A Stairway to Success: How Parenting Shapes Culture and Social Stratification*

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Abstract

This chapter argues that parenting choices are a central force in the joint evolution of culture and economic outcomes. We present a framework in which parents—motivated by both their children's future success and their own normative beliefs—choose parenting styles and transmit cultural traits responding to economic incentives. Values such as work ethic, patience, and religiosity are more likely to be instilled when their anticipated returns, economic or otherwise, are high. The interaction between parenting and economic conditions gives rise to endogenous cultural and economic stratification. We extend the model to include residential sorting and social interactions, showing how neighborhood choice reinforces disparities in trust and human capital. Empirical evidence from the World Values Survey supports the model's key predictions. We conclude by highlighting open questions at the intersection of parenting, culture, and inequality.

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1 Introduction

Culture can be defined as a set of widely shared values, preferences, and beliefs that characterize a particular group or society. Parenting, in turn, is one of the primary mechanisms through which culture is transmitted across generations. Parents shape not only their children's skills and preferences, but also their broader worldviews and social behavior. As such, parenting plays a fundamental role in preserving and transforming cultural traditions over time. Conversely, cultural norms influence parenting practices by shaping expectations about childrearing and parent-child relationships. Beyond culture, economic conditions, social institutions, and peer influences also shape how parents raise their children. The feedback loop between parenting, culture, and the economy that arises from these reciprocal influences is the focus of this chapter.

We propose an economic approach to parenting that clarifies these connections by examining how parenting both reflects and reshapes cultural norms, and how economic and institutional forces influence this process. A central feature of our framework is that parenting decisions respond to economic incentives. Parents adapt their socialization strategies based on anticipated future payoffs for their children, which are shaped by labor market conditions, technological change, educational opportunities, neighborhood effects, and social mobility. This perspective helps explain why parenting norms differ across countries, time, and socioeconomic environments, and how they evolve in response to changing economic landscapes.

For instance, in societies experiencing rising economic inequality, parents may feel increasing pressure to instill work ethic and discipline to secure their children's future prospects. Where success is closely tied to performance in standardized academic tests, they may invest heavily in structured education and intensive tutoring, while also cultivating values of discipline and achievement. In contrast, in economies where entrepreneurial skills or creativity yield high returns, parenting may prioritize fostering independence and risk-taking. A key driver of these responses is parental altruism: parents love their children and aim to provide them with a "stairway to success" by preparing them for the world they will enter as adults.

Beyond altruism, paternalism also shapes parenting decisions. The key distinction is that, when acting paternalistically, parents base their choices on what they believe is best for their children, even when this conflicts with the children's own preferences. In other words, parents may override their children's desires and induce or impose choices they believe to be ultimately beneficial for them, or simply the morally right thing to do. This paternalistic dimension is particularly important in the persistence of traditional values such as religious beliefs or political ideologies, where parents often seek to transmit their own convictions rather than encourage independent thinking. Altruism and paternalism coexist in parenting decisions—sometimes reinforcing each other, sometimes pulling in opposite directions.

We incorporate these ideas into an economic framework by drawing on the developmental psychology literature on parenting styles (Baumrind 1967), as adapted in our recent research (Doepke and Zilibotti 2017, 2019, Doepke, Sorrenti, and Zilibotti 2019, Agostinelli et al. 2022, 2025). Whereas psychology typically treats parenting styles as stable personality traits, our approach interprets them as strategic choices that respond to economic and cultural conditions. We focus on the three parenting styles identified by Baumrind: authoritarian, authoritative, and permissive.[1] Authoritarian parents impose strict control, ensuring compliance with their values and, possibly, punishing deviation. Authoritative parents aim to shape preferences so that children internalize the desired behavior. Permissive parents, by contrast, prioritize self-expression and independence, and refrain from imposing specific values or preferences on their children.

The choice of parenting style depends on both parental preferences and external conditions. In rigid social environments where success depends on conformity, authoritarian parenting may dominate. Conversely, in dynamic economies where adaptability and innovation are rewarded, parents may favor authoritative or permissive styles that encourage independence.

Parenting styles also respond to external influences such as peer groups, schools, and the media—factors that can either reinforce or undermine the values parents

[1]We exclude the neglecting parenting style (Maccoby and Martin 1983), which is typically associated with problematic family situations beyond the scope of our analysis.

seek to instill. When parents perceive these influences as misaligned with their own values, they may respond by intensifying their efforts to shape their child's preferences. We refer to this strategic response as *defensive parenting*: parents take active measures to shield their children from potentially disruptive social forces and assert tighter control.

For instance, religious parents in highly secular societies may respond by segregating their children from mainstream culture and redoubling efforts at religious socialization (Bisin and Verdier 2000). This pattern is evident in the rise of homeschooling and religious schooling among devout families in secular environments, where parents actively seek to control curricular content and peer influence. In contrast, secular parents in the same setting may exert little effort in cultural transmission, trusting that societal influences reflect their own values. Our model captures this mechanism formally, emphasizing how parental decisions depend on trust in social institutions and perceived external risks. Cultural transmission thus interacts dynamically with the broader environment, generating complementarities—or tensions—between parenting and culture.

Parental perceptions of their immediate community are no less important. In neighborhoods characterized by cooperative norms and high interpersonal trust, parents are more likely to promote openness, autonomy, and engagement with broader society. These strategies facilitate the intergenerational transmission of trust, as shown, among others, by Algan and Cahuc (2010). In contrast, when the local environment is perceived as risky or hostile, parents often adopt more protective strategies that emphasize caution, conformity, and limited openness to unfamiliar individuals or ideas. These responses reinforce parochial norms and constrain the accumulation of social capital, with long-run consequences for a society's cooperative capacity.

A central implication of our analysis is that the mutual interactions between culture, parenting, and the economy can generate endogenous stratification along both cultural and economic dimensions. For instance, cultural traits such as thrift or risk tolerance have particularly high returns in specific occupations. This complementarity contributes to the emergence of distinct social classes, where families sharing a common set of cultural values dominate occupations that

rely on these values. Stratification may also stem from non-economic cultural attributes—such as religious beliefs—when these values affect economic behavior and outcomes. The potential for stratification is further amplified when residential choices respond to cultural preferences, as resulting patterns of segregation reinforce disparities in both the cultural and economic environments faced by children.

A second important insight is that the effectiveness of policy interventions aimed at reducing disparities depends crucially on how parents respond. In a world where parenting decisions play a central role in fostering or hindering social mobility, policies that ignore these behavioral responses may fail to achieve their intended goals. Addressing persistent inequalities therefore requires a careful understanding of how incentives and environments shape parenting behavior.

In the following sections, we develop these insights through a series of illustrative models. In Section 2, we introduce a general framework to analyze parental choice over parenting styles. Section 3 applies this model to examine how the formation of economic preferences interacts with economic conditions, shaping cultural stratification and the endogenous formation of social classes. Section 4 extends the analysis to the transmission of non-economic values, with a particular focus on religion. Section 5 explores the relationship between residential and cultural segregation within a framework of parenting and location choices. Throughout these sections, we also present historical and empirical evidence consistent with our theoretical predictions.

The research program outlined in this chapter is still in its early stages. In Section 6, we discuss avenues for future research, comprising a need for more empirical evidence, quantification of channels of influence, policy analysis, and expanding connections to research in other social sciences that touch on similar issues of stratification and social inequality. Section 7 concludes with a summary of our main findings.

2 A Framework for the Interaction of Parenting and Culture

We begin by outlining a general framework for analyzing the mutual interactions between economic conditions, parenting, residential choices, and cultural trans-

mission. We consider a population of dynasties in which each parent has a child, followed by a grandchild, and so forth. The model combines features of the economic literature on child development (Heckman and Mosso 2014, Attanasio 2015) with the literatures on the economics of culture (Guiso, Sapienza, and Zingales 2006, Fernández 2008, Fernández and Fogli 2009, Bisin and Verdier 2010, Enke 2019, Giuliano and Nunn 2021) and the economics of parenting.

2.1 The Parent's Decision Problem

The circumstances of a given parent are characterized by two state variables, H and X. H represents economic state variables; in the applications discussed below, H typically denotes human capital, though it may also include other factors such as wealth. The variable X captures the preferences, attitudes, and values that represent culture in our analysis. X can encompass economic preferences such as work ethic, patience, or risk tolerance; broader social attitudes such as trust and altruism; and distinct cultural elements, including religious beliefs. The child's state variables, shaped by the parent, are denoted as H' and X'.

A parent derives utility from consumption and cares about their child's well-being. Specifically, the preferences of a parent with state variables H and X are described by the value function:

$$V(H,X) = \max_{\{Y,P,N\}} \left\{ E\left[U(C,P) + z\left(\lambda\, \tilde{v}(H',X'|X,N) + (1-\lambda)\, v(H',X') \right) \right] \right\}. \quad (1)$$

The maximization is subject to a set of feasibility constraints, which may include budget and time constraints; the technologies governing human capital accumulation and preference transmission that jointly determine the child's state variables H' and X'; as well as the influence of neighborhood choice N, which may affect both parent and child.

The parent makes choices across multiple dimensions: Y encompasses standard economic decisions such as occupational choice; P represents parenting decisions; and N denotes residential location.

The parent's felicity is represented by a standard utility function that depends on consumption and the parenting style adopted, $U(C,P)$, where both consumption

and the cost of different parenting styles may depend on H.[2] The overall weight assigned to the child's welfare is captured by the parameter $z > 0$. The concern for the child is a linear combination of an altruistic and a paternalistic component. With the altruistic weight $1 - \lambda$, the parent values the child's actual lifetime utility, $v(H', X')$, defined as:

$$v(H', X') = u(X') + \beta\, V(H', X').$$

During childhood, the child derives utility $u(X')$ from their values X'. As an adult, the child's lifetime utility is given by the value function $V(H', X')$, discounted by β.[3]

When $\lambda = 0$, the parent is fully altruistic, and no conflict arises between parent and child: the parent's utility is entirely aligned with the child's preferences. When $\lambda > 0$, the parent's utility includes a paternalistic component—a judgment about what is best for the child that may differ from the child's own preferences.

Paternalism implies that the parent holds independent views about the child's well-being, irrespective of the child's own utility. It can manifest along several dimensions. Earlier work on the economics of parenting has emphasized potential disagreements between parent and child over the trade-off between present enjoyment and future investment. For instance, forward-looking parents may encourage academic effort and discourage risk-taking during adolescence, even if these choices conflict with the child's immediate preferences.

In this study, we focus on a broader cultural dimension of paternalism, emphasizing potential disagreement over the child's attitudes and values, encapsulated in X'. The paternalistic utility function is given by:

$$\tilde{v}(H', X'|X, N) = \tilde{u}(X'|X, N) + \beta\, V(H', X').$$

[2]The nature and relative cost of different parenting styles may vary across applications. An authoritarian style may strain family relationships by prioritizing strict control over open communication. An authoritative style may require significant time and effort to shape the child's preferences. A permissive approach also carries costs, as it involves expanding the child's choice set and accepting the potential consequences of a more liberal upbringing.

[3]In more general economic models of parenting, the child's utility during childhood may depend on additional choices and state variables. Here, we restrict attention to cultural factors.

This formulation retains the same future utility term $V(H', X')$ as in the altruistic case but replaces the child's own evaluation $u(X')$ with the parent's assessment $\tilde{u}(X'|X, N)$. For instance, a parent may prefer that the child adopts their religious beliefs, even if doing so does not maximize the child's own utility, as in the model we study in Section 4. The parent's evaluation $\tilde{u}(X'|X, N)$ may also depend on neighborhood characteristics N, as explored in Section 5.

2.2 Parenting Styles

The potential conflict between parent and child arising from paternalism gives rise to the concept of parenting styles. A parenting style describes how conflict is managed and control is exercised in the child's upbringing.

In developmental psychology (Baumrind 1967), the standard classification of parenting styles consists of permissive, authoritative, and authoritarian types. These categories have also been adopted by Doepke and Zilibotti (2017), who reinterpret them through the lens of parental control and belief formation. Their model emphasizes the extent to which parents restrict their children's choice set and seek to influence their values and preferences. Broadly, permissive parents grant their children significant freedom and refrain from intervening in their choices. Authoritative parents actively shape their children's values in order to guide both present and future decisions. In contrast, authoritarian parents impose restrictions and demand obedience without necessarily justifying their decisions or attempting to persuade the child.

In our model, parenting styles influence the formation of the child's values, X', which unfolds in two stages. Let $X_P^\star$ denote the parent's preferred values for the child. In the first stage, the parent decides whether to exert effort to instill these values. In the second stage, the parent chooses whether to allow the child to express their own preference, $X_C^\star$, or to suppress it. The child forms this preference by maximizing their own utility, resulting in:

$$X_C^\star = \arg \max_{X' \in \mathbb{X}(X_P^\star, P)} \left\{ E\left[u(X') + \beta\, V(H', X') \right] \right\},$$

where the expectation is taken over the realization of H' given the state variables.

The set $\mathbb{X}(X_P^\star, P)$ denotes the set of feasible values available to the child, which may depend on the parent's prior choices. In particular, some values X' become attainable only if the parent first invests effort in shaping them. For example, a child may be unable to choose to be patient and future-oriented on their own but may come to value these traits if they are first modeled or encouraged by the parent.

The three parenting styles emerge from the parent's choices at the two stages described above. If the parent neither attempts to instill specific values nor intervenes in the child's decision, the parenting style is permissive: the child determines X' autonomously. If the parent seeks to instill particular values but ultimately allows the child to express their own preference, the style is authoritative. Finally, if the parent suppresses the child's preference and enforces their own, the style is authoritarian. Formally, we express X' as a function of the parent's and child's preferred values, the parenting style P, and potential random shocks ϵ:

$$X' = f\left(\sigma(P)X_P^\star + (1-\sigma(P))X_C^\star, \epsilon\right), \tag{2}$$

We can now define parenting styles in our model.

Definition 1 (Parenting Style)**.** *The function $\sigma(P)$ characterizes the parenting style as follows:*

(i) If $\sigma(P) = 0$, the parent does not interfere with the child's choice of X'; the parenting style is permissive*.*

(ii) If $0 < \sigma(P) < 1$, the parent molds the child's preferences but also allows the child to influence X'; the parenting style is authoritative*.*

(iii) If $\sigma(P) = 1$, the parent suppresses the child's influence on X'; the parenting style is authoritarian*.*

This definition aligns with the axiomatic framework of Doepke and Zilibotti (2017), who characterize parenting styles based on how parents restrict their child's choice set and shape preferences. The parametric formulation introduced here serves to

operationalize these distinctions and is tailored to the applications developed in the following sections.

The setup implies that authoritative parenting can vary in intensity. A parent who shapes the child's preferences and also exerts substantial influence over the final choice (i.e., sets $\sigma(P)$ close to one) adopts an authoritative style that leans toward authoritarian. Conversely, when the parent shapes the child's preferences but allows greater autonomy in the final decision (i.e., sets $\sigma(P)$ close to zero), the authoritative style approaches the permissive style.

The value of $\sigma(P)$ may reflect the parent's own disposition—whether more liberal or strict—but it can also be shaped by external constraints on the parent's ability to intervene. For example, once the child leaves home to attend college, the parent may no longer be able to influence their academic effort directly. In such cases, a low value of $\sigma(P)$ may be imposed by circumstances, prompting the parent to invest more heavily in shaping the child's preferences at an earlier stage.

The parenting style may have implications beyond the determination of X'. For example, suppressing the child's choices may require a degree of control that also inhibits independence and creativity, thereby affecting the development of the child's human capital H'.

2.3 General Predictions

Even at this level of generality, our framework yields insights into the interplay between parenting, culture, and economic conditions. For instance, if the parent is fully altruistic ($\lambda = 0$), they will never choose an authoritarian style, as parent and child are fully aligned in their preferred value of X'.

By contrast, when parents are paternalistic ($\lambda > 0$), a tradeoff arises between enforcing their own values and responding to the implications of specific values X' for the child's future utility $V(H', X')$. If economic conditions evolve in such a way that certain values yield high returns for the child—regardless of the parent's own preferences X—there will be a tendency toward greater uniformity in children's values, independent of parental culture.

At the same time, multiple mechanisms in the model contribute to the stratification of preferences and culture in society. These include the role of parental values X in paternalistic utility, complementarities between specific values X' and human capital formation H', and interactions with neighborhood choice N.

2.4 Relationship with the Literature

The model outlined in this section builds on our recent research on the economics of parenting (Doepke and Zilibotti 2017, 2019, Doepke, Sorrenti, and Zilibotti 2019, Agostinelli et al. 2022, 2025). The intellectual roots of this approach to the link between parenting and culture lie in the seminal work of Becker (1981). In Becker's approach, as in ours, parents maximize a family utility function that includes weight on children's well-being. While preferences are exogenous in Becker (1981), subsequent work by Becker and Mulligan (1997) provides a foundation for understanding intergenerational preference formation, particularly in shaping time preferences (patience) through parental investment. The role of patience as a cultural asset further developed in Doepke and Zilibotti (2008).

Our research is also closely related to the work of Bisin and Verdier (2000, 2001), who develop models of cultural transmission in which parents actively shape their children's preferences while also being influenced by external social interactions (oblique transmission). Relative to their framework, we emphasize an explicit utilitarian approach in which we separate the role of altruism and paternalism. This distinction allows us to study dynamic interaction where parents enforce values they believe to be beneficial for the child, even against the child's preferences. Moreover, we explicitly incorporate into our analysis the notion of parenting style.

Another closely related theory is that of Hauk and Sáez Martí (2002), who analyze cultural transmission through the lens of strategic complementarities, where parents invest in shaping their children's preferences based on expectations about the broader social environment. Their work emphasizes how cultural traits persist when individual incentives to conform reinforce or oppose existing social norms. A similar theme is developed by Sáez Martí and Zenou (2012), who analyze the relationship between cultural transmission and racial discrimination. In their work, cultural persistence arises primarily due to strategic complementarity

effects, where parents transmit values which they expect to be advantageous given prevailing social norms. Our analysis in Section 5 is especially close to theirs.

