

RISK, COOPERATION AND THE ECONOMIC ORIGINS OF SOCIAL TRUST: AN EMPIRICAL INVESTIGATION

(Job market paper)

Ruben Durante*

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ABSTRACT

Extensive research has documented the importance of social trust for economic development, yet the origins of trust remain largely unexplored. This paper examines the historical relationship between risk, cooperation and the emergence of social trust. I hypothesize that norms of trust developed in pre-industrial times as a result of experiences of collective action and mutual insurance triggered by the need for subsistence farmers to cope with climatic risk. These norms persisted over time, even after climate had become largely unimportant for economic activity. I test this hypothesis in the context of Europe combining high-resolution climate data for the period 1500-2000 with contemporary survey data at the sub-national level. I find that regions characterized by higher year-to-year variability in precipitation and temperature display higher levels of trust. Consistent with a theory of insurance through geographic differentiation, I also find that trust is higher in regions with more spatially heterogeneous precipitation. Furthermore, variation in social trust is driven by weather patterns during the growing season and by historical rather than recent variability. These results are robust to the inclusion of country fixed-effects, a variety of geographical controls, and regional measures of early political and economic development.

Keywords: Trust, Risk, Cooperation, Climate, Family Ties, Persistence

JEL Classification: O13, O52, Z13, Q54, N53

*Brown University, Department of Economics, Box B, Providence, RI 02912. Phone: +1.401.499.3922; Email: Ruben_Durante@brown.edu; Web: www.rubendurante.com.