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DIALECTS, CULTURAL IDENTITY AND ECONOMIC EXCHANGE

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ABSTRACT: It has long been argued that economic phenomena are affected by culture. However, the causal effect of cultural ties on economic exchange is difficult to identify, chiefly because cultural ties are endogenous to the current level of economic exchange, and because it is hard to separate *culture* from other influences. In this paper, we address these issues by using a novel measure for cultural identity—historical dialect differences across regions of the same country. 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 reflects local cultural differences that have been evolving for centuries and provides an ideal opportunity to isolate cultural costs from other barriers to economic exchange. In a gravity analysis, we then show that cross-regional migration flows in the period 2000–2006 are positively affected by historical dialect similarity, a finding that indicates highly time-persistent cultural borders that impede economic exchange even at a fine geographical scale.

JEL Codes: R23, Z10, J61

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