
The Power of the Family

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Motivation: Culture and Economics

- Role of the family and its organizational structure vary a lot across countries
 - Are family structures an efficient response to institutional or market environment? Or are they (at least partially) an outcome of cultural norms leading to different economic outcomes?
 - How to disentangle the two?
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Culture and Economics

- History → Institutions → Development
 - History → Culture → Development
 - Culture could explain why formal institutions work in a different way in the same country (i.e. North and South of Italy)
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- Does culture matter for economic outcomes?
 - Is it quantitative important?
 - How to define culture
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Outline

- How the strength of family relationships affects socio-economic outcomes
 - Cultural measure of family ties, using the World Value Survey
 - Evidence from within-country analysis and second-generation immigrants in the US and other countries
 - Is it really culture?
 - An instrument based upon language
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Cross-roads of two lines of research

1. Political scientists and sociologists on the socio-economic role of the family
 - ❑ Banfield (1958) and Putnam (1993) on “amoral familism”
 - ❑ Esping-Andersen (1999) on welfare state and family system
 - ❑ Coleman (1988) on family social capital
 - ❑ La Ferrara: family links as substitute of credit markets (2003)
 - ❑ Family structure and performance of family business (La Porta et al)
 - ❑ Family and unemployment shocks (Bentolila and Ichino, 2006)
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Cross-roads of two lines of research

2. The role of culture on economic outcomes

- ❑ Trade (Zingales et al., 2004), development (Tabellini, 2006, Spolaore and Wacziarg, 2006), growth (Barro et al., 2003))
 - ❑ Living arrangements (Giuliano, 2007); female labor force participation, wage gender gap and fertility (Antecol, 2000, Fernandez and Fogli, 2005, Fortin, 2005)
 - ❑ Bertrand and Schoar (2006): efficiency versus cultural theories to explain family firms
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A story

- Strong family ties make individuals rely relatively more on the family than on the market and the government for production of services and insurance
 - More reliance on home production and less on the government for social insurance: important consequences for preferences for welfare state
 - Stricter division of labor inside the family: male-bread winner and female working at home: implications for gender based policies.
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A story

- Strong family ties work if members close to each others: low geographical mobility and large families
 - Strong family ties societies have more inward looking attitudes, trusting only family members and not outsiders; it could degenerate in “amoral familism” and the mafia
 - Is there a trade-off between participation in market activities and happiness and life satisfaction? May be.
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Empirical Strategy

- Within-country analysis
 - Second-generation immigrants in the US
 - Robustness checks
 - An instrument based upon language
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Empirical Analysis: Data

- Within-country evidence
 - Fourth Wave (1994-2004) of the World Value Survey covering 81 countries: attitudes, religion and standard demographics
 - Multinational Time Use Study, 13 countries (time use in one day (in minutes))
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A Measure of Family Ties

Question 1

Regardless of what the qualities and faults of one's parents are, one must always love and respect them (1)

One does not have the duty to love and respect parents who have not earned it by their behavior and attitudes (2)

Question 2

Parents' duty is to do their best for their children even at the expense of their own well-being (1)

Parents have a life of their own and should not be asked to sacrifice their own well being for the sake of their children (2)

Question 3

Importance of the family: from very important (1) to not important at all (4)

Who has weak family ties?

- Strongest ties: African, Latin American, Asian and Southern European countries
 - Lowest ties: Northern Europeans followed by Continental Europe, Central and Eastern Europe and the group including US, Canada, UK, Australia and New Zealand.
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Empirical analysis

- Within-country regressions:

$$Y_{ij} = \beta_0 + \beta_1 WFT_{ij} + \beta_2 X_{ij} + \beta_3 \gamma_j + \varepsilon_{ij}$$

- Where:
 - *WFT* is a variable indicating the weakness of family ties
 - *X* are individual controls
 - Country-fixed effects
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Empirical analysis

- Home production, youth and female LFP
 - Role of women in society
 - Attitudes towards the government, trust and happiness
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Female and youth labor force participation