Finally, our work is related to Lizzeri and Siniscalchi (2008). They propose a theoretical model where parents act as supervisors, guiding their children's learning processes by providing information and shaping their beliefs. In this framework, children learn about the world through observations and signals from their parents, who serve as carriers of information, influencing the development of the child's preferences and decision-making strategies. While Lizzeri and Siniscalchi emphasize parents as conveyors of information, our work studies the motivations behind parental guidance.[4]

2.5 Outlook

To examine the forces at play in the general model, we consider three applications that highlight specific mechanisms shaping the interaction between economic conditions and culture. In the analysis below, we simplify the general framework by replacing the child's dynastic value function, $V(H', X')$—which accounts for the future utility of grandchildren, great-grandchildren, and subsequent generations—with a value function, $V_C(H', X')$, that considers only the child's own felicity. This simplification enables fully analytical results without altering the main insights.

In each of the models below, the cultural variable X corresponds to a specific dimension of preferences or values: work ethic A in Section 3, religion R in Section 4, and trust T in Section 5. The models emphasize different tradeoffs and different aspects of cultural transmission. The first model focuses on the tradeoff between permissive and authoritative parenting. In the model on religion, we introduce authoritarian parenting into the analysis. Finally, the model on trust examines the role of neighborhood interactions and residential sorting.

[4]Other recent contributions in economics that also focus on parenting decisions include Lundberg, Romich, and Tsang (2009), Zhang and Ikeda (2016), and Cobb-Clark, Salamanca, and Zhu (2018).

3 Economic Incentives and Cultural Stratification

Cultural heterogeneity is reflected in a wide range of attitudes and preferences. Some of these have direct economic relevance, such as risk tolerance, patience, or work ethic, while in other cases, like religious or political beliefs, the implications for economic behavior are more indirect.

In this section, we abstract from the broader cultural spectrum and focus on a setting where preferences directly influence economic choices. Specifically, we consider how variation in work ethic shapes occupational choice, and how this interaction gives rise to cultural stratification and patterns of social mobility. Because the trait under consideration has clear consequences for individual outcomes, we observe meaningful links between parenting, economic conditions, and the intergenerational transmission of culture—even in the absence of paternalistic motives.

To highlight these forces more clearly, we focus on the case of fully altruistic parents ($\lambda = 0$). Under this assumption, parenting style reduces to a binary choice: whether or not to invest in molding the child's preferences—that is, whether to adopt an authoritative or a permissive approach.

3.1 The Origin of Work Ethic

Consider an economy where production requires the input of workers in two occupations: managers and laborers. The wage per efficiency unit of labor supply for managers is denoted by w_M, while the wage for laborers is w_N, with $w_N < w_M$. In general equilibrium, these wages would depend on the labor supply in each occupation (see, e.g., Doepke and Zilibotti 2014); here, for simplicity, we take w_M and w_N as given.

The efficiency units a worker can supply in each occupation depend on both their talent for that occupation and a preference trait, A, which we interpret as "work ethic." In this framework, work ethic A serves as the cultural variable X described in the general model above. The economic state variable H represents an individual's talent for the managerial occupation. Specifically, a worker with

talent H for the managerial occupation and work ethic $A \in \{0, 1\}$ can supply:

$$L_M(H, A) = H + \rho A$$

efficiency units of managerial labor. The talent variable H is uniformly distributed on the interval $[0, 1]$ among workers. The parameter $\rho > 0$ captures the economic return to the work ethic trait A, which may vary depending on technology and production methods.

In contrast, the effective labor supply of laborers is independent of both preferences and talent and is fixed at unity:

$$L_N(H, A) = 1.$$

The key assumption is that the return to the preference trait A differs across occupations. Given free occupational choice, a worker selects the occupation that offers the higher return. A worker will, therefore, choose to become a manager if:

$$w_M(H + \rho A) \geq w_N,$$

which is equivalent to:

$$H \geq \frac{w_N}{w_M} - \rho A \equiv \tilde{H}(A). \tag{3}$$

Thus, individuals with a strong work ethic ($A = 1$) become managers.

Next, we examine the origins of work ethic. A child's work ethic is shaped by their parent, who can choose either to instill this trait or to refrain from doing so. This decision is captured by the variable $P \in \{0, 1\}$, where $P = 1$ denotes that the parent actively instills a work ethic, and $P = 0$ corresponds to no intervention. We interpret $P = 1$ as authoritative parenting, since the parent actively shapes the child's preferences, whereas $P = 0$ reflects a permissive style.

The effort cost associated with authoritative parenting is denoted by $D(A) > 0$, where A represents the parent's own work ethic. This cost captures the time and effort the parent invests in transmitting values to the child. We assume $D(0) > D(1) > 0$: the cost is lower when the parent has a strong work ethic, since

leading by example facilitates transmission.

While the child always benefits from having a work ethic, they are unable to acquire one without the parent's active involvement. If $P = 0$, the child lacks exposure to this trait and defaults to $X_C^\star = 0$. By contrast, if $P = 1$, the child has access to a work ethic and strictly prefers it, so $X_C^\star = 1$.

If the parent invests in instilling a work ethic, the child develops $A' = 1$ with high probability p_1 from the combined effect of the parent aiming to instill $A' = 1$ and the child reaffirming this choice. Conversely, without investment ($P = 0$), this probability is reduced to p_0, where $0 < p_0 < p_1 < 1$.[5]

Both parents and children derive linear felicity from consumption. In addition, parents care about their children's utility. The value function of a parent with talent H and work ethic A, choosing between occupations $i \in \{M, N\}$, is given by:

$$V(H, A) = \max_{i \in \{M,L\},\, P \in \{0,1\}} \{w_i L_i(H, A) - D(A)P + z\, E\left[V_C(H', A')\right]\},$$

a special case of the general decision problem in (1), under the assumptions $\lambda = 0$ (no paternalism), $u(A) = 0$ (children do not derive utility from work ethic during childhood), and $\beta = 1$.

The first term captures the parent's own utility from labor income, net of any effort cost associated with parenting style P. The second term reflects the parent's concern for the child's future well-being, defined here by the child's adult utility $V_C(H', A')$. The expectation is taken over both the realization of the child's talent H' and their preference A', which in turn depends on the parent's choice of $P \in \{0, 1\}$.

The adult utility of a child with preference A' is determined by their labor income:[6]

$$V_C(H', A') = \max\{w_M L_M(H', A'),\ w_N L_N(H', A')\}.$$

[5] An authoritarian parenting style would force the child to make a particular occupational choice. We do not discuss this option because it would not be ex-post desirable from the perspective of an altruistic parent.

[6] As noted above, one simplification relative to the general framework in Section 2 is that the parent evaluates only the child's expected income, rather than the full continuation value $V(H', A')$, which would incorporate the child's own concern for their offspring (i.e., the parent's grandchild). This assumption simplifies the analysis without affecting the main results.

3.2 Occupational and Cultural Stratification in Equilibrium

We now characterize the equilibrium outcomes. Our primary interest lies in the potential for complementarities between specific occupations and preferences to drive cultural stratification and the endogenous formation of social classes in society.

Consider the parent's evaluation of the child's utility, $V_C(H', A')$. We focus on the case where $\rho < w_N/w_M$, which ensures that the threshold $\tilde{H}(A')$ for selecting the managerial occupation remains strictly between zero and one, regardless of A'. Given that talent H follows a uniform distribution, the child's expected income for a given A' is:

$$E\left[V_C(H', A')\right] = (1 - \tilde{H}(A')) \left(\frac{1 + \tilde{H}(A')}{2} + \rho A' \right) w_M + \tilde{H}(A') w_N.$$

The first term represents the probability that $H' \geq \tilde{H}(A')$, implying that the child chooses to become a manager. The second term corresponds to the expected productivity in the managerial occupation, conditional on $H' \geq \tilde{H}(A')$. Using Equation (3), we can simplify the expression as:

$$E\left[V_C(H', A')\right] = \frac{1}{2}(w_M + w_N^2/w_M) + \rho A'(w_M - w_N) + \frac{1}{2}\rho^2 (A')^2 w_M.$$

The benefit derived from the child acquiring a work ethic $A' = 1$ is given by:

$$E\left[V_C(H', 1)\right] - E\left[V_C(H', 0)\right] = \rho(w_M - w_N) + \frac{1}{2}\rho^2 w_M. \tag{4}$$

If $D(0)$ is prohibitively large, parents without a work ethic will never invest in their children's work ethic, as they may not fully understand what it entails. In contrast, the decision of parents with a strong work ethic ($A = 1$) depends on the return ρ to a work ethic in the managerial occupation.

We can now characterize how social stratification and social mobility depend on economic conditions.

Proposition 1 (Classless Society)**.** *If the return ρ to a strong work ethic is sufficiently*

low such that $\rho < \tilde{\rho}$, where

$$\tilde{\rho} = \frac{w_M - w_N}{w_M} \left(\sqrt{1 + \frac{2w_M D(1)}{z(p_1 - p_0)(w_M - w_N)^2}} - 1 \right),$$

then:

- *No parents invest in their children's work ethic;*
- *The children of managers and laborers have an equal likelihood of becoming managers.*

Proof: The parent's decision problem implies that no parent will invest in the child's work ethic if:

$$z(p_1 - p_0) \left(E\left[V_C(H', 1)\right] - E\left[V_C(H', 0)\right] \right) \leq D(1).$$

Using (4), this yields the threshold $\tilde{\rho}$ at which this expression holds as an equality. If $\rho < \tilde{\rho}$, there will be no persistence in economic status across generations because the distribution of children's preferences is identical across occupations, and the distribution of skill is independent of the parent's skill or occupation. □

In a society where $\rho < \tilde{\rho}$, the returns to specific economic preferences are not strong enough to induce social stratification. The distribution of preferences remains identical among the children of managers and laborers, and children from both groups are equally likely to enter the managerial profession. The only observable social distinction is that managers are more likely to have a strong work ethic, as a higher work ethic lowers the ability threshold for managerial entry. Additionally, managers earn a higher income than laborers, as most exceed the ability threshold and, therefore, receive a wage premium over laborers.

Next, we consider the case where the return to work ethic in the managerial occupation is sufficiently high to generate intergenerationally persistent social stratification of preferences.

Proposition 2 (Stratified Society)**.** *If the return ρ to work ethic is sufficiently high such that $\rho \geq \tilde{\rho}$, then the steady-state of the economy exhibits the following properties:*

- *Parents with a work ethic ($A = 1$) invest in their children's work ethic, while other parents do not;*
- *The children of managers have a higher likelihood of becoming managers than the children of laborers;*
- *The difference in average work ethic between managers and laborers increases with ρ;*
- *Intergenerational persistence in occupation and income increases with ρ.*

The proof for the proposition is given in the appendix.

When the return to entrepreneurship is sufficiently high, parental socialization decisions, combined with variation in the return to specific traits across occupations, lead to cultural stratification in society, where individuals in different occupations are characterized by distinct preferences and values. The degree of stratification increases with the economic return to work ethic, ρ.

Moreover, the mutual complementarity between working in a given occupation and possessing suitable preferences generates persistence in social status and limits intergenerational mobility. This occurs despite the fact that our illustrative model abstracts entirely from the direct transmission of human capital or ability; the sole source of persistence is that a parent with a specific preference trait finds it easier to endow their child with the same trait.

3.3 Separated Social Classes

In our baseline model, there are no formal barriers to social mobility; persistence in status arises solely from endogenous preference transmission. Historically, however, many societies have reinforced class distinctions through institutional mechanisms such as hereditary aristocracies, caste systems, or legal restrictions on occupational mobility. These structures impose exogenous constraints on social mobility, preventing individuals from freely transitioning across economic roles, regardless of their abilities or preferences.

We next examine how the forces shaping cultural differences evolve in our model when such rigid class boundaries are present. Specifically, we consider how

restricting mobility affects the intergenerational transmission of economic preferences, the stability of cultural stratification, and the persistence of inequality over time.

Proposition 3 (Stratified Society with Exogenous Class Boundaries)**.** *Consider an environment with a strict separation between two social classes. That is, all members of the managerial class become managers, as do their children, while all members of the laboring class remain confined to the laborer occupation. The steady-state exhibits the following properties:*

- *Members of the laboring class never invest in work ethic.*
- *The threshold $\hat{\rho}$ above which managerial-class parents with a work ethic invest is lower than the threshold in a society without fixed class boundaries, $\tilde{\rho}_{CB} < \tilde{\rho}$.*

Proof: Laborers have no incentive to invest in work ethic, as it yields returns only in the managerial occupation, from which their children are excluded. For managers, the child's expected utility is given by:

$$E\left[V_C(H', A')\right] = \left(\frac{1}{2} + \rho A'\right) w_M.$$

Thus, the benefit from investing in work ethic is:

$$z(p_1 - p_0)\left(E\left[V_C(H', 1)\right] - E\left[V_C(H', 0)\right]\right) = z(p_1 - p_0)\rho w_M.$$

The threshold $\tilde{\rho}_{CB}$ at which a manager is indifferent to investing in work ethic satisfies

$$D(1) = z(p_1 - p_0)\tilde{\rho} w_M,$$

which yields:

$$\tilde{\rho}_{CB} = \frac{D(1)}{z(p_1 - p_0) w_M} < \tilde{\rho}.$$

□

The threshold for investing in work ethic is lower in a society with fixed class boundaries because parents in the managerial class know that a strong work

ethic will benefit their children with certainty, rather than only if the child also possesses sufficient talent to enter the managerial occupation. If $\rho > \tilde{\rho}_{CB}$ and, in addition, $p_1 - p_0$ is sufficiently large, differences in culture—measured here by the average work ethic—are amplified relative to an economy with class mobility. This result follows because the fixed nature of occupational inheritance strengthens parents' incentives to transmit preferences and values that align with their child's predetermined occupation. The effect is particularly strong when $p_1 - p_0$ is large, meaning that parents exert a strong influence on shaping their children's preferences.

Another important force at play is self-selection: in a mobile society, children with a strong work ethic self-select into the managerial occupation, whereas in an immobile society, this selection effect is absent. As a result, self-selection increases occupational differences in preferences in a mobile society. However, the parental transmission effect dominates when parents have a sufficiently strong impact in shaping their children's preferences.

3.4 Extensions

The baseline model can be extended in several directions. Allowing for a continuous choice in shaping children's preferences does not alter the main conclusions, as it leaves the fundamental mechanism–complementarity between specific occupations and specific preferences—unchanged. Introducing diminishing marginal utility in consumption would amplify class distinctions in the economy, as investing in children's work ethic becomes more costly (in utility terms) for laborers due to their lower earnings. The model can be applied to other aspects of economic preferences that offer different returns in different occupations. For example, Doepke and Zilibotti (2014) consider an environment in which parents can transmit patience and risk tolerance, attributes that matter for entrepreneurship. Doepke and Zilibotti (2014) show that an environment similar to what is described here can generate multiple growth paths, where faster-growing countries are characterized by a larger share of the population displaying an "entrepreneurial spirit" of patient and risk-tolerant preferences.

General Equilibrium. General equilibrium effects can further reinforce some of the mechanisms described above. Consider an environment in which the labor supply of each occupation is aggregated through a production function with diminishing returns to each factor. If parents from one group invest more heavily in developing their children's occupation-specific preferences, more children from that group will enter the corresponding occupation, thereby reducing its average return. This, in turn, will discourage parents from other groups from preparing their children for that occupation, further entrenching occupational stratification.

Financial Markets. Incentives to endow children with occupation-specific preferences may also depend on the development of financial markets. This is particularly relevant for occupations in which patience and risk tolerance yield high returns.

Consider, for instance, an occupation that requires substantial investment during early adulthood—whether monetary, as in capital-intensive professions, or in time, as in highly-skilled careers involving prolonged training—followed by high returns later in life. If financial markets are underdeveloped and borrowing constraints are severe, only highly patient individuals who can forgo consumption for an extended period will enter such professions. In this case, parents who wish their children to pursue these careers have strong incentives to instill patience as a core value.

Conversely, if financial markets function well and allow individuals to borrow and smooth consumption over the life cycle, patience becomes less critical. As a result, parents will invest less in fostering patience, and cultural distinctions between occupations will weaken.

A similar logic applies to risk tolerance and entrepreneurship. If entrepreneurship involves bearing large, undiversifiable risks, parents who want their children to become entrepreneurs will be incentivized to cultivate risk tolerance. However, if financial markets facilitate risk-sharing—through mechanisms such as limited liability, public capital markets, or private equity funding—risk tolerance becomes less important. Consequently, entrepreneurs may become less culturally distinct over time, at least in terms of their risk preferences.

Interaction of Work Ethic and Patience. Up to this point, we have considered a model in which the parent is fully altruistic, and both parent and child agree that possessing a strong work ethic is desirable. In this setting, work ethic functions as a form of human capital: while not directly tied to knowledge or technical skills, it is a child characteristic in which parents can invest, yielding returns in the form of higher future income.

The main insights from this analysis extend to a richer framework involving multiple preference traits and potential parent-child conflict. Consider a scenario in which acquiring a work ethic requires effort by the child, and the parent and child differ in their time preferences: the parent favors long-term preparation, while the child prefers present enjoyment. In this case, attempts to instill work ethic may fail if the child is unwilling to exert the necessary effort. For transmission to succeed, the parent must resort to additional strategies—either authoritarian (e.g., compelling the child to comply) or authoritative (e.g., instilling patience alongside work ethic). The core mechanism remains intact: parental effort is motivated by the future economic returns for the child. This logic holds not only in fully altruistic settings but also in models with some degree of parent-child conflict, provided that at least a minimal level of altruism is present.

Doepke and Zilibotti (2008) develop a dynamic model closely related to this extension, focusing on the joint transmission of patience and work ethic within the family. Their theory offers a historical application by providing an economic explanation for cultural differences across social classes in preindustrial societies, as well as explaining cultural and economic shifts that followed the British Industrial Revolution. As in our extended framework, parents face a tradeoff between present-oriented preferences of children and the long-term returns of instilling forward-looking traits. Differences in parenting strategies, shaped by economic incentives, lead to heterogeneous cultural outcomes across social classes.

A general feature of this type of model is the role of economic conditions in reinforcing cultural and occupational persistence across generations. Doepke and Zilibotti (2008) suggests that cultural attitudes toward patience and hard work are complementary to economic conditions, leading to self-reinforcing patterns of wealth accumulation and inequality. Our model shares this fundamental

mechanism: when the return to work ethic is sufficiently high, parents from managerial backgrounds disproportionately invest in transmitting work-oriented values, resulting in stratified social classes. Conversely, in an environment where work ethic has low returns, parental investment in cultural transmission weakens, and intergenerational mobility increases.

