Culture and Household Saving
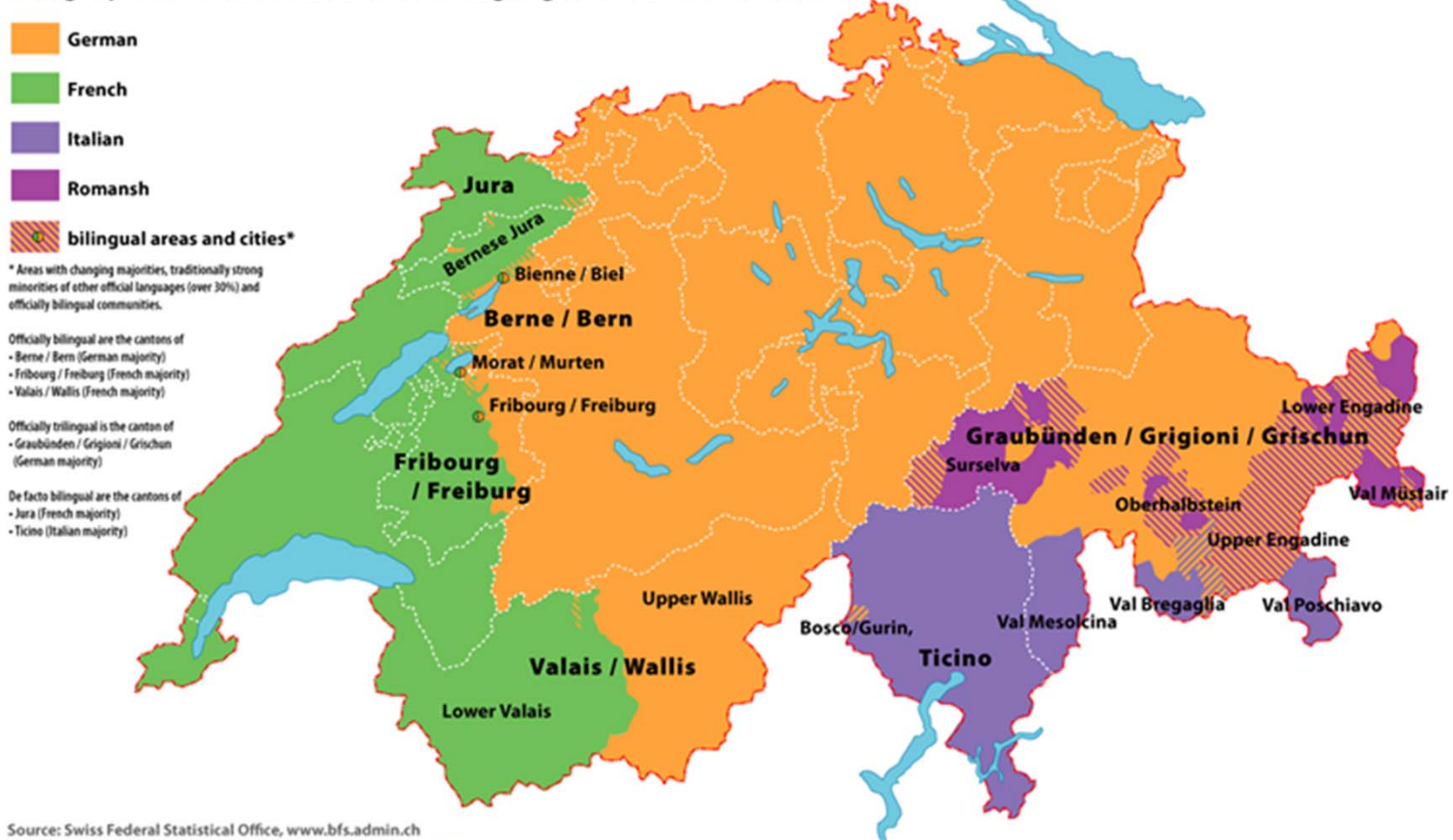## Benjamin Guin

Discussion by M. Ziegelmeyer

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Motivation

- Paper uses historical language borders within Switzerland to identify the effect of culture on household saving behaviour (1st contribution).