	(1) Women LFP	(2) Youth LFP	(3) Youth LFP (excluding students)
Weak family ties	0.015 (0.003)***	0.008 (0.003)**	0.009 (0.001)***
Primary	-0.224 (0.008)***	0.108 (0.009)***	-0.184 (0.011)***
Secondary	-0.093 (0.007)***	0.131 (0.008)***	-0.070 (0.005)***
Age	0.084 (0.002)***	0.213 (0.012)***	-0.026 (0.006)***
Age squared	-0.001 (0.000)***	-0.004 (0.000)***	0.000 (0.000)***
Catholic	-0.031 (0.013)**	-0.009 (0.014)	0.001 (0.006)
Protestant	-0.018 (0.015)	-0.009 (0.017)	0.001 (0.007)
Orthodox	0.010 (0.021)	-0.028 (0.027)	-0.001 (0.012)
Jews	-0.072 (0.053)	0.006 (0.058)	0.033 (0.010)***
Muslim	-0.069 (0.017)***	-0.025 (0.019)	-0.035 (0.011)***
Hindu	-0.065 (0.030)**	-0.105 (0.037)***	-0.035 (0.036)
Buddhist	-0.032 (0.026)	-0.027 (0.035)	-0.031 (0.026)
Other	0.017 (0.015)	-0.003 (0.016)	-0.008 (0.007)
Married	-0.124 (0.009)***		
Single	0.096 (0.011)***		
Male		0.274 (0.006)***	0.259 (0.005)***
Observations	40763	26138	19926

Home production

	(1)	(2)	(3)
	Home production	Home production	Home production
Weak family ties	-7.546 (4.074)*	-8.171 (2.751)**	-7.482 (3.040)**
Age	8.311 (0.694)***	8.197 (0.722)***	8.166 (0.726)***
Age squared	-0.102 (0.009)***	-0.100 (0.009)***	-0.100 (0.009)***
Secondary education	-7.639 (2.048)***	-6.099 (2.341)**	-5.453 (2.495)*
Tertiary education	-16.005 (2.180)***	-13.313 (2.486)***	-12.360 (2.638)***
Employed	-29.473 (3.573)***	-29.157 (3.557)***	-29.066 (3.575)***
Female	53.616 (6.595)***	53.726 (6.574)***	53.745 (6.583)***
GDP per capita		-0.000 (0.000)***	
Barro-Lee			-1.588 (0.495)***
Observations	132588	132588	132588
R-squared	0.21	0.21	0.21

Gender Role Attitudes

Question 1

When jobs are scarce, men should have more right to a job than women
from agree (3) to disagree (1)

Question 2

A working mother can establish just as warm and secure a relationship
with her children as a mother who does not work
from agree strongly (4) to strongly disagree (1)

Question 3

Being a housewife is just as fulfilling as working for pay
from agree strongly (4) to strongly disagree (1)

The role of women in society

	(1)	(2)	(3)
	Job Scarce	Woman Housewife	Working Mom
Weak Family Ties (Principal Component)	-0.017 (0.001)***	-0.052 (0.003)***	-0.001 (0.003)
Male	0.095 (0.003)***	0.065 (0.006)***	-0.162 (0.006)***
Primary Education	0.165 (0.004)***	0.168 (0.009)***	-0.155 (0.008)***
Secondary Education	0.078 (0.004)***	0.065 (0.008)***	-0.079 (0.007)***
Age	0.001 (0.000)***	0.002 (0.001)*	0.003 (0.001)***
Age Squared	0.000 (0.000)**	0.000 (0.000)**	-0.000 (0.000)***
Catholic	0.033 (0.006)***	0.044 (0.013)***	-0.000 (0.012)
Protestant	0.029 (0.007)***	0.044 (0.015)***	-0.026 (0.014)*
Orthodox	0.023 (0.011)**	-0.019 (0.023)	-0.027 (0.021)
Jews	0.056 (0.023)**	0.031 (0.048)	0.042 (0.045)
Muslim	0.114 (0.010)***	0.066 (0.019)***	-0.100 (0.018)***
Hindu	0.098 (0.018)***	0.056 (0.034)	-0.028 (0.030)
Buddhist	0.038 (0.014)***	0.013 (0.021)	-0.014 (0.020)
Other	0.039 (0.008)***	0.026 (0.015)*	-0.068 (0.014)***
Observations	92262	82588	84967
R-squared	0.21	0.10	0.09