3.5 Historical Applications

The forces that lead to cultural stratification in the model outlined in this section are particularly powerful in a society that has high barriers to mobility across occupations and social classes and where financial markets are underdeveloped. The theory, therefore, lends itself to historical applications in a preindustrial world. The arguments developed here are consistent with the work of historians such as de Vries (2008) and Mokyr (2018), who examine the cultural and economic transformations in early modern Europe that paved the way for the Industrial Revolution.

Before the mechanized transformation of production in the late 18th century, profound changes occurred in work habits, consumption preferences, and attitudes toward effort—a phenomenon that de Vries terms the *Industrious Revolution*. This period saw households increasing their labor supply, reallocating time from leisure to market-oriented work, and intensifying production in response to expanding consumer demand.

Beyond these changes, Mokyr (2018) highlights a broader cultural transformation. He argues that the rise of scientific inquiry, technological progress, and a pro-innovation culture fostered by the European Enlightenment played a critical role in setting the stage for sustained economic growth. The interplay between changing work ethics, economic incentives, and the diffusion of knowledge created an environment conducive to industrialization, reinforcing the long-term cultural and technological shifts that underpinned the modern economy. The models developed in this chapter suggest a mutual interdependence between technological and institutional changes and the cultural shifts described by economic historians. For example, a strong work ethic contributes to industriousness, and the formation of the work ethic responds to the return to effort and labor supply

in a given technological and institutional environment.

In Doepke and Zilibotti (2008), the economic characteristics of preindustrial society result in cultural segregation along occupational lines. The landowning aristocracy had incentives to promote a leisure-oriented mindset in their children, because they lived on income derived from land rather than labor. The landless poor did rely on hard work but lived a hand-to-mouth existence, with little in terms of investment opportunities in human capital or other investments. These conditions fostered a working-class culture that placed little value on future orientation and far-sighted behavior. By contrast, the artisan middle class endogenously cultivated both patience and a strong work ethic.

The middle-class emphasis on patience emanated from the central role of human capital in this group. From apprenticeship to journeymanship to ultimately qualifying as a master in a trade, urban artisans and craftsmen underwent a long period of human capital investment. During training, future artisans would live on limited income, but, if successful, they had a bright future ahead of them. In this sense, the careers of preindustrial artisans and craftsmen were akin to modern-day graduate and professional students (e.g., in medicine). The resulting culture provided a clear contrast to the leisure-oriented upper class of landowners and the short-sighted working class. Hence, the endogenous transmission of cultural values from parents to children in a preindustrial society leads to the emergence of class-based cultures, with a leisure-oriented upper class, a short-sighted working class, and a hard-working and future-oriented middle class of artisans and craftsmen. These endogenous class-based cultures in Doepke and Zilibotti (2008) match well with the characteristics that historians and authors have long ascribed to the members of different social classes in the preindustrial world.

Doepke and Zilibotti (2008) show that class-based traits played a central role in the transformation of the income distribution and the social hierarchy following the onset of the Industrial Revolution. The middle-class combination of hard work and future orientation proved especially valuable once industrialization created new opportunities for enrichment through entrepreneurship and capital investment. This alignment between economic opportunity and class-based culture allowed the middle class to thrive as technological change unfolded. The authors document

that urban artisans, craftsmen, and merchants—core segments of the middle class—provided the vast majority of entrepreneurs during the industrialization period. By the end of the 19th century, entrepreneurial families with middle-class origins had caught up with the landowning class, and by the early 20th century they had come to dominate Britain's wealth elite. Conversely, many aristocratic families experienced economic decline, accumulated debt, and were eventually forced to sell off their estates. In the authors' model, the divergent trajectories of social classes reflect the compatibility—or lack thereof—between inherited cultural traits and the demands of a changing economic environment.

The model of Doepke and Zilibotti (2008) also predicts that class-based cultures will continue to evolve as industrialization alters the economic environment faced by each group. In particular, as economic growth advances, parenting styles within the entrepreneurial bourgeoisie undergo a transformation—from a culture centered on patience and a strong work ethic to one increasingly oriented toward leisure and consumption (as emphasized by Veblen 1899). Initially, an ethos of diligence and perseverance defined the early captains of industry. But as successful entrepreneurs gradually transitioned into rentiers, relying less on their own labor, the incentives for parents to instill the virtues of thrift and hard work weakened.

Beyond cultural differences across social classes and occupations, the framework developed here can also be fruitfully applied to understanding how alternative modes of social organization shape cultural values. A number of authors, including Greif (2006) and Greif and Tabellini (2010), have emphasized the institutional distinctions between clan-based and nuclear-family-based societies. In clan-based systems, social organization revolves around extended kinship networks, with loyalty and control within the clan taking precedence. In contrast, in societies where the influence of clans waned—such as in Western Europe—alternative institutions such as cities, guilds, and corporations became central.

These institutional differences can have far-reaching economic consequences. For instance, de la Croix, Doepke, and Mokyr (2017) argue that clan-based structures impeded the diffusion of knowledge across family boundaries, thereby slowing technological progress and productivity growth. From the perspective of the

current framework, such differences in social organization would also lead to persistent cultural divergence. In a clan-based society, values such as respect for authority and deference to elders may be particularly salient. These values, in turn, can generate economic frictions—especially when technological change pits young innovators against older elites invested in the status quo. Empirical work by Alesina and Giuliano (2014) documents a strong association between the strength of family ties and particular cultural attitudes, but formal models of how such values form and persist—and how they interact with economic development—remain scarce.

A more recent application of similar ideas concerns the contrast between the formation of culture and preferences in open versus authoritarian or totalitarian societies. Alesina and Fuchs-Schündeln (2007) document persistent differences in the cultural and political attitudes of West and East Germans who were socialized under distinct economic and political systems. Doepke and Klasing (2025) study the formation of economic preferences in the same context, using a framework similar to the one developed here, but incorporating competing influences from parents, state indoctrination, and biological transmission.

3.6 Taking Stock

The stylized model outlined in this section provides a framework for understanding how economic incentives shape the intergenerational transmission of cultural traits, particularly economic preferences such as work ethic. We provide an explicit link between occupational choice and cultural stratification, showing that, when economic conditions favor traits like work ethic, parents actively invest in shaping their children's values, leading to persistent cultural differences across social classes. Conversely, when these traits yield lower economic returns, cultural stratification diminishes, and intergenerational mobility increases.

Our model sheds light on the mechanisms that sustain inequality across generations. Even in the absence of direct transmission of human capital or wealth, cultural complementarities between occupational choice and preferences create persistent social divisions. This highlights a channel through which economic structures reinforce class stratification. In our model, culture is not merely an

outcome of economic conditions but an active force that shapes economic opportunities.

The theory makes contact with classic ideas on the relationship between culture and the economy, tracing back to the work of Karl Marx and Max Weber. Marx and Weber each discussed the link between cultural and economic factors, albeit with opposing views regarding the main causal direction.

Marx viewed culture as a byproduct of material conditions, arguing that the function of the dominant ideology is to provide legitimacy to the prevailing economic system (Marx 1859). Specifically, the economic base (the structure of production and class relations) determines the cultural superstructure, including values, beliefs, and institutions. In contrast, Weber maintained that culture can be an independent driver of economic behavior and success (Weber 1905). A prime example is Weber's concept of the capitalist spirit, which he argued emerged from Protestant ethics that emphasizes discipline, frugality, and hard work. According to Weber, these values encouraged entrepreneurship and led groups endowed with such values to economic prosperity and a distinct class identity. Still, Weber also allowed for a role of economic factors. In the concluding paragraph of Weber (1905), he explicitly cautioned against substituting "for a one-sided materialistic an equally one-sided spiritualistic causal interpretation of culture and history."

Our theory provides a synthesis of these two classic perspectives. Economic returns, measured by the parameter ρ, shape the evolution and stratification of culture in society, where culture is represented by economic preferences. Higher returns to specific values, such as work ethic, reinforce the transmission of these values across generations, leading to the emergence of culturally distinct social classes. At the same time, cultural values influence economic decisions, occupational choices, and patterns of social mobility and inequality. By allowing for bidirectional causality, the model highlights how cultural and economic forces reinforce one another, contributing to the persistence of economic and cultural divisions across generations.[7]

[7] A more comprehensive discussion of the relationship between economic models of parenting and the intellectual perspectives of Marx and Weber can be found in Sáez Martí and Zilibotti (2008).

4 The Transmission of Non-Economic Cultural Traits

We now turn to a central facet of culture, namely religion. Religious creeds often include prescriptions relevant to economic outcomes, such as endorsements of frugality and hard work. In other cases, religious tenets intersect with economic behavior only tangentially. However, even when religious beliefs do not directly shape economic decision-making, their transmission remains influenced by the tradeoffs emphasized in the economics of parenting.

Paternalism plays a central role in this process. Unlike economic preferences such as work ethic or risk aversion, which parents may strategically encourage to promote their children's economic success, religious beliefs are often transmitted due to deeply held normative convictions. Accordingly, while the previous section assumed purely altruistic parental concerns, here we allow for paternalism. Specifically, religious parents derive utility from their children adopting the same faith, viewing their creed as intrinsically right.

Introducing paternalism into the analysis has important implications. Parenting choices driven by paternalism may not always align with a child's economic interests. Religious parents may encourage beliefs or practices that restrict career options, shape occupational choices, or influence attitudes toward wealth accumulation. Some religious norms promote behaviors that reduce economic engagement—such as prioritizing community service over professional advancement—while others reinforce economically beneficial traits, including trust, work ethic, or long-term planning.

The degree of parental enforcement also matters. Highly paternalistic parents may impose strict socialization strategies to ensure adherence to religious values, whereas more permissive parents allow greater individual choice. These variations contribute to differences in how religious identity interacts with economic behavior across families and social groups. More generally, religion often persists across generations through cultural transmission mechanisms. Even when it does not directly influence economic decision-making, parental investment and socialization shape how religious values interact with broader economic attitudes, including work, consumption, and societal participation.

The discussion in this section could be extended beyond religion to encompass political ideologies and moral doctrines that parents transmit for their intrinsic worth rather than for their economic utility. This perspective resonates with Kant's categorical imperative, which asserts that moral principles should be upheld as ends in themselves, irrespective of consequences or context (Kant 1785).

4.1 A Model of Religious Preferences and Economic Returns

To analyze the implications of paternalism in religious socialization, consider an economy where individuals adopt religious beliefs R from a finite set. Here R represents the cultural variable X in our general model. Religious affiliation may encompass broad traditions such as Christianity or Islam, specific denominations within these faiths, or secular alternatives, including atheism and agnosticism.

For simplicity, we categorize beliefs into three groups, $R \in \{F, M, S\}$: fervent believers (F), who adhere strictly to religious doctrine; moderate believers (M), who take a more flexible approach to faith; and the secular group (S), consisting of non-believers. This classification allows us to examine how religious transmission varies across parents with different levels of religiosity and the tradeoffs they face in passing on their beliefs to their children.

Parenting Style. Parents derive a paternalistic utility flow, $\tilde{u}(R, R')$, depending on whether their child's religion R' matches their own. In contrast, a child's utility from religion, $u(R')$, is independent of the parent's beliefs and is maximized when $R' = S$, meaning secular beliefs provide the greatest enjoyment for the child. Parents are assumed to be fully paternalistic ($\lambda = 1$), implying that religious parents will attempt to transmit their own faith to their child.

The choice of parenting style is binary, $P \in \{0, 1\}$. If the parent adopts an authoritarian approach ($P = 1$), they restrict the child's exposure to individuals with different beliefs.[8] If the parent is permissive ($P = 0$), the child is free to choose their religion based on their own inclinations.

[8]One could, in principle, distinguish between an authoritative strategy, where parents attempt to persuade the child of their beliefs while ultimately allowing them to choose, and a stricter authoritarian approach. Under our assumption, parents strictly prefer the authoritarian strategy, using any available means to maximize the likelihood that their child adopts their faith. A weaker

Parenting style affects the probability that the child adopts the parent's religion. Under permissive parenting, the child leans toward secular beliefs, which they adopt with probability $p > 0.5$. Under authoritarian parenting, the child adopts the parent's religious faith with probability $p > 0.5$. In both cases, random shocks may influence the outcome: with probability $1 - p$, the child adopts one of the two remaining options with equal probability. Specifically, under permissive parenting, the child has a $(1-p)/2$ probability of adopting either $R' = F$ or $R' = M$, while under authoritarian parenting, they have the same probability of adopting either $R' = M$ or $R' = S$. This randomness reflects external influences beyond parental control. A child may encounter a particularly persuasive believer, or an authoritarian parent's efforts may fail, leading to deviations from the intended outcome.

Choosing authoritarian parenting increases the probability that the child adopts R from $(1 - p)/2$ to p, while reducing the probability of secular beliefs from p to $(1 - p)/2$. We define the resulting increase in the probability of successful religious transmission under authoritarian parenting as $\Delta p = p - \frac{1-p}{2}$.

Cost and Benefits of Authoritarian Parenting. Imposing an authoritarian parenting style on the child requires costly effort, denoted by ξ, on the part of the parent. This effort cost varies across parents and follows a uniform distribution, $\xi \sim U(0, 1)$. Beyond the direct cost ξ, authoritarian parenting also imposes an indirect cost by restricting the child's freedom and independence, which may have economic consequences. For instance, a child raised in an authoritarian manner may have fewer opportunities to explore their talents and interests or may develop weaker critical thinking skills, both of which can affect future earnings. These broader implications establish a connection between religious transmission and economic conditions.

We model this economic cost of authoritarian parenting through introducing an economic return to independence such that the child's earnings capacity is given

version of this result could arise if persuasion were less costly than restricting choice, leading some parents to prefer persuasion over coercion. While this scenario introduces richer dynamics, it ultimately leads to similar conclusions.

by:

$$H' = W + \rho(1 - P),$$

where W represents the wage of a child raised under authoritarian parenting, and ρ captures the additional income earned by a child who was raised with a permissive parenting style ($P = 0$).

The Parent's Value Function. The full value function of a parent with human capital H and religion R is given by:

$$V(H, R) = E\left[\max_P \{H - \xi P + zE\left[\tilde{u}(R, R') + \beta V_C(H', R')\right]\}\right].$$

Here, the outer expectation is taken over the realization of the parenting cost ξ, while the inner expectation is over the realization of the child's religion R'. The value function incorporates the parent's felicity, here solely determined by consumption, along with a concern for the child, weighted by z.

The parental concern includes a paternalistic component, $\tilde{u}(R, R')$, which depends on the parent's religion R and the child's religion R'. This term reflects the notion that religious parents seek to transmit their beliefs to their children. Specifically, $\tilde{u}(R, R')$ takes the following form:

$$\tilde{u}(R, R') = -\mu_F \, \chi(R = F, R' \neq F) - \mu_M \, \chi(R = M, R' \neq M),$$

where $\chi(\cdot)$ is an indicator function that equals one if both conditions are met and zero otherwise. Here, $\mu_F > 0$ represents the disutility experienced by fervent believers ($R = F$) if their child does not adopt the same religion, while μ_M captures the corresponding disutility for moderate believers. We assume $\mu_F > \mu_M$, meaning that fervent believers care more about religious transmission than moderate believers, whereas secular parents remain indifferent with respect to their child's religious choices. This implies that secular parents always adopt a permissive parenting style.

The Child's Problem. The child's utility function is given by:

$$v(H', R') = u(R') + \beta V_C(H', R').$$

Here, the child's immediate felicity, $u(R')$, is maximized when $R' = S$, indicating that children raised under permissive parenting are naturally drawn to secular beliefs. The child's adult utility is determined solely by their consumption-based utility:

$$V_C(H', R') = H'.$$

As in the previous section, we consider a simplified framework where the child's concern for their own offspring is omitted. This assumption simplifies the analysis while preserving the key insights.

4.2 The Interaction between Economic Conditions and Religiosity

Our primary focus is on how the transmission of R is influenced by the economic return to independence, ρ. We analyze steady-state equilibria in which each generation of children encounters the same decision problem in raising their own offspring as their parents did.

The following proposition characterizes the role of ρ in shaping both cultural and economic stratification within the model economy.[9]

Proposition 4 (Returns to Independence and Religiosity)**.** *The return to independence ρ determines equilibrium outcomes as follows:*

1. *If*

$$\rho < \frac{\mu_M \, \Delta p - 1}{\beta},$$

then all religious parents with $R \in \{F, M\}$ adopt an authoritarian parenting style. In the steady state, each group $R \in \{F, M, S\}$ constitutes one-third of the population.

[9]The proof of this proposition is provided in the appendix. Note that, for sufficiently large values of ρ, even (some) fervent parents abandon the authoritarian parenting style, leading to a more secular society.

2. *If*

$$\frac{\mu_M \, \Delta p - 1}{\beta} \leq \rho < \frac{\mu_M \, \Delta p}{\beta},$$

all fervent parents ($R = F$) are authoritarian, while the proportion of authoritarian parents among moderates ($R = M$) decreases with ρ. In steady state, the share of moderates decreases, whereas the share of secular individuals increases with ρ.

3. *If*

$$\frac{\mu_M \, \Delta p}{\beta} \leq \rho < \frac{\mu_F \, \Delta p - 1}{\beta},$$

only fervent parents ($R = F$) are authoritarian, while all other parents adopt a permissive parenting style. In steady state, the fervent group ($R = F$) makes up one-third of the population, the moderate group ($R = M$) shrinks to a share of $(1 - p)/2$, and the secular group ($R = S$) becomes the largest, accounting for a share of $\frac{p}{2} + \frac{1}{6}$.

4. *If p is sufficiently high, the income ratio between secular and fervent individuals increases with ρ.*

The proposition demonstrates that, although religion itself does not have direct economic consequences in this model, the constraints imposed by a parenting style focused on religious transmission create an interaction between economic conditions and cultural persistence.