Geographical distribution of the languages of Switzerland (2000)

Legend:
- German
- French
- Italian
- Romansh
- bilingual areas and cities*

* Areas with changing majorities, traditionally strong minorities of other official languages (over 30%) and officially bilingual communities.

Officially bilingual are the cantons of
- Berne / Bern (German majority)
- Fribourg / Freiburg (French majority)
- Valais / Wallis (French majority)

Officially trilingual is the canton of
- Graubünden / Grigioni / Grischun (German majority)

De facto bilingual are the cantons of
- Jura (French majority)
- Ticino (Italian majority)

Source: Swiss Federal Statistical Office, www.bfs.admin.ch

Jura
Bernese Jura
Bienne / Biel
Berne / Bern
Morat / Murten
Fribourg / Freiburg
Fribourg / Freiburg
Upper Wallis
Valais / Wallis
Lower Valais
Bosco/Gurin,
Ticino
Graubünden / Grigioni / Grischun
Surselva
Oberhalbstein
Upper Engadine
Lower Engadine
Val Müstair
Val Bregaglia
Val Poschiavo
Val Mesolcina

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Röstigraben - Rösti ditch/ border

- Röstivorhang - *Rideau de rösti* - Rösti curtain

- Röstizaun - *Barrière de rösti* - Rösti barrier

Rösti = Swiss German name for hashed potatoes; typical of <u>Swiss German cuisine</u>

- Röstigraben known for cultural differences

- Already exploited in other papers – should be mentioned:

- Eugster, B., Lalive, R., Steinhauer, A., & Zweimüller J. (2011): The Demand for Social Insurance: Does Culture Matter? *The Economic Journal, 121(556), F413-F448.*

- Eugster, B., Lalive, R., & Zweimüller J. (2012): Does Culture Matter For Unemployment? Evidence from the Roestigraben, WP.

- Eugster, B., & R. Parchet (2013): Culture and Taxes: Towards Identifying Tax Competition, University of St. Gallen, Discussion Paper no. 2013-39

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- Reflects the cultural situation in Switzerland as established by Ethnography during the early 20th century. Some argue that this boundary is of greater importance than the Röstigraben.

1. Discontinuity of the share of German speaking households at the border ✓

Figure 2: German speakers and distance to the language border

This figure shows the share the share of German-speaking household heads depending on the distance to the language border. The vertical line indicates the language border as detailed in the text. Dots left of (right of) the vertical line indicate the share of German-speaking household heads in 10km segments in the French-speaking part (German-speaking part). Source: *Swiss Household Panel (1999-2012).*
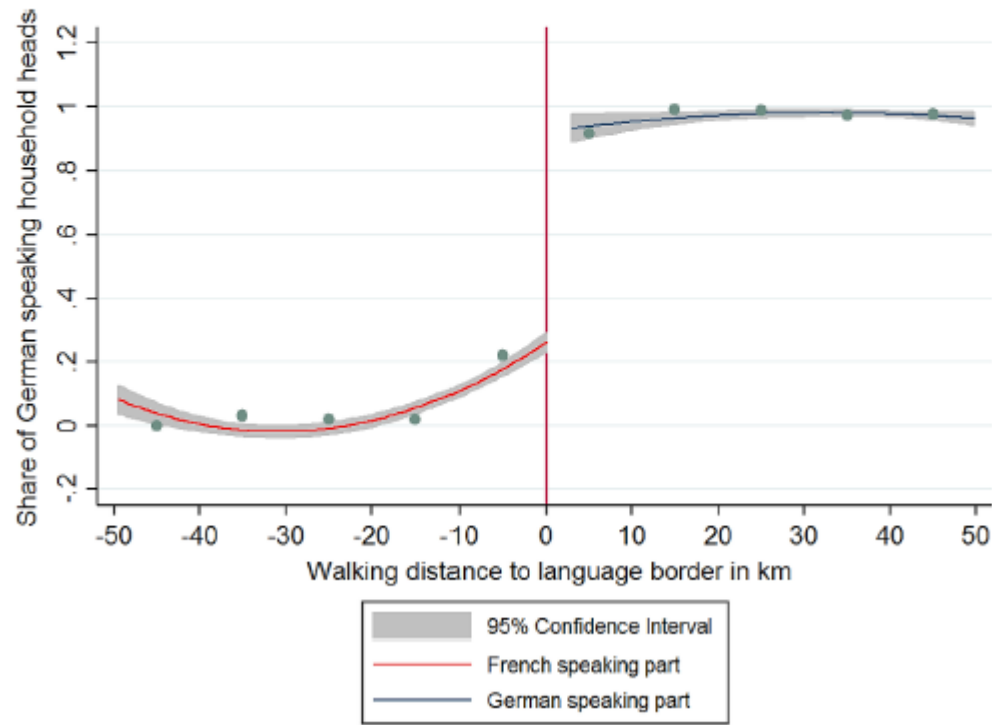
What is needed for identification?

