

[Preparing Kids for Capitalism: The Effect of German Reunification on the Intergenerational Transmission of Preferences](#)

CFM-DP2026-05

Matthias Doepke<sup>1</sup> and Mariko Klasing<sup>2</sup>

<sup>1</sup>London School of Economics and Political Science, <sup>2</sup>University of Groningen

Why do children resemble their parents in economic attitudes such as risk tolerance and trust? Possible explanations include genetics, state influence through schools and childcare, and deliberate parental choices. Disentangling these channels is difficult, because they all predict similar parent-child correlations under stable conditions. This paper exploits German reunification as a natural experiment that simultaneously removed state indoctrination and transformed the economic environment, generating sharp and differential changes in the incentives for preference transmission. The paper develops a model of preference formation combining genetic transmission, state influence, and parental socialization. Parents in the model have both a paternalistic desire to pass on their own values and an altruistic motive to equip children with preferences conducive to success. The model yields contrasting predictions: if the state channel dominates, parent-child correlations should rise when the state withdraws; if altruistic parental socialization dominates, correlations can fall as parents actively instil new values suited to a changed world. Using data from the German Socio-Economic Panel, the analysis shows that parent-child correlations in risk tolerance declined by more than a third among East German families after reunification. This is consistent with parents preparing their children for the market economy by fostering risk tolerance, even at the cost of transmitting values different from their own. For trust and patience, correlations rose as the state retreated, consistent with the state channel. These contrasting patterns demonstrate that parents do not merely reproduce their own preferences but actively adapt their socialization effort to the economic environment their children will face.