First, as the economic returns to independence increase, the cost of transmitting religion rises. Since parents vary in their tolerance for the effort required to enforce an authoritarian parenting style, this results in a gradual process of secularization as the benefits of independence grow. Notably, secularization disproportionately affects moderate religious groups, as they place a lower priority on ensuring religious continuity across generations.

Second, within religious groups that strongly prioritize transmission (here, the fervent group), the burden of maintaining religious adherence becomes more pronounced when the returns to independence are high. Consequently, highly insular religious communities, such as the Amish or Ultra-Orthodox Jews, must forgo relatively more economic opportunities to sustain their way of life in environments

where independence is increasingly rewarded. This suggests a tradeoff: societies with strict religious transmission of norms may survive only by remaining economically isolated or by developing institutional mechanisms that compensate for the economic disadvantages of authoritarian parenting.

4.3 Religiosity and Economic Development

In our model, parenting decisions respond to economic incentives: parents choose strategies based on their own values and the expected returns to specific traits. Historically, authoritarian parenting was the dominant mode. Doepke and Zilibotti (2019) argue that a key reason for its prevalence in preindustrial societies was the economic value of obedience. When children were expected to follow their parents' profession, direct control and learning by example were effective, while independence and creativity had limited relevance. Religious traditions have historically justified strict discipline. Biblical and Islamic sources, along with cultural proverbs, often present corporal punishment as a moral imperative.

As economies evolved—with industrialization, rising occupational mobility, and the expansion of human-capital-intensive sectors—the appeal of authoritarian parenting declined. This shift aligns with our argument that strict upbringing and the transmission of religious principles tend to persist in environments where stability is rewarded, and fade when the economic return to independence rises.

Doepke and Zilibotti (2019) further show that economic modernization—particularly the spread of higher education and the growing demand for flexible skills—eroded the value of rigid child-rearing strategies. Our model captures a similar mechanism: when specific cultural traits become less valuable, parents reduce their effort to instill them through strict methods.

Empirical evidence also supports the prediction that cultural stratification weakens in more fluid economies. Authoritarian parenting remains prevalent in settings characterized by low mobility and high economic insecurity—for example, in Brazil, where persistent inequality reinforces both strict parenting and religious commitment. In contrast, in dynamic economies with developed financial systems, the incentives for rigid value transmission are weaker.

4.4 Empirical Evidence on Parenting and Religiosity from the World Values Survey

We now present empirical evidence supporting our theoretical predictions regarding religion and parenting using data from the World Values Survey (WVS) (Haerpfer et al. 2022). The WVS enables us to examine parenting styles in contemporary societies and their correlation with cultural attitudes. Our analysis primarily draws on the seventh and most recent wave of the WVS, focusing on the United States.[10] Concentrating on the United States helps minimize cross-country confounding factors, though we also include some international comparisons.[11]

Following our previous work, we proxy parenting styles using respondents' answers to the question: *"Here is a list of qualities that children can be encouraged to learn at home. Which, if any, do you consider to be especially important?"* We focus on four specific responses: obedience, hard work, imagination, and independence.[12] Additionally, we consider responses to the question: *"Please tell me for each of the following actions whether you think it can always be justified, never be justified, or something in between... Parents beating children."* Respondents rate their opinion on a scale from one ('Never justifiable') to ten ('Always justifiable').

We classify parents as authoritarian if they mention obedience as an important value for children to learn at home or if they assign a score higher than three to the justification of beating children.[13] We classify parents as authoritative if they are not authoritarian but consider hard work an important value to instill in children. Finally, we define parents as permissive if they are neither authoritarian nor authoritative but emphasize imagination or independence as key values for children to learn at home. We exclude the small share of respondents (ca. 3% of the sample) who do not fall into any of these categories.

[10] In the United States, the seventh wave of the WVS was collected in 2017.

[11] More extensive cross-country analyses of parenting styles based on earlier waves of the WVS can be found in Doepke and Zilibotti 2017 and Doepke, Sorrenti, and Zilibotti 2019.

[12] Each respondent can select up to five options. Other available choices include: good manners; feeling of responsibility; tolerance and respect for other people; thrift, saving money and things; determination, perseverance; religious faith; and unselfishness.

[13] Our empirical results remain robust to alternative definitions of authoritarian parenting, such as requiring both the mention of obedience and a score greater than one to the justifiability of beating children.

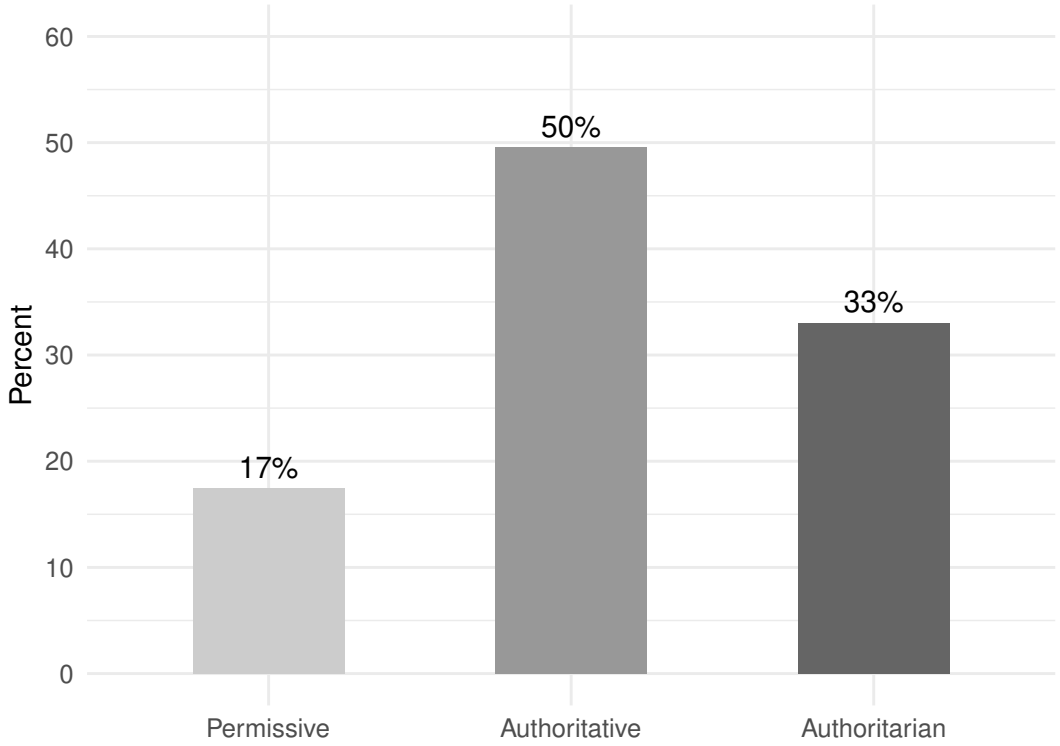


Figure 1: Parenting Style

Notes: This figure displays the proportions of permissive, authoritative, and authoritarian parenting styles in the sample. See the text for details on how these parenting styles are defined.

Figure 1 presents the distribution of parenting styles in the data. Half of respondents are classified as authoritative parents, while 33% fall into the authoritarian category. As shown in Doepke and Zilibotti (2019), the permissive parenting style is the least common in the United States, with fewer than one in five respondents classified as permissive parents.

Given this data on parenting, let us now turn to the issue of religion. Our model suggests that religious parents place greater emphasis on paternalistically transmitting their own values and faith to their children. As a result, we expect them to exhibit a stronger tendency toward adopting an authoritarian parenting style while being less inclined toward permissive parenting.

The WVS contains information about individuals' attitudes toward religion. We

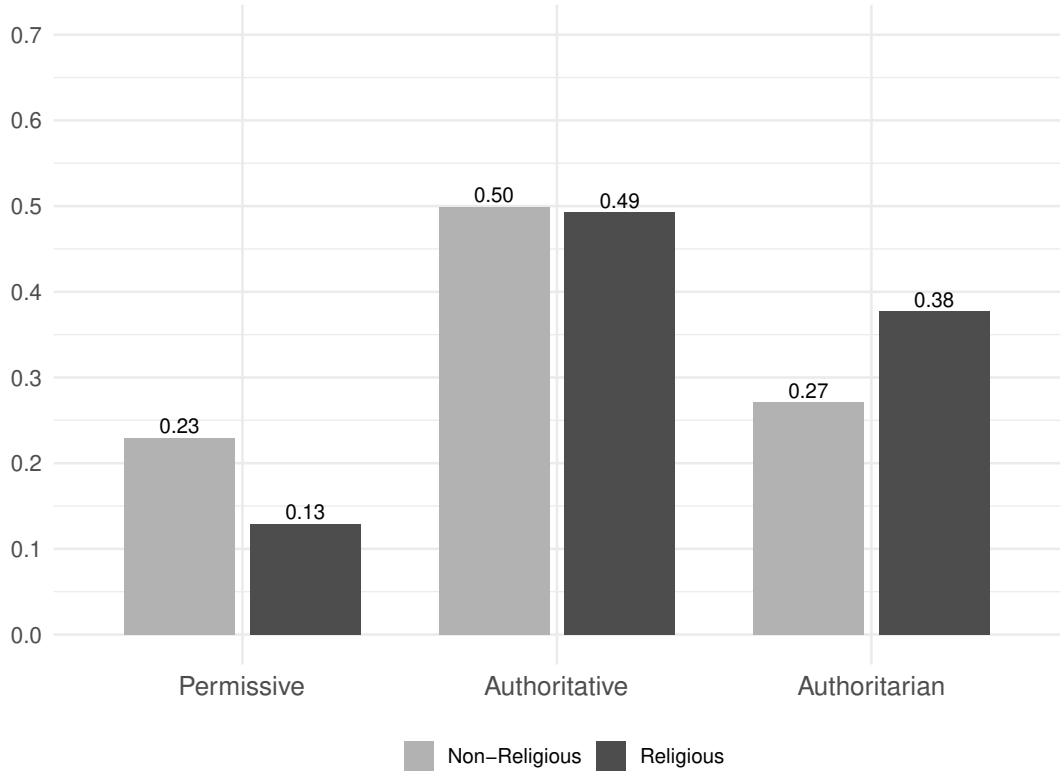


Figure 2: Parenting Style and Religiosity

Notes: This figure shows the distribution of parenting styles by religiosity. Respondents are classified as religious if they answer 'A religious person' to the question: *"Independently of whether you attend religious services or not, would you say you are…?"*. Respondents who answer 'Not a religious person' or 'An atheist' are classified as non-religious. See the text for further details.

classify a respondent as religious if they select 'A religious person' in response to the question: *"Independently of whether you attend religious services or not, would you say you are . . . ?"* Those who choose '. . . not a religious person' or '. . . an atheist' are classified as non-religious. In our sample, 55% of respondents are classified as religious.

Figure 2 presents the distribution of parenting styles by religiosity. The figure shows that religious parents are more likely to adopt an authoritarian parenting style (+11 percentage points, henceforth pp) and less likely to adopt a permissive style (-10 pp). The authoritative parenting style is about equally prevalent among religious and non-religious parents.

Regression Analysis. To address potential confounding factors, we estimate multiple regressions controlling for socioeconomic characteristics, including education, race, gender, and age.[14] All results we report should be interpreted as correlation rather than causal effects.

We treat the dependent variables as follows:

1. The first set of regressions (columns 1–3) estimates the effect of religiosity on the likelihood of adopting a permissive parenting style relative to any of the alternatives.

2. The second set of regressions (columns 4–6) estimates the effect of religiosity on the likelihood of adopting an authoritarian parenting style relative to any of the alternatives.

3. The third set of regressions (columns 7–9) defines a dependent variable that orders the three parenting styles by increasing levels of parental control: 1 for permissive parents, 2 for authoritative parents, and 3 for authoritarian parents. This approach reflects the idea that authoritative and authoritarian parenting represent varying degrees of parental influence over children's values. We label this dependent variable intensity of parenting.

Table 1 presents the key coefficients of interest, including that for *High education*, a binary indicator for respondents with at least a bachelor's degree or equivalent education (ISCED 6). The full set of coefficients is reported in Appendix Table B.1. We report the results for OLS regressions.[15]

The results reveal that there is a clear association between religiosity and parenting styles even after socioeconomic differences between religious and non-religious respondents are controlled for. Religious respondents are 9 to 10 pp less likely

[14] In some specifications, we also include variables capturing neighborhood quality and trust in other people. A detailed discussion of these variables follows in the next section. However, it is important to highlight here that the inclusion of neighborhood quality and trust does not affect the conditional correlation between religiosity and parenting style.

[15] Given the nature of the intensity of parenting variable, which takes three values ranging from 1 to 3, Appendix Table B.2 also reports estimates from a multinomial probit model. The results are consistent with those presented in Table 1.

	Permissive			Authoritarian			Intensity of Parenting		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Religious	-0.09***	-0.09***	-0.10***	0.10***	0.10***	0.11***	0.20***	0.19***	0.21***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)
High neighbor. quality		0.06***			-0.07**			-0.12***	
		(0.02)			(0.03)			(0.04)	
Trust in people		0.04***			-0.07***			-0.12***	
		(0.02)			(0.02)			(0.03)	
Neighbor. quality (Factor)			0.02**			-0.02			-0.03**
			(0.01)			(0.01)			(0.02)
Trust (Factor)			0.02*			-0.03**			-0.05***
			(0.01)			(0.01)			(0.02)
High education	0.06***	0.04***	0.04**	-0.11***	-0.09***	-0.09***	-0.17***	-0.13***	-0.13***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)
Observations	2,466	2,455	2,405	2,466	2,455	2,405	2,466	2,455	2,405

Table 1: The Determinants of Parenting Style

Notes: This table shows the relationship between religiosity, neighborhood quality, trust, and parenting style. The dependent variables are: an indicator for a permissive parenting style (columns 1–3); an indicator for an authoritarian parenting style (columns 4–6); and a measure of intensity of parenting, coded as 1 for permissive, 2 for authoritative, and 3 for authoritarian (columns 7–9). *High neighborhood quality* is an indicator for respondents who answer 'Very Frequently' or 'Quite Frequently' to the question: *"How frequently do the following things occur in your neighborhood? Street violence and fights"*. *Trust in people* is an indicator for respondents who answer 'Most people can be trusted' to the question: *"Generally speaking, would you say that most people can be trusted, or that you need to be very careful in dealing with people?"*. *Neighborhood quality (Factor)* is derived from factor analysis based on responses to questions about the frequency of specific behaviors at the neighborhood level. *Trust (Factor)* is derived from factor analysis based on responses to questions about trust in different groups of people. *High education* is an indicator for respondents with at least a bachelor's degree or equivalent education (ISCED 6). All regressions control for race, gender, age, and age squared. See the text for further details. Robust standard errors are reported in parentheses. * p<0.10, ** p<0.05, *** p<0.01.

to adopt a permissive parenting style and 10-11 pp more likely to adopt an authoritarian style, with both effects highly statistically significant. Religiosity is uncorrelated with the adoption of an authoritative parenting style.[16]

The table also shows that highly educated respondents are more likely to adopt permissive or authoritative parenting styles and less likely to be authoritarian. The Appendix Table B.1 with the full set of coefficients further reveals that Black and Hispanic respondents have a higher likelihood of adopting an authoritarian parenting style, and women are less likely to be authoritarian.

[16]This follows from the fact that the coefficients for permissive and authoritarian parenting styles have similar magnitudes but opposite signs, and that the three parenting styles are mutually exclusive.

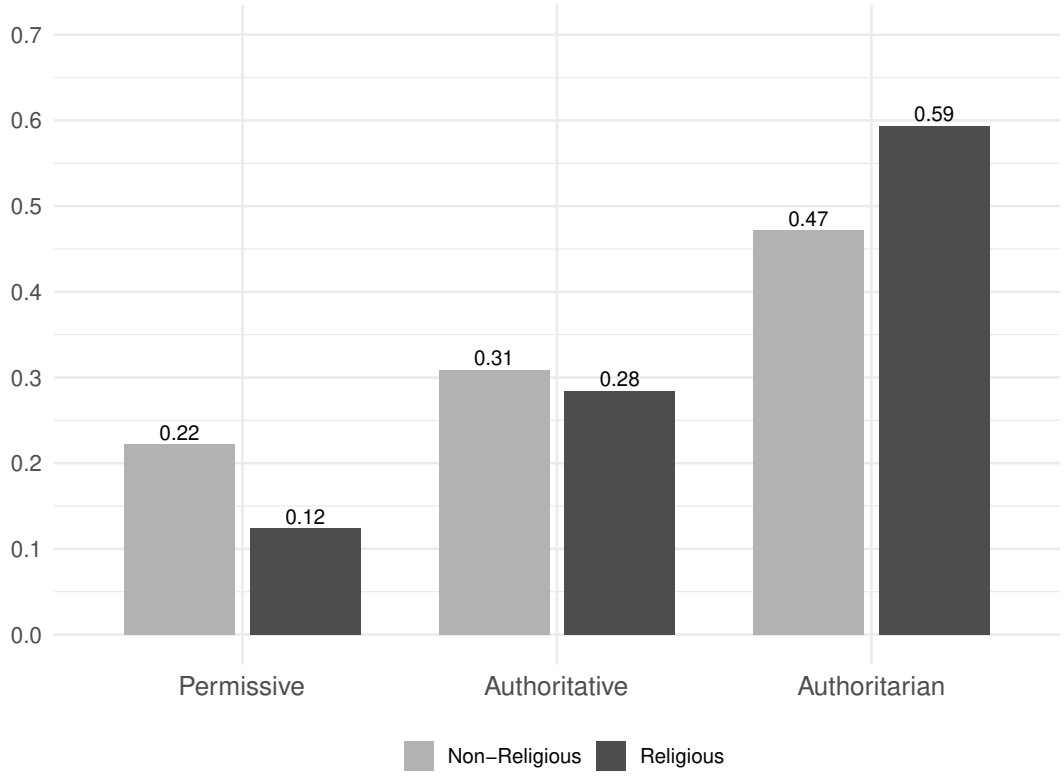


Figure 3: Parenting Style and Religiosity—Cross-country Sample

Notes: This figure replicates Figure 2 using the full set of countries from WVS Wave 7. See the main text and Appendix C for further details and for the list of countries included in the analysis.