2. Economic and institutional variables influencing household saving should be the same across the border:

    ✓ Restricted to three cantons

    ✓ Control for unemployment rates at the district level; important since robust difference in unemployment durations (Eugster, Lalive & Zweimüller, 2012).

    ☒ Debt level of municipalities
    ☒ Real estate market appreciation
    ☒ Inheritance/ wealth

# Household saving

- Main variable:
    - Household can save at least CHF 100 monthly.
    - ➤ Only proxy measure household saving.

- Robustness:
    - Household saves into a "pillar 3" scheme.
    - Household's expenses are higher than the household's income.

    Analysis very selective

- Analyse all three measures equivalently:
    - Descriptive statistics
    - Graphical illustration of discontinuity
    - Spatial regression discontinuity design

- Why does the share of ability to save become equal at -/+ 50km of the border? Why is cultural difference not persistent? Other influences?

This figure shows the share of households that can save at least CHF 100 per month depending on the distance to the language border. The vertical line indicates the language border as detailed in the text. Dots left to (right to) the vertical line indicate the share of households that can save at least CHF 100 per 10km segments in the French-speaking part (German-speaking part). Source: *Swiss Household Panel (1999-2003)*.
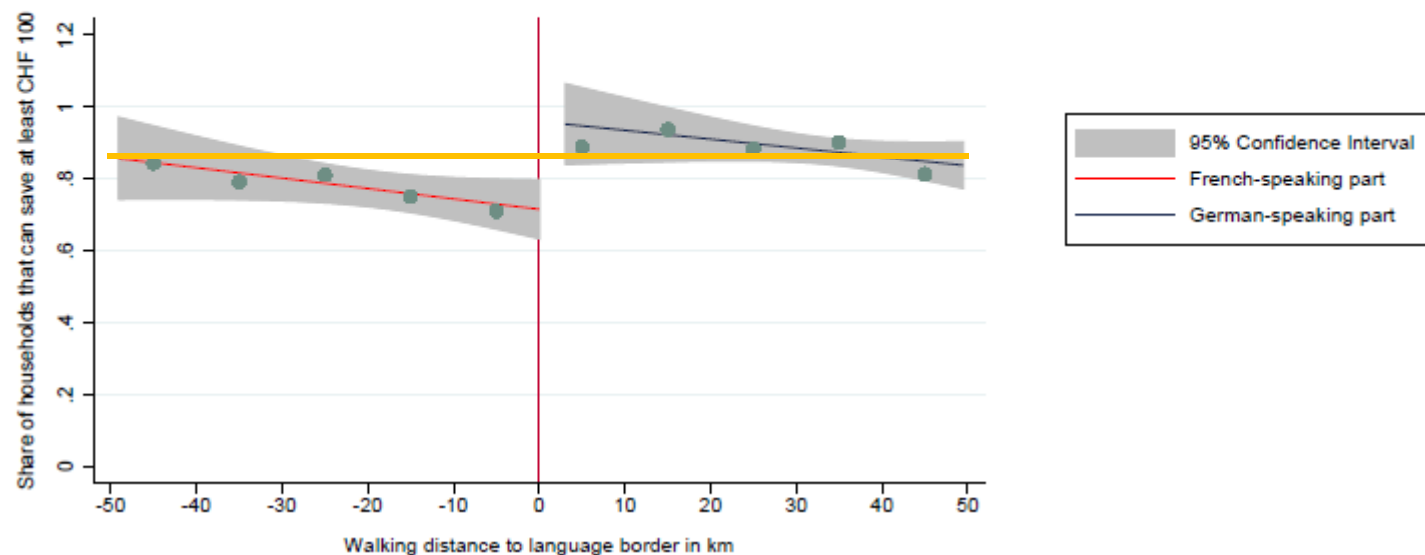
- Would like to see figures with -/+ 100km (robustness not shown -/+ 70km).