Family versus Government Insurance

- One home produced service: insurance against income fluctuations → less need of government provided insurance with strong family ties

Government

Could you please tell me which type of society you think this country should aim to be in the future? (from closer to the first (1) to closer to the second (5))

1. A society with extensive social welfare, but high taxes
 2. A society where taxes are low and individuals take responsibility for themselves
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Attitudes toward the Government

	(1) Extensive welfare (lower number) or people responsibility
Weak family ties	-0.021 (0.012)*
Male	0.043 (0.023)*
Primary	-0.023 (0.035)
Secondary	-0.022 (0.032)
Age	0.015 (0.005)***
Age squared	-0.000 (0.000)***
Catholic	0.043 (0.042)
Protestant	0.003 (0.060)
Orthodox	0.188 (0.068)***
Jews	-0.081 (0.234)
Muslim	-0.025 (0.057)
Hindu	-0.096 (0.123)
Buddhist	0.110 (0.056)**
Other	0.116 (0.054)**
Married	-0.038 (0.042)
Single	0.025

Trust

- Banfield (1958), Putnam (1993) and Gambetta (1990): “amoral” familism, only trust people inside the family circle, but not general trust

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Trust

Generally speaking, would you say that most people can be trusted (1) or that you need to be very careful in dealing with people (0)?

Trust

	(1)
	Trust
Weak Ties	0.004 (0.001)***
Male	0.013 (0.003)***
Primary education	-0.093 (0.004)***
Secondary education	-0.068 (0.004)***
Age	0.002 (0.000)***
Age squared	-0.000 (0.000)***
Catholic	0.002 (0.006)
Protestant	0.017 (0.008)**
Orthodox	-0.014 (0.011)
Jews	0.049 (0.024)**
Muslim	0.037 (0.009)***
Hindu	0.027 (0.016)*
Buddhist	0.012 (0.014)
Other	0.013 (0.007)*
Observations	89314
R-squared	0.10

Happiness and life satisfaction

- Is there a trade-off between participation in market activities with their ups and downs and uncertainty, and happiness and life satisfaction?

Happiness

Taking all things together, would you say you are very happy (4), quite happy (3), not very happy (2), not at all happy (1)

Life satisfaction

All things considered, how satisfied are with your life as a whole these days?

Being dissatisfied (1), to being satisfied (10)

Happiness and Life Satisfaction

	(1) Happiness	(2) Life Satisfaction
Weak ties	-0.050 (0.002)***	-0.122 (0.008)***
Male	-0.036 (0.005)***	-0.093 (0.016)***
Primary	-0.145 (0.007)***	-0.519 (0.022)***
Secondary	-0.044 (0.006)***	-0.260 (0.020)***
Employed	-0.001 (0.006)	0.038 (0.020)*
Unem	-0.146 (0.010)***	-0.618 (0.033)***
Age	-0.016 (0.001)***	-0.056 (0.003)***
Age squared	0.000 (0.000)***	0.001 (0.000)***
Married	0.277 (0.008)***	0.652 (0.027)***
Single	0.125 (0.011)***	0.347 (0.034)***
Catholic	0.064 (0.010)***	0.141 (0.033)***
Protestant	0.099 (0.012)***	0.347 (0.038)***
Orthodox	0.032 (0.018)*	0.008 (0.065)
Jews	-0.031 (0.039)	0.099 (0.123)
Muslim	0.037 (0.015)**	0.123 (0.053)**
Hindu	0.053 (0.028)*	0.268 (0.085)***
Buddhist	0.019 (0.020)	0.184 (0.067)***
Other	0.057 (0.012)***	0.106 (0.039)***
Observations	88531	89317
R-squared	0.17	0.23

Trying to uncover the causal link

- ❑ Second generation immigrants in the US
 - ❑ Is it really “culture”?
 - ❑ Linguistic variable on the grammatical use of pronoun drop as an instrument
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Previous papers