International Evidence. While the empirical analysis so far has focused on the United States, we can also examine whether the relationship between parenting styles and religiosity holds more broadly across countries. The seventh wave of the WVS makes this possible, providing data on 84,046 respondents across 64 countries.[17] According to our classification, 61% of respondents are religious, while 39% are non-religious.

Figure 3 presents the results. Consistent with the US findings, religious parents are more likely to adopt an authoritarian parenting style (+12 pp) and less likely to adopt a permissive style (-10 pp). The share of authoritative parents is similar across religious and non-religious respondents.

[17]See Appendix C for the full list of countries included.

These international patterns are consistent with findings from earlier waves of the WVS, as discussed in Doepke and Zilibotti (2019).[18] Their analysis similarly finds a systematic association between religiosity and parenting styles, with religious individuals overrepresented among authoritarian parents and underrepresented among permissive ones.

Overall, the empirical evidence aligns with our theoretical prediction that religious parents are more inclined toward authoritarian parenting and less likely to adopt a permissive approach. These patterns hold consistently across multiple data sources and remain robust after accounting for heterogeneity in socioeconomic characteristics.

4.5 Relationship with the Literature

Our stylized model captures only a partial aspect of the complex interactions between economics and religion. Bisin and Verdier (2000) emphasize the interaction of the transmission of religion with the composition of the local population, an issue we will discuss in the following section. More broadly, religious beliefs and doctrines can exert direct economic effects, which, in turn, shape the incentives for parents to adopt different parenting styles.

We have already reviewed Max Weber's thesis that Protestant ethics—particularly the emphasis on hard work and frugality—played a key role in fostering the development of capitalism in Western societies.[19] Recent economic research has investigated the Weberian hypothesis from an empirical perspective. Specifically, Becker and Woessmann (2009) analyze 19th-century Prussian counties to assess the economic impact of Protestantism. They find that Protestant regions exhibited greater economic prosperity, though the primary mechanism appears to be an increase in literacy rather than a distinct Protestant work ethic. Their interpretation is that Protestantism encouraged individual Bible reading, which led to higher literacy rates and, in turn, supported economic development through enhanced human capital.

[18] Doepke and Zilibotti (2019) classify respondents as religious if they consider religion to be 'Very' or 'Rather Important,' and as non-religious otherwise.

[19] See Weber (1905). Weber (1920) extends the analysis to other world religions, examining how their beliefs shape economic behavior and societal development.

Conversely, Cantoni (2015) investigates the long-term economic consequences of the Protestant Reformation across German cities from 1300 to 1900. His findings indicate no significant growth differences between Protestant and Catholic cities, challenging the notion that Protestantism inherently spurred economic development.

Andersen et al. (2017) suggest that some of the cultural values associated with the Protestant work ethic—such as diligence and thrift—may indeed have religious roots, but these predate the Reformation. Their study finds that medieval European regions with a historical presence of Cistercian monasteries exhibited higher levels of productivity and long-term economic success. These monasteries, which emphasized disciplined labor and resource management, may have helped instill values that later aligned with Protestant teachings. These findings support the idea that religion played a role in shaping economically relevant cultural values, but challenge the view that such values were unique to Protestantism or originated with the Reformation.

Another important contribution to this debate comes from Botticini and Eckstein (2005, 2012), who argue that the Jewish transition from agriculture to urban professions and the formation of the diaspora were influenced by a religious mandate for male literacy. Following the destruction of the Second Temple in 70 CE, Jewish religious leaders emphasized Torah study, making education a religious obligation. This emphasis on literacy led Jews to gravitate toward occupations that valued reading and writing skills, such as trade and finance, particularly as these skills became economically advantageous under Muslim rule during the Middle Ages. Their perspective offers an intriguing parallel to Weber's hypothesis, though their analysis shifts the focus from religious ethics to the role of religiously motivated education in economic specialization and success.

The Weberian debate has been equally prominent in sociology. In a classic contribution, Lenski (1961) argued that Protestant communities generally overperformed Catholic ones in terms of economic development, due to Protestantism's encouragement of individualism and independent reasoning. He suggested that these traits fostered advancements in science and technology by promoting critical

thinking and individual responsibility.[20] While Lenski's thesis has been debated and criticized (see, e.g., Calhoun 2004), it remains a noteworthy attempt to explain how specific religious values may foster or hinder economic development through their effects on individual autonomy and intellectual independence.

The secularization hypothesis has been examined extensively, including by Inglehart (1990), who argues that economic development drives cultural change, leading to declining religiosity. His main argument is about the perception of economic security rather than the economic return to independence. Specifically, he argues that, in preindustrial and low-income societies, religion functions as a coping mechanism for existential insecurity stemming from poverty, illness, and instability. As economies develop, improvements in living standards and social welfare systems mitigate these risks, thereby reducing the need for religious belief. In line with Inglehart's hypothesis, Becker and Woessmann (2013) document a negative relationship between rising incomes and Protestant church attendance in a panel of 175 Prussian counties between 1886 and 1911. Viewed through the lens of our economic theory of parenting, this evidence suggests that, as economies develop, parents reduce their investment in religious socialization when its perceived value diminishes.

The interplay between religion and economic development is also central to the work of Barro and McCleary (2003), who use international survey data to investigate the causal effects of religious beliefs and practices on economic outcomes. Using an instrumental variables strategy, they find that beliefs in concepts such as heaven and hell are positively associated with growth, whereas frequent church attendance is negatively associated with it. These findings support the idea that certain religious beliefs may foster economic activity—for example, by promoting a strong work ethic—while more intense religious practice may hinder economic performance. In a more recent and comprehensive study, McCleary and Barro (2019) examine how variations in religious beliefs and practices intersect with

[20]The role of individualism in economic development is further highlighted in recent economics research by Gorodnichenko and Roland (2011, 2017). Their studies suggest that individualistic cultures, which emphasize personal freedom and achievement, tend to generate higher rates of innovation and, in turn, greater economic growth. To the extent that religious values cultivate either individualism or collectivism, they can influence economic outcomes by shaping cultural attitudes toward innovation and autonomy.

both economic performance and political institutions. Their analysis explores how different dimensions of religiosity affect productivity, long-run growth, and the stability of democratic governance.

Religious beliefs also play a role in shaping social norms and social capital, both of which are known to influence economic development. The empirical study by Guiso, Sapienza, and Zingales (2003), based on World Values Survey data, examines how religiosity affects individual attitudes toward a range of economic and social issues, including cooperation, the role of government, gender norms, legal institutions, thrift, and perceptions of market fairness. On the one hand, the authors find that religious individuals tend to report greater trust in others, more confidence in government and legal institutions, a lower willingness to break the law, and a stronger belief in the fairness of market outcomes. These patterns are consistent with higher levels of social capital and institutional trust. On the other hand, religiosity is also associated with more conservative views on gender roles—particularly regarding women's participation in the workforce—as well as higher levels of social intolerance.

4.6 Taking Stock

In this section, we developed a simple model in which parents transmit religious principles to their children because they regard those principles as intrinsically valuable, even when doing so may come at the expense of their children's economic success. The key takeaway is not that religion and economic achievement are inherently in conflict, but that they are interconnected through cultural transmission and evolving economic incentives. In our model, this connection operates through parenting style; yet even within this specific channel, we observe meaningful interactions between economic conditions, cultural change, and social stratification.

More broadly, parents adjust the emphasis they place on religious values based on how those values are expected to shape their children's future economic prospects. This suggests that the intergenerational transmission of religiosity is not static, but responsive to broader societal forces including technological change, labor market dynamics, and the evolving demands of human capital formation in a modern

economy.

5 Social Interactions and the Transmission of Trust

Culture shapes how people interact, and these interactions are influenced by parenting. Norms of cooperation and trust, often transmitted from parents to children, guide individual behavior and form a central component of social capital.[21] Cultural attitudes such as trust both shape and respond to local social environments. As a result, residential segregation and neighborhood composition play a central role in the choice of parenting styles and the intergenerational transmission of cultural values.

In this section, we incorporate social interactions into our analysis, focusing on trust. Trust governs interpersonal cooperation, local economic exchange, and civic engagement. For example, in high-trust communities, small businesses can flourish through informal arrangements: local shopkeepers extend credit, neighbors pool resources, and community ties support mutual aid. An example is tightly knit ethnic enclaves such as Chinatowns or Jewish merchant communities where intra-group trust facilitated trade, investment, and the transmission of economic practices across generations (Greif 1994).

These examples underscore how trust, once established, can become self-sustaining and economically valuable. But trust is not evenly spread: it varies across neighborhoods and social groups. Its origins lie not only in local institutions, but also in cultural attitudes passed down within families. To capture these patterns, we extend our framework to model trust formation as an endogenous outcome. Parents choose neighborhoods based on income and expectations about the local social environment. These choices give rise to residential segregation, which in turn affects the cultural and economic landscape children grow up in.

Building on insights from Rohner, Thoenig, and Zilibotti (2013), we emphasize the role of strategic complementarity in trust formation: when more parents in a

[21] The notion of social capital dates back to Hanifan (1916), who described the value of social networks in improving education and civic life. The concept has become central in modern sociology—see, e.g., Bourdieu (1986), Coleman (1988), and Putnam (1993; 2000). Contributions in economics include Knack and Keefer (1997), Glaeser, Laibson, and Sacerdote (2002), Guiso, Sapienza, and Zingales (2004; 2016), Durlauf and Fafchamps (2004), and Algan and Cahuc (2010).

neighborhood instill trust in their children, others are more likely to do the same.[22] This dynamic generates a feedback loop that links neighborhood composition, parenting strategies, and the social fabric of communities.

In affluent neighborhoods, where interactions are generally safe and predictable, parents are more likely to instill trust, reinforcing social cohesion and contributing to collective economic success. In contrast, in disadvantaged neighborhoods marked by crime and juvenile problems, peer effects are often negative, prompting parents to adopt a defensive posture. In these contexts, instilling caution and distrust becomes a strategy to protect children. These divergent parenting styles reinforce underlying inequalities: high-income, high-trust neighborhoods evolve into cohesive and prosperous communities, while low-income, low-trust neighborhoods remain trapped in cycles of stagnation and exclusion. The process is driven by the intergenerational transmission of cultural attitudes shaped by local conditions.

By linking trust formation to parenting and residential choice, we show how cultural values evolve alongside economic conditions. Just as differences in work ethic shape occupational outcomes, and religious beliefs influence moral views, trust matters for the accumulation of social capital and the strength of communities. Parenting strategies—shaped by neighborhood context—can reinforce or break persistent gaps across social groups.

5.1 A Model of Trust and Neighborhoods

We develop a stylized theory where parents make a residential choice and, through the choice of their parenting style, influence their children's trust in other people. The state variables for a given parent consist of human capital H and trust $T \in \{0, 1\}$, where trust represents the cultural variable X in the general model in Section 2. There are three levels of human capital, $H \in \{H_1, H_2, H_3\}$, with $H_1 < H_2 < H_3$, and each group makes up one-third of the population.

[22] Rohner, Thoenig, and Zilibotti (2013) examine how trade and conflict influence intergroup trust, showing that cooperative behavior is reinforced when trust is reciprocated and eroded when it is not. Their model highlights strategic complementarities in the accumulation (or breakdown) of trust.

Trust. Parents can shape the trust $T' \in \{0, 1\}$ of their children, and we aim to examine how the intergenerational transmission of trust interacts with economic decisions and neighborhood effects. Trust has dual implications for a child's outcomes. First, children interact with others in their local neighborhood, and the level of trust they develop influences how these interactions affect their development. Second, trust has long-term economic consequences, as it may enhance a child's ability to thrive in occupations that rely on cooperation, reputation, and social capital.

As in the previous section, we focus on the case of $\lambda = 1$, i.e., parents are fully paternalistic. The value function of a parent with human capital H and trust T is given by:

$$V(H, T) = \max_{N,P} \{C + zE\left[\tilde{u}(T', T'(N)) + \beta V_C(H', T')\right]\}.$$

Here $\tilde{u}(T', T'(N))$ represents the parent's paternalistic evaluation of the child's local interactions during childhood, which depends on both the child's own trust level T' and the average trust level in the local neighborhood, $T'(N)$. The term $V_C(H', T')$ captures the child's future adult utility as a function of skill H' and trust T', which is determined by adult income:

$$V_C(H', T') = Y(H', T').$$

In adulthood, trust is valuable, and especially so for a child with more human capital. To capture this in a simple way, we assume that returns are independent of human capital for a mistrusting individual, $Y(H_1, 0) = Y(H_2, 0) = Y(H_3, 0) = \bar{Y}$, but increasing in human capital for trusting individuals, $\bar{Y} < Y(H_1, 1) < Y(H_2, 1) < Y(H_3, 1)$.

The parent's maximization problem is subject to the budget constraint:

$$C = Y(H, T) - D(N).$$

Here $D(N)$ denotes the rent required to reside in neighborhood N. The child's human capital H' evolves stochastically as a function of the parent's human capital

H, capturing either direct ability transmission or, in reduced form, the higher returns to human capital investment among highly skilled parents. For simplicity, we initially assume perfect transmission, so that $H' = H$. We will later relax this stark assumption.

Similar to the religion model, the child's trust is shaped by both parental influence and the child's own choices. The child selects their preferred trust level by maximizing utility:

$$v(H', T') = u(T') + \beta V_C(H', T').$$

Here, we assume that $u(1) > u(0)$, implying that children has natural inclination for trusting other people. Since we also assume $V_C(H', 1) \geq V_C(H', 0)$, reflecting the economic returns to trust later in life, children will always opt for $T' = 1$ if they are given free choice. The parent then faces a decision: whether to accept the child's choice or to overrule it. Thus, as in the religion model, the choice reduces to selecting between two parenting styles: permissive ($P = 0$) or authoritarian ($P = 1$). Under a permissive approach, the child's preference prevails, and $T' = 1$. However, an authoritarian parent can override this choice, enforcing $T' = 0$. This imposition may involve indoctrination, restrictions on the child's social interactions (e.g., forbidding interactions with strangers, enforcing curfews), or other protective measures.

From the parent's perspective, limiting the child's trust may prevent harmful interactions, a concern captured by the paternalistic utility function $\tilde{u}(T', T'(N))$. Intuitively, the parent may view the child's natural preference for trust as naive and seek to correct it. However, the parent also recognizes that enforcing mistrust ($T' = 0$) affects the child's future utility, given the economic benefits of trust embedded in $V_C(H', T')$.

Residential Choice. A second key parental decision concerns the choice of neighborhood. We consider a setting with two neighborhoods, $N \in \{G, B\}$, which may differ in the rent $D(N)$ required to live there. The neighborhood plays a crucial role because it shapes local interactions, which, in turn, influence the parent's paternalistic evaluation, $\tilde{u}(T', T'(N))$. Specifically, parents may perceive trust as more problematic in an environment where many peers are distrusting.

As a result, the neighborhood choice interacts with the transmission of trust, influencing both parental strategies and children's socialization experiences.

Local Interactions. Next, we turn to the impact of local interactions. Children may be influenced by interactions with other individuals in their neighborhood, and the outcomes of these interactions depend both on the child's cultural attitudes and on the distribution of attitudes in the surrounding environment. Specifically, if a child is trusting ($T' = 1$) but frequently encounters distrusting individuals, parents may perceive that the child risks being exploited or harmed. We capture the parent's perception of these interactions through the paternalistic utility $\tilde{u}(T', T'(N))$, where $T' \in \{0, 1\}$ represents the child's level of trust, and $T'(N) \in [0, 1]$ denotes the average trust in neighborhood N. We assume utility satisfies the following properties.

Assumption 1. *The paternalistic utility $\tilde{u}(T', T'(N))$ is such that:*

1. *Parents always prefer their children to be cautious: $\tilde{u}(0, T'(N)) > \tilde{u}(1, T'(N))$, meaning that, in terms of local interactions alone, parents favor distrust over trust.*
2. *Higher neighborhood trust is always beneficial: $\tilde{u}(T', T'(N))$ is strictly increasing in $T'(N)$, implying that living in a more trusting neighborhood is preferable.*
3. *The risk of being trusting diminishes in more trusting environments: The difference $\tilde{u}(0, T'(N)) - \tilde{u}(1, T'(N))$ is strictly decreasing in $T'(N)$, indicating that trust becomes less harmful when more people around the child are also trusting.*

This formulation captures the idea that children interact with others in the neighborhood, some of whom may have different levels of trust. If a trusting child encounters a distrusting individual, they might be taken advantage of, leading to lower utility. Since the probability of meeting a distrusting individual depends on the overall composition of the neighborhood, being trusting is relatively safer in an environment where a high share of individuals are also trusting.

We can interpret this paternalistic function as capturing the parent's belief that a trusting child is naive and does not fully comprehend the risks associated with

interacting with distrusting individuals. The parent, recognizing these risks, may, therefore, attempt to shield the child by discouraging trust.

We abstract from parenting costs beyond the rent paid for residing in a particular neighborhood. Thus, the choice between permissive and authoritarian parenting (and, hence, between $T' = 1$ and $T' = 0$) solely depends on the paternalistic utility from local interactions $\tilde{u}(T', T'(N))$ and from the child's future utility as an adult $V_C(H', T')$.

Simplifying Assumptions. To simplify the analysis and focus on the core mechanisms, while avoiding a taxonomic presentation, we impose the following additional assumptions:

Assumption 2. *The function $\tilde{u}$ is such that the following conditions are satisfied:*

1. *If the child has high skill, $H' = H_3$, the parent prefers the child to be trusting even if no one in the neighborhood is trusting ($T'(N) = 0$):*

$$\lambda \left(\tilde{u}(0,0) - \tilde{u}(1,0)\right) < (1-\lambda)\left(V_C(H_3,1) - V_C(H_3,0)\right).$$

2. *If the child has low skill, $H' = H_1$, the parent prefers the child to be distrusting even if everyone in the neighborhood is trusting ($T'(N) = 1$):*

$$\lambda \left(\tilde{u}(0,1) - \tilde{u}(1,1)\right) > (1-\lambda)\left(V_C(H_1,1) - V_C(H_1,0)\right).$$

3. *If the child has mid-level skill, $H' = H_2$, there is a threshold level $\bar{T}$ of neighborhood trust, where $0 < \bar{T} < 1$, such that the parent prefers the child to be trusting if $T'(N) \geq \bar{T}$ and distrusting otherwise, i.e.:*

$$\lambda \left(\tilde{u}(0,\bar{T}) - \tilde{u}(1,\bar{T})\right) = (1-\lambda)\left(V_C(H_2,1) - V_C(H_2,0)\right).$$

Hence, for parents of a high-skill child, the returns to trust in the child's future life always outweigh other considerations. Although this predetermines their decision to instill trust in their child, the parent still cares about the neighborhood;

in fact, given that the child will be trusting, such a parent has a particularly strong desire to live in a neighborhood with many trusting individuals ensuring a safer environment for local interactions. In contrast, parents of low-skill children perceive a lower return to trust in the future, and instill distrust in their offspring. For the middle group with $H' = H_2$, the decision to foster trust depends on the prevailing level of trust within their chosen neighborhood. This decision exhibits strategic complementarity: the higher the proportion of parents who instill trust in their children within a neighborhood, the more inclined each parent is to do the same.