Estimation

$$Y_{i,m} = \alpha + \delta G_{i,m} + \beta_{l1} Distance_{i,m} + \boxed{\beta_{r1} G_{i,m} Distance_{i,m}} + X'_{i,m}\gamma + \epsilon_{i,m} \qquad (12)$$

- Interaction term always missing

- At least once coefficients of controls should be displayed.

	1	2	3	4	5
Survey Wave	1999-2003	1999-2003		1999-2003	
Bandwidth	50km	50km		50km	
Dependent variable	Saving	Saving		Saving	
German-speaking part	0.121***	0.294***	0.359***	0.280***	0.355***
	[0.031]	[0.045]	[0.061]	[0.057]	[0.079]
Distance	NO	Linear	Linear	Quadratic	Quadratic
Household controls	NO	NO	YES	NO	YES
Regional controls	NO	NO	YES	NO	YES
Year FE	NO	YES	YES	YES	YES
Canton FE	NO	YES	YES	YES	YES
Observations	577	577	577	577	577
Households	577	577	577	577	577
Share in German-speaking part	0.55	0.55	0.55	0.55	0.55
Municipalities	157	157	157	157	157
Mean of dependent variable	0.83	0.83	0.83	0.83	0.83
R-squared	0.025	0.048	0.137	0.050	0.137
Method	OLS	OLS	OLS	OLS	OLS

- Try to disentangle vertical (from parents to children) to horizontal transmission (between individuals).

  - Include and compare the role of the individual's native language to the role of the dominant native language of one's municipality (see Eugster, Lalive & Zweimüller, 2012).

Channels

- How does culture influence household saving (2nd contribution)?
  - ✓ Channel 1: time preferences
  - ☒ Channel 2: Formal and informal credit in financial distress.
    - ☒ Formal credit: In border region household face the same formal credit conditions due to arbitrage. Why should the same conditions influence saving across the border differently?
    - ☒ Informal credit: *"I investigate whether households in the French-speaking part are less likely to save because* they expect *to take credit from their informal networks or from banks when adverse income shocks materialize."*
    - But: Informal credit = 1 if the household has borrowed at least once from family or friends in case of financial distress.
    - Reverse causality: If household was in need of an informal credit, this influences its ability to save today.

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Dataset

- Swiss Household **Panel,** but
  - # of households = # of observations
  - Std. err. clustered across household id?
- Rather low number of observations
  - Largest working sample: 577
  - Something wrong with sample of (in)formal credit? 1999-2012: only 308 observations in regression.
- Sample selection: exclusion of
  - **Start with largest sample possible**
  - High income households (Q4)
  - Households whose head are not active in the labour market
  - Additional years for alternative measures of saving: 2004-2012?
- Imputation
  - Varying number of obs? Missings? Imputation?
- Weighting
  - Used? Representative at the canton level?

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Finally …

- Can you study a policy change and show that the same policy affects people differentially across the border?

- Amazing topic

- Unique setting

- Interesting results

- But the paper would profit from work on
  - presentation,
  - issues related to the dataset, and
  - more and homogeneous robustness tests.

Thank you!

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EUROSYSTÈME