- Use first or second generation immigrants and economic country of origin variables as a proxy for culture (Antecol (2000), Carroll, Rhee and Rhee (1994), Fernandez and Fogli (2007), Giuliano (2007))
 - That approach does not make explicit the traits of individual beliefs that are relevant to economic outcomes
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Data

- March Supplement of the Current Population Survey (CPS)
 - Second-generation: native-born individuals whose fathers were born abroad
 - Associate to each immigrant our measure of family ties
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Second Generation Immigrants in the US

- Second-generation immigrants regressions:

$$Y_{iks} = \alpha_0 + \alpha_1 WFT_k + \beta_2 X_i + \delta_s + \varepsilon_{iks}$$

- Where:
 - WFT is a variable indicating the weakness of family ties in the country of origin
 - X are individual controls
 - Control for state-fixed effects
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Immigrants

- Youth and female LFP
 - Family size
 - Living arrangements and geographical mobility
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OLS regressions

	OLS Youth LFP	OLS Female LFP	OLS Geographical mobility	OLS Living at Home	OLS Family size
Weak Family Ties (Princ. Comp., Aver. in the country of origin)	0.084 (0.024)***	0.010 (0.017)	0.018 (0.005)***	-0.062 (0.026)**	-0.305 (0.070)***
Age	0.410 (0.029)***	0.062 (0.003)***	0.028 (0.004)***	-0.193 (0.015)***	-0.058 (0.009)***
Age squared	-0.008 (0.001)***	-0.001 (0.000)***	-0.001 (0.000)***	0.003 (0.000)***	0.000 (0.000)***
Female	-0.080 (0.012)***		-0.002 (0.003)	-0.100 (0.009)***	0.564 (0.094)***
Up to 12 years of school.	-0.066 (0.025)***	-0.171 (0.012)***	-0.048 (0.007)***	0.023 (0.017)	0.261 (0.040)***
Some college	-0.016 (0.028)	-0.015 (0.019)	-0.042 (0.003)***	0.089 (0.018)***	
Married	0.028 (0.015)*	-0.068 (0.020)***	0.018 (0.004)***		
Divorced	0.065 (0.022)***	0.073 (0.015)***	0.023 (0.009)***		
Real household income	0.000 (0.000)***	0.000 (0.000)***	-0.000 (0.000)***	0.000 (0.000)***	0.000 (0.000)***
Unemployed			0.023 (0.006)***		
Observations	22831	26547	21252	19664	80964

Women Female LFP

	(1) Female LFP	(2) Female LFP	(3) Female LFP	(4) Female LFP	(5) Female LFP
Weak Family Ties (Princ. Comp., average in the country of origin)	0.045 (0.015)***	0.015 (0.015)	0.010 (0.017)	0.021 (0.017)	0.021 (0.018)
Age	0.071 (0.005)***	0.062 (0.003)***	0.062 (0.003)***	0.062 (0.003)***	0.062 (0.003)***
Age squared	-0.001 (0.000)***	-0.001 (0.000)***	-0.001 (0.000)***	-0.001 (0.000)***	-0.001 (0.000)***
Up to 12 years of schooling		-0.199	-0.171	-0.201	-0.201
Some College		(0.014)*** -0.034 (0.017)**	(0.012)*** -0.015 (0.019)	(0.016)*** -0.036 (0.018)**	(0.016)*** -0.036 (0.018)**
Married		-0.058 (0.019)***	-0.068 (0.020)***	-0.058 (0.019)***	-0.058 (0.019)***
Divorced		0.064 (0.014)***	0.073 (0.015)***	0.064 (0.014)***	0.064 (0.014)***
Real hous. Income			0.000 (0.000)***		
Female LFP 1990					-0.001 (0.001)
Female LFP 2000				-0.001 (0.001)	
Observations	26547	26547	26547	26459	26459

Women education

	(1)	(2)
	Some or completed college	Some or completed college
Weak Family Ties (Princ. Comp., average in the country of origin)	0.095 (0.068)	0.085 (0.058)
Female	0.058 (0.005)***	0.062 (0.005)***
Female* (weak family ties)	0.039 (0.013)***	0.037 (0.012)***
Age	0.317 (0.054)***	0.315 (0.056)***
Age squared	-0.006 (0.001)***	-0.006 (0.001)***
Real Hous. Income		0.000 (0.000)***
Observations	22831	22831
R-squared	0.30	0.32

How big is the effect of family ties?