5.2 Residential and Cultural Segregation in Equilibrium

We now characterize possible equilibria in terms of neighborhood and socialization choices. There are two neighborhoods, ex-ante identical, denoted by $N \in \{G, B\}$. However, these locations will differ ex-post as families with different skill levels endogenously sort into distinct neighborhoods. We assume a fixed capacity for each neighborhood, ensuring that both G and B house an equal number of families. Consequently, half of all families must reside in G and the other half in B. When demand for one location exceeds its capacity, rents $D(N)$ adjust accordingly and are paid to a group of rentiers who play no other role in the economy.

An equilibrium that always exists is a fully segregated equilibrium, in which neighborhoods become sharply distinguished by their local culture. In this scenario, families with similar cultural traits and trust levels cluster together, reinforcing distinct socialization patterns across locations.

Proposition 5 (Segregated Equilibrium)**.** *There exists an equilibrium in which all high-skill families $H' = H_3$ and half of the mid-skill families $H' = H_2$ reside in neighborhood G. In this neighborhood, all parents are permissive ($P = 0$), and all children are trusting ($T' = 1$). All other families live in neighborhood B, where all parents are authoritarian ($P = 1$) and all children are distrusting ($T' = 0$).*[23]

[23] An alternative equilibrium that also exists is a fully symmetric equilibrium, in which the two neighborhoods are perfectly identical in all respects. Such an equilibrium would not be stable: a small perturbation in beliefs toward more trusting individuals in one neighborhood would unravel the equilibrium and lead to sorting. Given its fragility, we do not discuss this equilibrium.

The rent in neighborhood B is zero ($D(B) = 0$), while the rent in neighborhood G is determined such that mid-skill individuals are indifferent between the two locations, i.e.,

$$D(G) = z\left(\lambda\left(\tilde{u}(1,1) - \tilde{u}(0,0)\right) + (1-\lambda)\left(V_C(H_2,1) - V_C(H_2,0)\right)\right).$$

Proof: The parental choices of the $H' = H_2$ group in each neighborhood are optimal because $T'(G) = 1 > \bar{T}$ and $T'(B) = 0 < \bar{T}$. Moreover, since utility is increasing in the local share of trusting individuals, each group prefers to reside in neighborhood G. However, the willingness to pay is highest for the H_3 group and lowest for the H_1 group. The specified rent ensures that the H_2 group is indifferent between the two locations, thereby clearing the market. □

The segregated equilibrium highlights the dual forces at play: parents aim to prepare their children for the future while also considering the local interactions they will experience. The original source of group differences stems from the higher return to trust for high-skill individuals. This initial difference is amplified by sorting and segregation, which reinforce the original disparities. In this case, it splits the middle group into two cultural subgroups based on their residential choices.

Additional equilibria may exist depending on the threshold $\bar{T}$, which determines the middle group's indifference between the two parenting styles. In particular, if this threshold is sufficiently low, the middle group could form its own subculture within neighborhood B by coordinating on permissive parenting. We label such equilibria partially segregated.

Proposition 6 (Partially Segregated Equilibrium)**.** *If $\bar{T} < \frac{1}{3}$, there exists an additional equilibrium where all high-skill families $H' = H_3$ and half of mid-skill families $H' = H_2$ families reside in neighborhood G, all parents in this neighborhood are permissive, $P = 0$, and all children are trusting $T' = 1$. All other families live in neighborhood B. Here all low-skill parents are authoritarian, $P = 1$, but all mid-skill individuals are permissive, $P = 0$, and hence the local fraction of trusting individuals is given by $T'(B) = \frac{1}{3}$. The rent in neighborhood B is zero, $D(B) = 0$, and the rent in the neighborhood G is such*

that mid-skill individuals are indifferent between the locations, i.e.:

$$D(G) = z\lambda\left(\tilde{u}(1,1) - \tilde{u}\left(1, \frac{1}{3}\right)\right).$$

Proof: The parental choices of the $H' = H_2$ group are optimal because they constitute one-third of the population in the B neighborhood and, as assumed, $\bar{T} < \frac{1}{3}$. As in the fully segregated case, the willingness-to-pay for the G is highest for the H_3 group and lowest for the H_1 group. The given rent ensures the group H_2 is indifferent and, therefore, clears the market. □

Notice that future returns no longer appear in the compensating differential that determines the rent, since mid-skill parents make the same decisions in both locations. Thus, the rent merely compensates for the direct effect of exposure to more distrusting individuals in local interactions in neighborhood B. A parallel but welfare-lowering partial segregation equilibrium exists when $\bar{T}$ is close to one. In this case, mid-skill parents may fail to coordinate on permissive parenting even in neighborhood G.

5.3 Financial Constraints and Segregation

In our baseline model, the only force towards segregation comes from different perceived returns to trust across groups. More generally, this mechanism can interact with other forces that may push towards more or less segregation in society. To illustrate, consider the role of financial constraints. So far, we have not imposed that parents need to have sufficient funds to be able to pay rent in their chosen neighborhood; this is as if there is a financial market where the rent can be borrowed if necessary. Consider an alternative setting where parents can locate in neighborhood G only if they have sufficient income, $Y(H,T) \geq D(G)$ (rent will always be zero in neighborhood B). It then also matters how parental income $Y(H,T)$ correlates with the child's skill H', because some parents that would live in neighborhood G in the unconstrained equilibrium may not be able to afford to with the financial constraint.

So far, we have assumed that skill is perfectly correlated between parent and child, $H' = H$, so that the children with the highest skill also have the richest

parents. More generally, a fraction of high-skill children may have parents with lower human capital and hence lower income. Consider the case where, in the group of high-skill children with $H' = H_3$, fraction $\mu < 0.5$ of parents are financially constrained, i.e., the parent's state variables are such that $Y(H,T) < D(G)$. Compared to the baseline case, the main new feature is that a fraction of families with high-skill children, $H' = H_3$, will now live in neighborhood B. Because these parents are always permissive, this will raise the fraction of trusting children in B. If there are sufficiently many such families, a segregated equilibrium is no longer possible, and instead all mid-skill parents in B will also be permissive and have trusting children.

Proposition 7 (Partially Segregated Equilibrium under Financial Constraints)**.** *If $\mu \geq 3\bar{T}$, there no longer exists a segregated equilibrium in which mid-skill children in neighborhood B are distrusting. The equilibrium, therefore, takes the form described in Proposition 6. Specifically, fraction $1-\mu$ of high-skill families $H' = H_3$ and fraction $\frac{3-2(1-\mu)}{2}$ of mid-skill families $H' = H_2$ live in neighborhood G. All parents in this neighborhood are permissive, $P = 0$, and all children are trusting, $T' = 1$.*

All other families live in neighborhood B, where only parents with $H' = H_1$ are authoritarian, $P = 1$, whereas all other parents are permissive and their children are trusting. The share of trusting children in B is therefore $\frac{1}{3}$.

The rent in neighborhood B is zero, $D(B) = 0$, and the rent in neighborhood G is such that mid-skill individuals are indifferent between the locations, i.e.:

$$D(G) = z\lambda \left(\tilde{u}(1,1) - \tilde{u}\left(1, \frac{1}{3}\right) \right).$$

Proof: The equilibrium outcome is as in Proposition 6; the segregated equilibrium does not exist because the presence of the $H' = H_3$ families in neighborhood B on its own is sufficient to induce all $H' = H_2$ parents to be permissive and have trusting children. □

The result suggests that social mobility, inequality, and residential segregation are self-reinforcing over time. In our baseline case with $H' = H$, parents with more human capital pass on this advantage to their children. As a result, sharp

residential segregation arises, thereby further widening the gap between richer and poorer families. When initial differences across families are smaller, neighborhood disparities are also reduced, leading to lower inequality within the next generation.

5.4 Defensive Parenting

Our model of trust and neighborhood sorting highlights how parental decisions regarding socialization are shaped by the local environment. In low-trust neighborhoods, parents adopt defensive parenting strategies to shield their children from negative peer influences, leading to a prevalence of authoritarian parenting. This mechanism aligns with empirical findings from Agostinelli et al. (2025), henceforth ADSZ, who investigate how parents intervene in their children's socialization choices, particularly regarding peer selection.

ADSZ analyze how both parental influence and peer interactions shape children's skill development during their high school years, using a dynamic rational choice framework. In their model, friendships are formed by mutual consent among children, but parents can intervene by steering their children away from academically weaker peers—a behavior the authors classify as authoritarian parenting. While this approach leads to an improvement in the average academic performance of a child's peer group, it comes at a cost by diminishing the overall effectiveness of skill formation. In their model, families do not choose the neighborhood in which they reside, which is exogenously given.

They analyze the theoretical mechanism and structurally estimate their model using data from the Add Health Study, a longitudinal survey tracking a cohort of US students throughout their high school years. The data set provides rich information on students' academic performance, family socioeconomic background, and parental control over peer selection. A key survey question asks children:

> *"Do your parents let you make your own decisions about the people you hang around with?"*

ADSZ classify parents who respond 'No' as authoritarian, meaning they restrict their children's choice of friends, while those who respond 'Yes' are classified

as non-authoritarian. This empirical distinction allows them to examine the relationship between neighborhood environments and parenting styles.

Their study documents that authoritarian parenting is more prevalent when the average academic proficiency of the child's peer group is lower and when inequality within the peer group is high. This typically occurs in poor disadvantaged neighborhoods. This suggests that parents engage in defensive parenting not because of intrinsic authoritarian tendencies, but as a rational response to adverse local conditions. Their findings parallel the mechanism in our trust model, where parents in low-trust neighborhoods enforce strict control to protect their children from harmful influences.

Moreover, they find that authoritarian parenting is effective in improving peer quality: children whose parents interfere in their friendship choices subsequently interact with academically stronger peers. However, this comes at a cost: interfering in peer selection can weaken the parent-child relationship, potentially reducing children's responsiveness to other parental investments.[24]

Many of ADSZ's findings align with the framework developed in this section. In their model, authoritarian parenting is a defensive response to a hostile environment, just as, in our model, parents instill low trust in children growing up in poor neighborhoods. In both cases, parents intervene in peer selection when they perceive the social environment as harmful. A key innovation in our framework is the link between these parenting strategies and endogenous residential sorting.

5.5 Empirical Evidence on Parenting and Neighborhoods from the WVS

We now return to the data from the WVS discussed in Section 4.4 to document new evidence on the relationship between parenting styles and neighborhood quality. Our model suggests that parents engage in defensive parenting when their children are exposed to potentially harmful influences in their local environment. Specifically, parental perceptions of an unsafe environment or of negative peer influences—such as crime or substance abuse—are associated with a greater likelihood of adopting an authoritarian parenting style as a form of protection. By

[24] Agostinelli et al. (2022) extend and adapt the earlier framework to analyze the impact of the COVID-19 shock, focusing on the temporary shutdown of schools.

exerting stricter control over their children's interactions and activities, authoritarian parents aim to shield them from adverse social influences.

A direct implication of this mechanism is that families residing in high-risk neighborhoods should be more prone to authoritarian parenting. In contrast, in safer, high-trust communities, parents can afford to adopt a more permissive approach, allowing greater autonomy in their children's social interactions. This reasoning further implies that trust and neighborhood quality should be positively correlated: individuals living in safer neighborhoods, where cooperation is prevalent, are more likely to express trust in others. Conversely, in disadvantaged neighborhoods with lower social cohesion and greater exposure to crime, individuals may develop a more skeptical outlook, reinforcing a culture of distrust. If empirically confirmed, these patterns would provide further support for the role of local conditions in shaping both parenting styles and cultural attitudes toward trust.

Measuring Neighborhood Quality and Trust. We proxy neighborhood quality in two ways. First, we use a question capturing whether a neighborhood is perceived as unsafe and prone to violence. The question asks: *"How frequently do the following things occur in your neighborhood? Street violence and fights."* We classify a neighborhood as 'High neighborhood quality' if the respondent answers 'Not Frequently' or 'Not at All Frequently' to this question. All other responses are categorized as 'Low neighborhood quality.'

Second, we use factor analysis to construct a measure of overall neighborhood quality. This approach extracts a common component that reflects overall neighborhood conditions, yielding a continuous quality score. While the question remains the same, we now consider the full range of related behaviors included in the WVS. In addition to street violence and fights, respondents are asked about the frequency of robberies, alcohol consumption in the streets, police or military interference in private life, racist behavior, drug sales in the streets, and sexual harassment. Each behavior is rated from 1 ('Very Frequently') to 4 ('Not at All Frequently'). We apply factor analysis to this set of variables and generate a continuous factor-based score labeled *Neighborhood quality (Factor)*. This score is standardized to have mean zero and standard deviation one, with higher values

indicating better neighborhood quality. For regressions, we use the continuous score; for graphical analysis by parenting style, we split the distribution at the median to define 'high' and 'low' quality neighborhoods.

We follow a similar strategy to construct measures of trust. The WVS includes a general trust question: *"Generally speaking, would you say that most people can be trusted or that you need to be very careful in dealing with people?"* We define the variable *Trust in people* as an indicator equal to one if the respondent selects 'Most people can be trusted.' In addition, the WVS contains a battery of more detailed questions: *"I'd like to ask you how much you trust people from various groups. Could you tell me for each whether you trust people from this group completely, somewhat, not very much or not at all?"* Respondents rate their level of trust in various groups, including family, neighbors, people they know personally, people they meet for the first time, people of another religion, and people of another nationality. Each group is rated on a scale from 1 ('Trust Completely') to 4 ('Do Not Trust at All'). We adopt the perspective of parents and focus on generalized trust (*Trust in people*), along with trust in the two most relevant groups: people met for the first time and neighbors. Using factor analysis, we combine these measures into a continuous trust score, *Trust (Factor)*, standardized to have a mean of zero and a standard deviation of one. The factor-based score is reversed so that higher values correspond to higher trust. As with neighborhood quality, we use the continuous score in regressions and define 'high' versus 'low' trust by the median split in graphical analyses.

Neighborhood Quality and Trust. We begin by examining the relationship between neighborhood quality and trust. Ideally, we would use average trust levels measured at the neighborhood level. However, in the absence of such data, we rely on self-reported individual trust. This measure captures both local social attitudes and the respondent's personal disposition, making it an imperfect proxy. Nonetheless, it allows us to assess whether empirical patterns are consistent with the theoretical framework.

Figure 4 presents the binscatter plot of the relationship between neighborhood quality and trust, using the factor-based measures described above. The figure

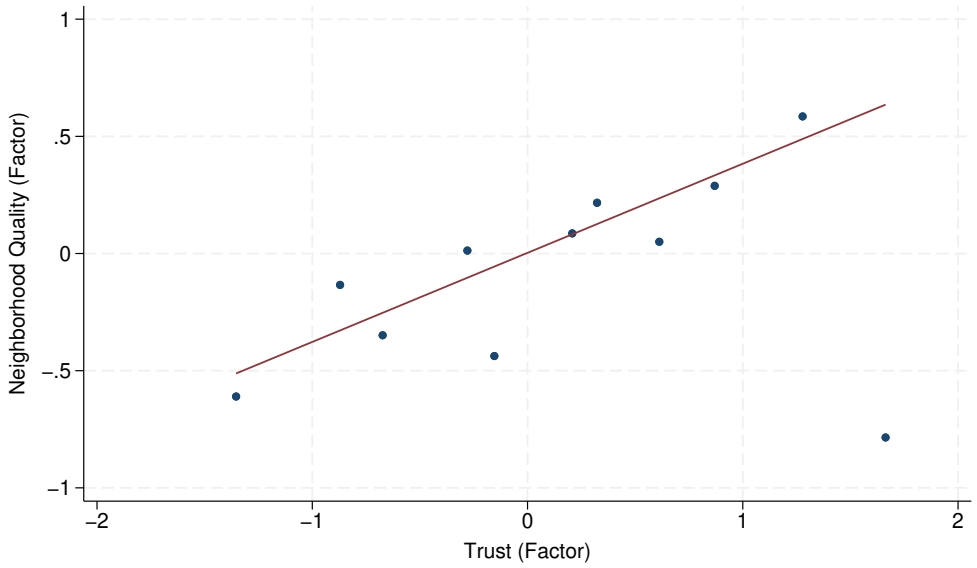


Figure 4: Neighborhood Quality and Trust

Notes: This figure shows the relationship (binscatter) between neighborhood quality and trust in the sample. Neighborhood quality is derived from factor analysis based on responses to questions about the frequency of specific behaviors in the neighborhood. Trust is similarly measured using factor analysis based on responses to questions about trust in different groups of people. See the text for further details.

reveals a strong positive correlation: individuals living in higher-quality neighborhoods exhibit higher levels of trust. This finding aligns with our theory, which suggests that trust formation is shaped by the local environment. In safer, more stable communities, social interactions are more predictable and cooperative norms are reinforced, fostering higher reciprocal trust. In contrast, trust tends to erode in lower-quality neighborhoods.

Parenting Style Across Neighborhoods. We now turn to the relationship between neighborhood quality, trust, and parenting styles. Panel (a) of Figure 5 compares parenting styles across low- and high-quality neighborhoods, based on the reported frequency of violence. Panel (b) employs the factor-based quality score and divides the sample according to its median value.

