged to learn at home? Emphasis on “tolerance and respect for other people”

Culture

- 3) Obedience (with negative sign)
- 4) “Some people feel they have complete free choice and control over their life while other feel that what we do has no real effect on what happens to them”

Problems

- A bit of a combination of questions not much related to each other?
- Respect and obedience?
- Very few observations for some regions.

Correlations

- Controls:
- Initial level of income proxied by urbanization rates in 1850
- Current human capital stock: enrollments in primary and secondary schools in 1960

Identification

- Historical variables used as instrument for culture are not correlated with current output.
- Current culture = $F(\text{past culture current conditions})$
- Past culture = $G(\text{past conditions})$

Instruments

- Education in 1880
- Early political institutions:
- Controls of the executive 1600-1850
- Valid instruments?
- They may affect current education and current political institutions but the latter are controlled in the regression

Transmission of Culture

- How can historical events of centuries ago affect current socio economic outcomes?
- If it is through culture the latter has to be extremely persistent.
- How can culture be so persistent?

Tabellini (2007)

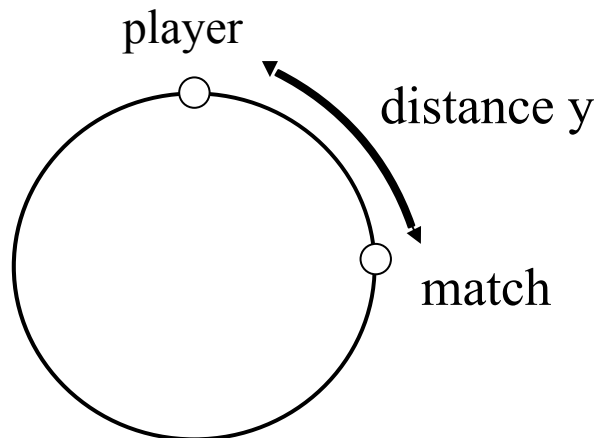
- Norms of cooperation and trust
- How do they transmit?
- One shot prisoner dilemma games, no role for cooperation
- How does a culture of cooperation is sustained?

Transmission

- “Moral” costs of non cooperating
- In equilibrium moral costs have to balance benefits of NC
- Parents children cultural transmission of these moral costs endogenously modeled
- Limited or generalized trust societies
- Builds upon work by Dixit (2004) Bisin and Verdier (2004)

A matching game

- Continuum of agents on a circle, each randomly matched with someone at distance y
- Play prisoner's dilemma (PD) game only once
Economic payoffs from PD same for all matches
- Additional psychological cost if play NC,
decaying with distance, $d \exp(-\theta y)$, $d > 0$



Parents and children

- “good” parents teach children to be “good”
- “bad” parents do not
- How much effort good parents spend in teaching a child to be good depend on the return to being good, i.e. how many good people are around
- Strategic complementarity and slow adjustment to equilibrium

Implications

1. Better external enforcement

Better enforcement in distant matches (reduce l) \Rightarrow
Scope of cooperation expands ($Y^1 \uparrow$) immediately

Stronger incentives to teach generalized morality \Rightarrow Fraction
of good types rises ($n \uparrow$) gradually

Better formal institutions \Rightarrow Better values, but with long
delayed effects

Implications

2. Matching technology

Higher probability of matches in region $[Y^0, Y^1]$ =>
=> More effort by parents => better values ($n \uparrow$)

Very localized transactions (below Y^0) hurt generalized morality

E.g.. India vs Europe in XVII century (Kumar-Matsusaka 2006)

Asia had lower population density, less transportation (Jones 2003)

Globalization can also hurt values, if it increases likelihood of matches above Y^1

Emigration or de-industrialization

eg.: Indonesia (Miguel et al. 2002, Breman 2001), the UK (Polany)

Yes but benefits of trade may go up!!

Transmission of Culture: evidence

- Dohemen et al (2006) German Data Socio Economic Panel 2003 2004 Waves
- Questions on Risk Taking and trusts and how attitudes of parents is transmitted to children
- Interviews with each member of a household above age 17

Risk taking

- Generic questions like how would you rate yourself in terms of risk taking behavior in driving, investing etc
- Explicit lotteries offered (not available in GSS!!!)

Verification

- Wage regression: risk taking people have a 20 per cent higher wage (more risk?)
- Field experiments in which people are asked the same question as survey and their behavior observed

Trust

- Same question as GSS: how much can you trust others.
- Verification: field experiment with a standard trust game.
- Verification successful contrary to result by Glaser et al (2004) on Harvard undergraduates!

Results

- About 4,000 children usable (parents responded to the same question)
- Strong correlation of risk taking and trust behavior between parents and children
- Even correlation within each question about risk taking

Results

- Stronger correlation for smaller families (fewer children)
- No gender effects amongst children
- Some weak first child effect (more correlation with parents)
- Positive marital correlation

Actual experiment

- Cipriani Giuliano (2005) actual experiment with parents and children playing the same trust game
- No correlation of behavior but:
- Children were young (time to educate them left?)
- Very small size of experiment, they are extending it. Very promising.