- From within-country regressions
 - Women LFP: probability would increase by 16% (1/3 of the average women LFP) if somebody moved from strong to weak family ties.
 - Home production → 40% of the average home production
 - Attitudes toward women (30-40% of the sample average)
 - Trust: magnitude is lower but comparable to the impact of education
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Immigrant regressions

- ❑ Youth LFP: 20% increase (more than 1/3 of the sample average.)
 - ❑ Women LFP: 10% increase (17% of the sample average.)
 - ❑ Geographical mobility: 4% (40% of the sample average), and living at home: 11% (about 50% of the sample average)
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Is it really “culture”?

- Is there some other variable that varies in a systematic fashion with country of origin and is correlated with family ties?
 - Family ties or Level of Development?
 - Control for GDP in the country of origin
 - Family ties or Human Capital?
 - Control Ethnic Human Capital (across and between generations)
 - HC in the country of origin (Barro-Lee)
 - Quality of education in the country of origin (Hanushek and Kimko)
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An interesting test: investment in education for women and men

- If there is a problem of omitted human capital we should expect the same effect of family ties on college education for women and for men
 - According to our story: women tend to work less in the market and more at home and forgo investment in education → lower investment in human capital for women but not for men
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Are family ties the relevant cultural norm?

- Alternative cultural variables
- Family ties or “traditional” values toward women?



Country of origin fixed effects and cultural proxies

- Use country of origin fixed effects rather than cultural measure of family ties
 - As a second stage, regress country of origin coefficients on family ties and other country of origin variables
 - Cultural proxy should explain a significant proportion of the variation across countries
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Additional Robustness checks

- Second generation immigrants in 27 European countries: evidence from the European Social Survey
 - Exclude Mexicans
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Instrumental variable regressions

- Linguistic variable on the grammatical use of pronoun drop in a language (the omission of the first-person singular, the “I” in English)
 - Kashima and Kashima (1998): languages reflect a particular conception about relationship among people
 - Idea: weak family ties are more individualistic → associated with pronoun drop
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Instrumental variable regressions

	(1)	(2)	(3)	(4)	(5)	(6)
	Youth LFP	Women LFP	Geographical mobility	Fam. size	Some or completed college	Living at home
Weak family ties	0.138 (0.054)**	0.028 (0.033)	0.042 (0.012)***	-0.399 (0.211)*	0.033 (0.079)	-0.117 (0.039)***
Age	0.355 (0.019)***	0.057 (0.005)***	0.028 (0.004)***	-0.058 (0.009)***	0.310 (0.055)***	-0.202 (0.011)***
Age squared	-0.007 (0.000)***	-0.001 (0.000)***	-0.001 (0.000)***	0.000 (0.000)***	-0.006 (0.001)***	0.003 (0.000)***
Up to 12 years of school.	-0.023 (0.015)	-0.149 (0.011)***	-0.060 (0.010)***	0.550 (0.101)***		-0.005 (0.013)
Some college	0.018 (0.017)	0.004 (0.017)	-0.071 (0.009)***	0.249 (0.046)***		0.053 (0.013)***
Real hous. income	0.000 (0.000)***	0.000 (0.000)***	-0.000 (0.000)***	0.000 (0.000)***	0.000 (0.000)***	0.000 (0.000)***
Female	-0.056 (0.009)***		-0.001 (0.003)	-0.077 (0.034)**	0.070 (0.007)***	-0.076 (0.010)***
Female*(weak family ties)					0.081 (0.032)**	
Observations	22329	26048	20782	79242	22329	19313

Conclusions

- Family ties differ across countries
 - Measure of family ties based on answers from the World Value Survey
 - Strong family ties imply
 - more home production and less participation in market activities (especially for women and youngsters)
 - lower geographical mobility and high family size
 - Lower trust
 - Life satisfaction and happiness
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Conclusions

- Second generation as a test that hold constant the economic environment but allow variation in immigrants' culture.
 - An instrument based on linguistic characteristics
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