Both panels convey a compelling message. In lower-quality neighborhoods,

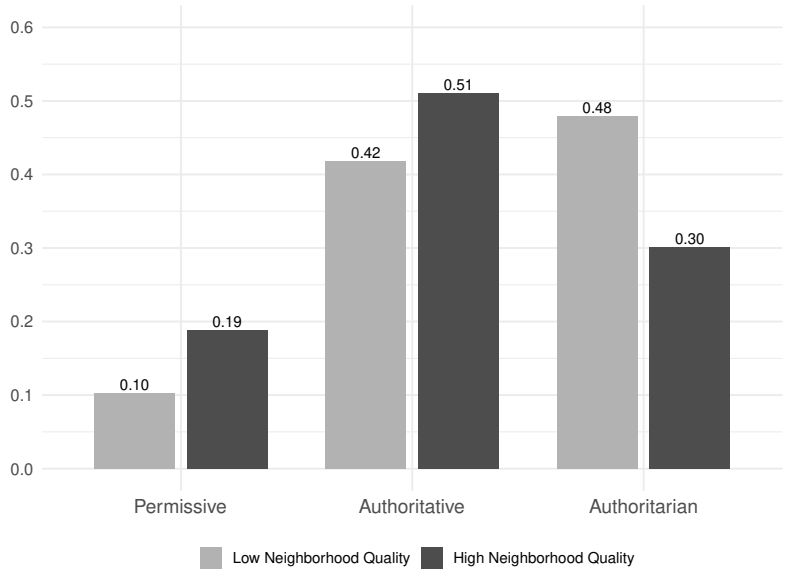
i.e., higher exposure to violence, respondents are 18 pp more likely to adopt an authoritarian style. In contrast, in higher-quality neighborhoods, permissive and authoritative parenting styles are more common, each increasing by 9 pp. Using the factor-based score yields qualitatively similar results: moving from high to low neighborhood quality increases the likelihood of authoritarian parenting by 11 pp and decreases the probability of permissive and authoritative styles by 7 pp and 5 pp, respectively.[25]

Figure 6 replicates this analysis using trust measures. Panel (a) distinguishes between high and low general trust in people; panel (b) uses the factor-based trust score. The results echo those for neighborhood quality. Respondents with low levels of trust are 13 pp more likely to be authoritarian than high-trust respondents, 7 pp less likely to be authoritative, and 6 pp less likely to be permissive. The factor-based measure in panel (b) yields similar findings. These patterns support the idea that individuals who express higher trust in their social environment are more likely to engage in less intensive forms of parenting.

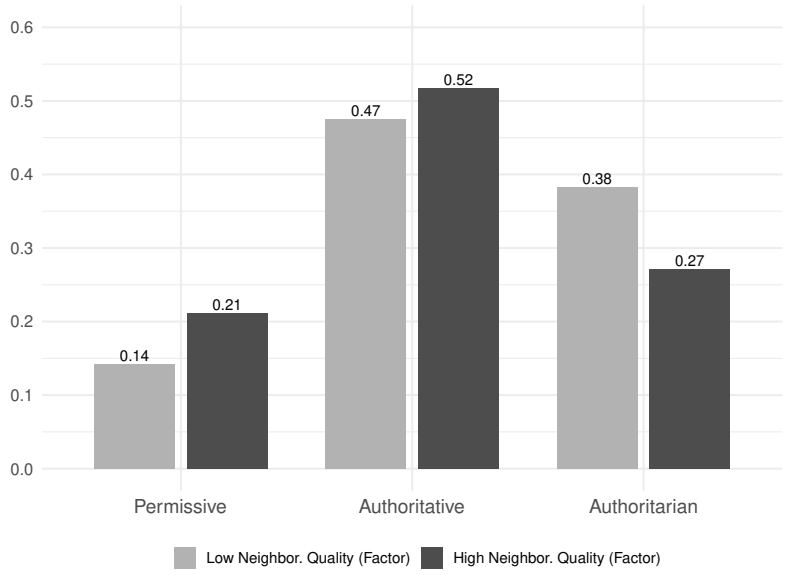
Regression Analysis. The regression analysis in Table 1 discussed above already includes controls for neighborhood quality and trust, serving a dual purpose. First, it allows us to test the robustness of the estimated effect of religiosity after accounting for neighborhood- and trust-related factors. Second, it helps isolate the independent relationship between neighborhood quality, trust, and parenting styles, while controlling for individual characteristics—such as age, race, education, and religiosity—that are themselves associated with the propensity to adopt specific parenting styles.

As anticipated, we also include trust as a regressor, in line with our theoretical framework, which suggests that both the external environment (defensive parenting) and the local level of trust (strategic complementarity) influence the choice of parenting style. Specifically, high-risk environments may induce authoritarian parenting as a protective strategy to shield children from negative influences,

[25]The effect size is smaller with the factor-based measure. This suggests that parents are especially responsive to visible threats such as violence, which may be perceived as the most salient risk.



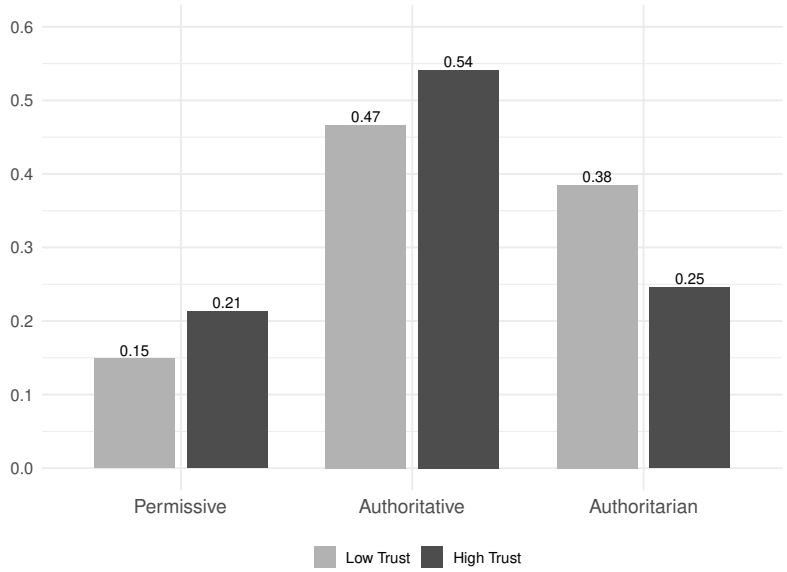
(a) Violent Episodes in the Neighborhood



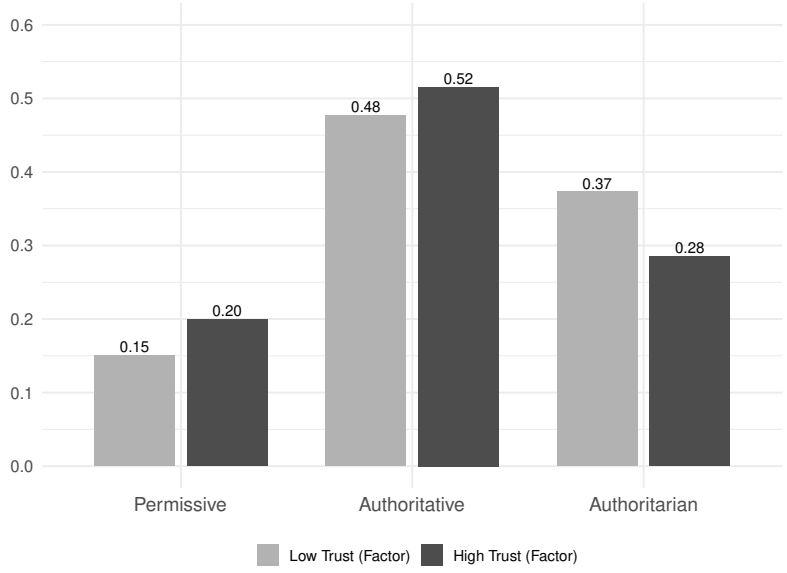
(b) Factor Analysis

Figure 5: Parenting Style and Neighborhood Quality

Notes: This figure shows the distribution of parenting styles by neighborhood quality. In panel (a), 'Low Neighborhood Quality' refers to respondents who answered 'Very Frequently' or Quite Frequently' to the question: *"How frequently do the following things occur in your neighborhood? Street violence and fights"*. All other respondents are classified as living in 'High Neighborhood Quality' neighborhoods. In panel (b), 'High Neighborhood Quality' refers to respondents with a neighborhood quality score above the median; 'Low Neighborhood Quality' refers to those with a score below the median. The neighborhood quality score is derived from factor analysis based on responses to questions about the frequency of specific behaviors in the neighborhood. See the text for further details.



(a) Trust in People



(b) Factor Analysis

Figure 6: Parenting Style and Trust

Notes: This figure shows the distribution of parenting styles by level of trust. In panel (a), 'High Trust' refers to respondents who answered 'Most people can be trusted' to the question: *"Generally speaking, would you say that most people can be trusted, or that you need to be very careful in dealing with people?"*. Respondents who answered 'Need to be very careful' are classified as 'Low Trust.' In panel (b), 'High Trust' refers to respondents with a trust score above the median; 'Low Trust' refers to those with a score below the median. The trust score is derived from factor analysis based on responses to questions about generalized trust and trust in different groups of people such as people met for the first time and neighbors. See the text for further details.

whereas higher levels of individual or community trust may encourage more permissive or authoritative approaches.

Table 1 confirms the insights from the graphical analysis and provides additional evidence. As in previous analyses, we rely on both the direct and factor-based measures of neighborhood quality and trust. First, irrespective of the proxy used, higher neighborhood quality and trust are positively associated with permissive parenting and negatively associated with authoritarian parenting. Columns (8) and (9) confirm that parenting intensity decreases with neighborhood quality and trust. Second, although neighborhood quality and trust are correlated, their estimated effects are of similar magnitude and remain independently significant, suggesting that they capture distinct dimensions of the social environment. Third, the effects are economically meaningful. For example, the estimates in columns (2) and (5) suggest that moving from a low-trust respondent in a low-quality neighborhood to a high-trust respondent in a high-quality neighborhood increases the probability of permissive parenting by 10 pp and reduces the likelihood of authoritarian parenting by 14 pp.

Taken together, the data analysis in this section supports the central mechanism proposed in our theoretical model. The observed relationship between neighborhood quality, trust, and parenting styles aligns with the prediction that parents engage in defensive parenting in response to adverse environments. In low-trust, high-risk neighborhoods, parents are more likely to adopt an authoritarian style to shield their children from negative peer influences. Conversely, in safer, high-trust communities, parents have greater flexibility to adopt more permissive or authoritative approaches, fostering autonomy and social adaptability in their children.

The significant role of individual trust further highlights the complementarity between cultural attitudes and external conditions in shaping (and being shaped by) parenting decisions, which echoes the work of Hauk and Sáez Martí (2002), Sáez Martí and Zenou (2012), and Rohner, Thoenig, and Zilibotti (2013) in different contexts. These results suggest that social capital and community trust are not merely outcomes of economic and social structures but also active forces driving the intergenerational transmission of cultural traits. Future research could

examine how interventions aimed at improving neighborhood environments and strengthening trust might shift parenting strategies, thereby helping to mitigate the persistence of economic and cultural disparities across generations.

5.6 Relationship with the Literature

This section builds on the vast literature on neighborhood effects, with a focus on social interactions and human capital formation. We offer a selective overview of the contributions most relevant to our analysis. A number of recent studies by Raj Chetty and Nathaniel Hendren (e.g., Chetty and Hendren 2018a, 2018b) provide empirical evidence on the role of neighborhoods in intergenerational mobility. Using their estimates, Fogli et al. (2025) calibrate a general equilibrium model, showing how rising income inequality and residential segregation in the United States since the 1980s have mutually reinforced each other through parental neighborhood selection and educational investments.[26]

Another strand of research examines the effects of relocating children to better neighborhoods. Chetty, Hendren, and Katz (2016) use data from a randomized housing intervention to show that moving from high- to low-poverty areas significantly improves children's long-term economic outcomes. Similarly, Chyn (2018) analyzes public housing demolitions in Chicago, where displaced low-income families relocated using housing vouchers. He finds that displaced children—especially those relocated at a young age—experience higher employment rates, higher wages, lower violent crime arrests, and reduced high school dropout rates. Agostinelli et al. (2025)—discussed in more detail above—use an estimated structural model to assess the scalability of these moving-to-opportunity policies. While their quantitative predictions align with previous findings, they show that scaling up the policy leads to significantly smaller positive effects, primarily due to the defensive reaction of parents in more affluent communities.[27] Our work is

[26] A large strain of the literature focused on the mechanism leading to residential segregation; see, for example, Schelling (1971), Benabou (1993), Durlauf (1996) , Fernández and Rogerson (1996), Aliprantis and Carroll (2018), Eckert and Kleineberg (2021), and Chyn and Daruich (2022).

[27] A related literature examines the relationship between residential segregation, house price capitalization, and unequal access to high-quality public schools. See, for example, Black (1999), Epple and Sieg (1999), Bayer, Ferreira, and McMillan (2007), and Agostinelli, Luflade, and Martellini (2024).

also related to the extensive literature on social interactions within neighborhoods (e.g., Brock and Durlauf 2001b, 2001a, 2002, and Durlauf and Ioannides 2010) and the associated empirical literature.[28]

A puzzle in the literature on cultural transmission and social interactions is why negative social phenomena like juvenile crime persist even though no parents (or at least no significant proportion of them) actively promote them. Sáez Martí and Sjögren (2008) show that this can occur in models of cultural transmission where parents influence their children's values, but when transmission fails, children learn from peers. The persistence of such negative cultures is possible when the selection of different cultural variants within peer groups depends not only on their frequency but also on the intrinsic merit children assign to them. In other words, children may be attracted to certain types of juvenile behavior, which can grow and persist even in the face of concerted efforts by the surrounding adult community.

Finally, our work relates to the literature on the economic value of trust and social capital that was already mentioned in Section 4. Trust is deeply persistent, transmitted across generations, and linked to economic performance across countries. Durlauf (2006) highlights how neighborhood sorting and social interactions reinforce disparities in trust and economic mobility, while Alesina and La Ferrara (2002) show that trust declines in more unequal and ethnically fragmented societies. Dohmen et al. (2012) provide an empirical study of the transmission of risk and trust attitudes within families, documenting strong correlations between parents and children in these dimensions, in line with the theory outlined here.

5.7 Taking Stock

In this section, we presented a stylized model in which parents may choose to dampen their children's natural inclination to trust others. We interpret this behavior as a form of defensive parenting. When parents perceive the local environment as a threat rather than a nurturing opportunity, they may prioritize

[28]See also, among others, Case and Katz (1991), Altonji and Mansfield (2018), Hoxby (2000), Zimmerman (2003), Calvó-Armengol, Patacchini, and Zenou (2009), Sacerdote (2011), Arcidiacono et al. (2012), Carrell, Sacerdote, and West (2013), Feld and Zölitz (2017), Boucher et al. (2023), and List et al. (2025)).

protection over openness, discouraging interactions with the broader community. These defensive strategies shape local social norms and can give rise to persistent low-trust equilibria.

Much of the existing literature—including our own prior work—has examined the persistence of spatial inequality through mechanisms such as human capital investment and segregation dynamics, often with an eye toward policy interventions. Our analysis adds a new dimension by focusing on parenting and cultural transmission. We show how the intergenerational transmission of preferences and beliefs interacts with neighborhood choice and local peer effects, reinforcing patterns of inequality over time.

Trust plays a central role. In low-trust environments, parents may restrict their children's exposure to the surrounding community, limiting interactions outside the family or immediate circle. These choices reinforce residential sorting and deepen social divisions. Over time, this process becomes self-reinforcing: the resulting segregation and lack of trust shape the next generation's environment, prompting similar parenting responses. By embedding cultural transmission into models of neighborhood choice, education, and mobility, we offer a new perspective on how segregation sustains not only economic inequality, but also persistent differences in values, aspirations, and social norms, ultimately reinforcing social stratification.

6 Outlook and Future Research

The economic literature linking parenting and culture discussed in this chapter is still in its early stages. Existing work shows that the economic approach is fruitful and can account for a range of empirical regularities concerning the mutual interaction between economic conditions, parenting, cultural values, and social stratification. Much remains to be done to expand this approach to new areas, quantify the strength of its mechanisms, and derive policy implications.

A first challenge is that existing datasets provide a limited picture of the relationships posited by the economics of parenting. While there is evidence on how economic conditions relate to specific parenting choices and cultural values,

the theories developed here rest on the idea that parents anticipate returns to instilling particular values and engaging in certain parenting strategies, based on expectations about their children's future economic success and well-being. The field would benefit from empirical research documenting parents' beliefs about the short- and long-term repercussions of their parenting choices and the values they aim to transmit. A nascent literature has begun to gather such evidence in the context of human capital accumulation (Attanasio, Boneva, and Rauh 2022; Boneva et al. 2022); these approaches could be extended to encompass the broader range of parenting choices and expected outcomes at the heart of the theories discussed here.

A second task is to assess the role of endogenous parenting responses in shaping culture, relative to other contributing forces. While the models presented in this chapter are conceptual, they are, in principle, amenable to quantification through calibration or structural estimation. ADSZ demonstrate this in the context of parental interventions in peer formation using a simulated method-of-moments estimation. Similar approaches could be employed to assess the role of parenting in the formation of culture, the emergence of social stratification, and broader patterns of social mobility.

A more specific challenge that the theoretical framework may help address is the persistence of differences in economic outcomes across social groups. This question was at the core of Max Weber's foundational work. While Weber's specific claim regarding the central role of Protestant ethics in economic success has since been debated, contemporary examples abound of social groups that achieve disproportionate economic success—such as Chinese immigrant communities in Southeast Asia, South Asians in the United States, and British Nigerians in the United Kingdom. Economists have traditionally shied away from considering preferences or cultural factors as an explanation for such patterns, instead treating preferences as given and focusing on other factors such as technology and institutions. The justification of this approach was that economics, as perceived at the time, had little to say about the origin of preferences. The approach described here moves beyond this perspective by conceiving preferences and cultural values themselves as outcomes of an economic process, as proposed originally by Stigler

and Becker (1977) and developed further in the work described in this chapter. It would be fruitful to examine the mutual links between the economic conditions faced by particular groups in society, the cultural values that are formed in response to these conditions, and their role in the economic success of such groups.

A closely related issue is the long-term persistence of social status within families and low multi-generational social mobility (see, e.g., Clark 2014 and Braun and Stuhler 2018). It is now well documented that correlations in economic status across distant generations far exceed what would be predicted by simple extrapolations of one-generation mobility. Given the dilution of genetic endowments through marriage in each generation, it is unlikely that biological factors account for much of this correlation. Rather, the evidence points to the persistence of cultural values within families. The models discussed in this chapter offer promising tools for analyzing how such values are formed and transmitted within family dynasties.

Quantitative models are essential to bring these insights to bear on policy. This chapter has touched on topics central to public policy, including inequality, social mobility, education, and equal opportunity. While a large literature exists on these topics, relatively few studies incorporate endogenous parental responses. ADSZ show that interventions aimed at shaping peer environments—such as busing policies that mix children from different neighborhoods—can be considerably affected by how parents respond. A policy that appears promising in partial equilibrium, with parental behavior held fixed, may prove ineffective once implemented at scale, precisely because behavioral adjustments offset the intended effects. This logic likely extends to many other policy areas. If parents perceive the stakes to be high, they will respond. Understanding these responses is a critical challenge for future research.

Future work could also move beyond the household to examine how institutions, technologies, and media interact with parenting in shaping norms and preferences. For instance, digital environments and social networks may amplify or undermine parental influence, with potentially unequal effects across socioeconomic groups. This issue is particularly pressing in light of the widespread diffusion of

smartphones, social media, and online gaming, which are transforming children's daily experiences and the ways in which they interact. Institutions beyond the family—such as schools, religious organizations, and workplaces—also interact with parenting choices in shaping cultural transmission. While we touched upon some of these institutional interactions, much remains to be understood about how they collectively shape cultural evolution over time.

Another promising direction involves studying how rising environmental risk—due to climate change, migration, or political instability—shapes parenting strategies and, in turn, affects broader societal dynamics. Incorporating the endogenous evolution of parenting norms into macro-level models could also shed light on how micro-level decisions compound to shape collective beliefs, trust, and institutional resilience over time. More broadly, it can help explain persistent differences in development trajectories, support for institutions, and the long-run effects of inequality in both high- and low-income countries.

Finally, the work described in this chapter builds on insights from the other social sciences. Social stratification and mobility are core concerns of sociology. While we have highlighted shared roots, notably in the work of Max Weber, this survey has mostly focused on contributions from economics and has not engaged in depth with current sociological research. We have also abstracted from important aspects such as affective bonds or identity formation, which are central in psychology and anthropology. Much could be gained by bridging these gaps more systematically—bringing new ideas into economics while demonstrating how models of purpose-driven parental behavior can fruitfully contribute to research in other social sciences.

7 Conclusion

This chapter examines how parental decisions shape the intergenerational transmission of preferences, values, and human capital in a broad economic and social context. Our discussion is guided by a framework in which parents are motivated by the desire to build a stairway to their children's success. They make decisions on parenting style, human-capital investment, and the transmission of specific cultural values based on the anticipated economic and cultural returns to particular

traits and skills.

We apply this framework to both economic and non-economic value transmission. First, we analyze the transmission of work ethic, a value directly linked to economic success, and show how parenting choices interact with economic conditions, shaping cultural stratification and the endogenous formation of social classes. Second, as an example of a non-economic value, we examine the transmission of religion. Here, parents may transmit religious or secular worldviews not only for economic reasons, but also due to intrinsic normative beliefs. Third, we extend our analysis to social interactions and neighborhood choice, highlighting how residential sorting reinforces disparities in trust, human capital investment, and parenting practices. Parents' concerns about external influences—such as peers and institutions—shape their location decisions, further entrenching spatial inequality and cultural segmentation. These dynamics are mutually reinforcing: parenting strategies shape the social environment, which in turn influences future parenting decisions, creating a feedback loop that amplifies long-run inequality.

The theoretical predictions of the models we describe are supported by empirical evidence from the World Values Survey. First, we find that higher religiosity is associated with a greater likelihood of adopting an authoritarian parenting style, consistent with our model's implication that parents with strong normative convictions exert stricter control over their children's exposure to the outside environment. Second, we provide evidence of defensive parenting across communities: in disadvantaged neighborhoods, parents tend to shield their children from external influences, even if this means forgoing potential benefits. In environments marked by crime or juvenile delinquency, the perceived risks of openness outweigh its expected returns. Finally, trust in others is positively correlated with neighborhood quality, in line with our model's prediction that parents are more likely to foster trust when the surrounding environment is perceived as safe and supportive.

Understanding parenting strategies and the dynamics of cultural transmission provides insight into the persistence of inequality across generations and highlights potential policy levers for mitigating disparities. Policies that enhance access to high-quality education, reduce economic segregation, and foster social trust

could weaken the self-reinforcing link between parental choices and persistent inequality.

Research on the mutual interactions between parenting decisions, cultural transmission, and economic outcomes is still in its early stages. For young researchers interested in parenting and culture, the field offers many promising and underexplored directions. We hope that many of the open research questions in this area will be taken up in the coming years.

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A Proofs for Propositions

Proof of Proposition 2: If $\rho \geq \tilde{\rho}$, parents with $A = 1$ will invest given the argument given in the proof of Proposition 1, while others will not. The steady-state share s_1 of individuals with a work ethic $A = 1$ then satisfies:

$$s_1 = p_0 + s_1(p_1 - p_0),$$

implying that

$$s_1 = \frac{p_0}{1 + p_0 - p_1}.$$

Let $p_{M,1} = 1 - w_N/w_M + \rho$ denote the probability that an individual with a work ethic ($A = 1$) will choose to be a manager, with the corresponding probability for the other group given by $p_{M,0} = 1 - w_N/w_M$. Then, the probability for a child of a parent with work ethic to become a a manager is $p_{CM,1} = p_1 p_{M,1} + (1-p_1)p_{M,0}$, and, for other children, we have $p_{CM,0} = p_0 p_{M,1} + (1 - p_0)p_{M,0}$, where $p_{CM,1} > p_{CM,0}$. The shares of managers and laborers, respectively, who have a work ethic are given by:

$$s_{1,M} = \frac{s_1 p_{M,1}}{s_1 p_{M,1} + (1 - s_1)p_{M,0}},$$
$$s_{1,N} = \frac{s_1(1 - p_{M,1})}{s_1(1 - p_{M,1}) + (1 - s_1)(1 - p_{M,0})}.$$

Here, we have $s_{1,M} > s_{1,N}$ because having a work ethic makes it more likely to choose to be a manager. We can now write the transition matrix from the occupation of the parent to the occupation of the child as:

$$T = \begin{pmatrix} s_{1,M}p_{CM,1} + (1 - s_{1,M})p_{CM,0} & s_{1,M}(1 - p_{CM,1}) + (1 - s_{1,M})(1 - p_{CM,0}) \\ s_{1,N}p_{CM,1} + (1 - s_{1,N})p_{CM,0} & s_{1,N}(1 - p_{CM,1}) + (1 - s_{1,N})(1 - p_{CM,0}) \end{pmatrix}.$$

The first row contains the probabilities that a child of a manager will turn into a manager and a worker, respectively, and the second row contains the transition probabilities for workers. In each entry, the denominator reflects the composition of the parent's occupation in terms of $A = 1$ and $A = 0$ individuals. Consider

now the difference Δ in the probability that the child will be a manager between a manager and a laborer parent, i.e., the difference between the entries in the first column of T. We have:

$$\begin{aligned}\Delta &= s_{1,M}p_{CM,1} + (1 - s_{1,M})p_{CM,0} - (s_{1,N}p_{CM,1} + (1 - s_{1,N})p_{CM,0}),\\ &= (s_{1,M} - s_{1,N})p_{CM,1} - (s_{1,M} - s_{1,N})p_{CM,0},\\ &= (s_{1,M} - s_{1,N})(p_{CM,1} - p_{CM,0}),\\ &> 0,\end{aligned}$$

where the last step follows because $p_{CM,1} > p_{CM,0}$ and $s_{1,M} > s_{1,N}$. Thus, there is persistence in occupation from generation to generation and, therefore, limited social mobility. Next, the difference in the share of managers and laborers who have a work ethic is given by:

$$\begin{aligned}s_{1,M} - s_{1,N} &= \frac{s_1 p_{M,1}}{s_1 p_{M,1} + (1 - s_1)p_{M,0}} - \frac{s_1(1 - p_{M,1})}{s_1(1 - p_{M,1}) + (1 - s_1)(1 - p_{M,0})},\\ &= \frac{s_1}{s_1 + (1 - s_1)\frac{p_{M,0}}{p_{M,1}}} - \frac{s_1}{s_1 + (1 - s_1)\frac{1-p_{M,0}}{1-p_{M,1}}},\end{aligned}$$

which is increasing in $p_{M,0}$ and, hence, in ρ, given that $p_{M,1} = 1 - w_N/w_M + \rho$. An increase in ρ also increases the difference $p_{CM,1} - p_{CM,0}$ in the probability that a child will turn into a manager between parents with and without a work ethic, implying that an increase in ρ increases Δ and, hence, lowers social mobility in occupation. Lastly, when ρ rises, lower social mobility in occupation also translates into lower social mobility in terms of income, because managers earn more than laborers on average and an increase in ρ further increases the average earnings gap between the two occupations. □

Proof of Proposition 4: The parental decision problem implies that a parent with religion R and parenting cost ξ chooses to be authoritarian if:

$$z\mu_R\Delta p > \xi + z\beta\rho.$$

Here, the left-hand side is the benefit from authoritarian parenting, given by the paternalistic enjoyment of a greater probability of passing on one's beliefs, and

the right-hand side is the cost, given by the cost of authoritarian parenting ξ plus the altruistic concern about the forgone return to independence for the child. The parent will, therefore, choose to be authoritarian if the condition:

$$\rho < \frac{\mu_R \Delta p - \xi z^{-1}}{\beta}$$

is satisfied. The first condition states that this condition holds even for the M parent with the highest cost of parenting $\xi = 1$ (recall that ξ is uniformly distributed on $[0, 1]$). The second condition implies that there is interior cutoff for ξ such that M parents below the cutoff are authoritarian and those above are permissive. As ρ rises, the share of M parents below the cutoff declines, implying that a rising share of M parents are permissive, which raises the share of children who become secular. The third condition states that M parents with the lowest cost $\xi = 0$ are permissive, while F parents with the highest cost $\xi = 1$ remain authoritarian. Regarding the steady-state shares, in this last case, the steady-state distribution across types $\mathbf{s} = (s_F \; s_m \; s_S)'$ has to satisfy:

$$\mathbf{s} = \begin{pmatrix} p & \frac{1-p}{2} & \frac{1-p}{2} \\ \frac{1-p}{2} & \frac{1-p}{2} & \frac{1-p}{2} \\ \frac{1-p}{2} & p & p \end{pmatrix} \mathbf{s},$$

which yields:

$$\mathbf{s} = \begin{pmatrix} \frac{1}{3} \\ \frac{1-p}{2} \\ \frac{p}{2} + \frac{1}{6} \end{pmatrix}.$$

Regarding the impact of ρ on the income gap between secular and fervent individuals, there are two forces. First, a rise in ρ unambiguously raises the relative income of independent children who were subject to a permissive parenting style, and there are more such children among the secular than among the fervent. Second, a rise in ρ changes the composition of types in each group; in particular, if ρ is large, there are relatively more fervent individuals who were raised permis-

sively, but (randomly) adopted fervent beliefs. The second channel disappears as p approaches one (where transmission becomes deterministic). Hence, for p sufficiently close to one the first channel dominates, and raising ρ unambiguously increases the income gap.

□

B Additional Tables

	Permissive			Authoritarian			Intensity of Parenting		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Religious	-0.09***	-0.09***	-0.10***	0.10***	0.10***	0.11***	0.20***	0.19***	0.21***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)
High neighbor. quality		0.06***			-0.07**			-0.12***	
		(0.02)			(0.03)			(0.04)	
Trust in people		0.04***			-0.07***			-0.12***	
		(0.02)			(0.02)			(0.03)	
Neighbor. quality (Factor)			0.02**			-0.02			-0.03**
			(0.01)			(0.01)			(0.02)
Trust (Factor)			0.02*			-0.03**			-0.05***
			(0.01)			(0.01)			(0.02)
High education	0.06***	0.04***	0.04**	-0.11***	-0.09***	-0.09***	-0.17***	-0.13***	-0.13***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)
Black	-0.08***	-0.06***	-0.07***	0.37***	0.34***	0.36***	0.45***	0.40***	0.43***
	(0.02)	(0.02)	(0.02)	(0.04)	(0.04)	(0.04)	(0.05)	(0.05)	(0.05)
Hispanic	-0.04*	-0.03	-0.02	0.17***	0.16***	0.15***	0.21***	0.18***	0.18***
	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)
Other	0.01	0.02	0.02	0.06*	0.05	0.06*	0.05	0.04	0.04
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.05)	(0.05)	(0.05)
Female	0.03*	0.03**	0.03**	-0.06***	-0.07***	-0.07***	-0.09***	-0.10***	-0.10***
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)
Age	-0.00	0.00	0.00	-0.00	-0.01*	-0.01*	-0.00	-0.01	-0.01
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Age squared	0.00	-0.00	-0.00	0.00	0.00	0.00	0.00	0.00	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Observations	2,466	2,455	2,405	2,466	2,455	2,405	2,466	2,455	2,405

Table B.1: The Determinants of Parenting Style - Full Set of Controls

Notes: This table shows the relationship between religiosity, neighborhood quality, trust, and parenting style. The dependent variables are: an indicator for a permissive parenting style (columns 1–3); an indicator for an authoritarian parenting style (columns 4–6); and a measure of intensity of parenting, coded as 1 for permissive, 2 for authoritative, and 3 for authoritarian (columns 7–9). *High neighborhood quality* is an indicator for respondents who answer 'Very Frequently' or 'Quite Frequently' to the question: *"How frequently do the following things occur in your neighborhood? Street violence and fights"*. *Trust in people* is an indicator for respondents who answer 'Most people can be trusted' to the question: *"Generally speaking, would you say that most people can be trusted, or that you need to be very careful in dealing with people?"*. *Neighborhood quality (Factor)* is derived from factor analysis based on responses to questions about the frequency of specific behaviors at the neighborhood level. *Trust (Factor)* is derived from factor analysis based on responses to questions about trust in different groups of people. *High education* is an indicator for respondents with at least a bachelor's degree or equivalent education (ISCED 6). *White* is the omitted race. See the text for further details. Robust standard errors are reported in parentheses. * p<0.10, ** p<0.05, *** p<0.01.

	Base Outcome: Intensity of Parenting = 1 (Permissive)					
	Intensity of Parenting = 2 (Authoritative)			Intensity of Parenting = 3 (Authoritarian)		
	(1)	(2)	(3)	(4)	(5)	(6)
Religious	0.35***	0.36***	0.37***	0.66***	0.66***	0.69***
	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)
Marginal effect	[-0.01]	[-0.01]	[-0.01]	[0.10]	[0.10]	[0.11]
High neighbor. quality		-0.26*			-0.44***	
		(0.13)			(0.14)	
		[0.00]			[-0.06]	
Trust in people		-0.12			-0.39***	
		(0.09)			(0.09)	
Marginal effect		[0.03]			[-0.08]	
Neighb. quality (Factor)			-0.08			-0.12**
			(0.05)			(0.05)
Marginal effect			[-0.00]			[-0.02]
Trust (Factor)			-0.06			-0.17***
			(0.06)			(0.06)
Marginal effect			[0.01]			[-0.03]
High education	-0.13	-0.09	-0.08	-0.53***	-0.41***	-0.42***
	(0.09)	(0.09)	(0.09)	(0.09)	(0.09)	(0.10)
Marginal effect	[0.06]	[0.05]	[0.05]	[-0.11]	[-0.09]	[-0.09]
Observations	2,466	2,455	2,405	2,466	2,455	2,405

Table B.2: The Determinants of Parenting Style - Multinomial Probit

Note: This table shows the relationship between religiosity, neighborhood quality, trust, and parenting style using a multinomial probit regression analysis. The dependent variable is a measure of intensity of parenting, coded as 1 for permissive, 2 for authoritative, and 3 for authoritarian. Regression coefficients and marginal effects are reported with reference to the baseline outcome, which is the permissive parenting style. *High neighborhood quality* is an indicator for respondents who answer 'Very Frequently' or 'Quite Frequently' to the question: *"How frequently do the following things occur in your neighborhood? Street violence and fights"*. *Trust in people* is an indicator for respondents who answer 'Most people can be trusted' to the question: *"Generally speaking, would you say that most people can be trusted, or that you need to be very careful in dealing with people?"*. *Neighborhood quality (Factor)* is derived from factor analysis based on responses to questions about the frequency of specific behaviors at the neighborhood level. *Trust (Factor)* is derived from factor analysis based on responses to questions about trust in different groups of people. *High education* is an indicator for respondents with at least a bachelor's degree or equivalent education (ISCED 6). All regressions control for race, gender, age, and age squared. See the text for further details. Robust standard errors are reported in parentheses; marginal effects are reported in square brackets. * p<0.10, ** p<0.05, *** p<0.01.

C World Values Survey (Wave 7) - List of countries

We provide below the list of countries in WVS Wave 7 for which it is possible to construct our measures of parenting styles and religiosity:
Andorra; Argentina; Australia; Bangladesh; Armenia; Bolivia; Brazil; Myanmar; Canada; Chile; China; Taiwan ROC; Colombia; Cyprus; Czechia; Ecuador; Ethiopia; Germany; Greece; Guatemala; Hong Kong SAR; Indonesia; Iran; Iraq; Japan; Kazakhstan; Jordan; Kenya; South Korea; Kyrgyzstan; Lebanon; Libya; Macau SAR; Malaysia; Maldives; Mexico; Mongolia; Morocco; Netherlands; New Zealand; Nicaragua; Nigeria; Pakistan; Peru; Philippines; Puerto Rico; Romania; Russia; Serbia; Singapore; Slovakia; Vietnam; Zimbabwe; Tajikistan; Thailand; Tunisia; Turkey; Ukraine; Egypt; Great Britain; United States; Uruguay; Venezuela; Northern Ireland.