

# Chapter 14

## Culture



# Economic Growth

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*If we learn anything from the history of economic development, it is that culture makes all the difference.*

(David Landes, *The Wealth and Poverty of Nations*)

# Economists don't want to deal with culture

- Difficult to quantify culture
- No formal data
- Risk of offending
- **Observer bias** – perceptions of culture can be affected by economic performance.

# 14.1 The Effect of Culture on Economic Growth

We will look for evidence of cultural differences in:

- Openness to new ideas,
- Value of hard work
- Saving for the future
- Degree of trust
- Social Capital
- Social Capability

# Openness to New Ideas

- **Qian Long (Chinese emperor) Letter to George III, 1793 (King of Britain):**
- “Our dynasty's majestic virtue has penetrated unto every country under Heaven, and Kings of all nations have offered their costly tribute by land and sea. As your Ambassador can see for himself, we possess all things. I set no value on objects strange or ingenious, and have no use for your country's manufactures.”

# Openness to New Ideas

- Japan (Emperor Meiji).
- Islamic world: rejection of the printing press, which was vied as sacrilege.

In 2002:	Arabic	Greek
Speakers	200 million	12 million
Books Translated	330	1650

# Hard Work

- Classical Greek: work is best left to slaves
- Bible: (**Passage Ecclesiastes 5:19**)  
“And it is a good thing to receive wealth from God and the good health to enjoy it. **To enjoy your work** and accept your lot in life—this is indeed a gift from God.”

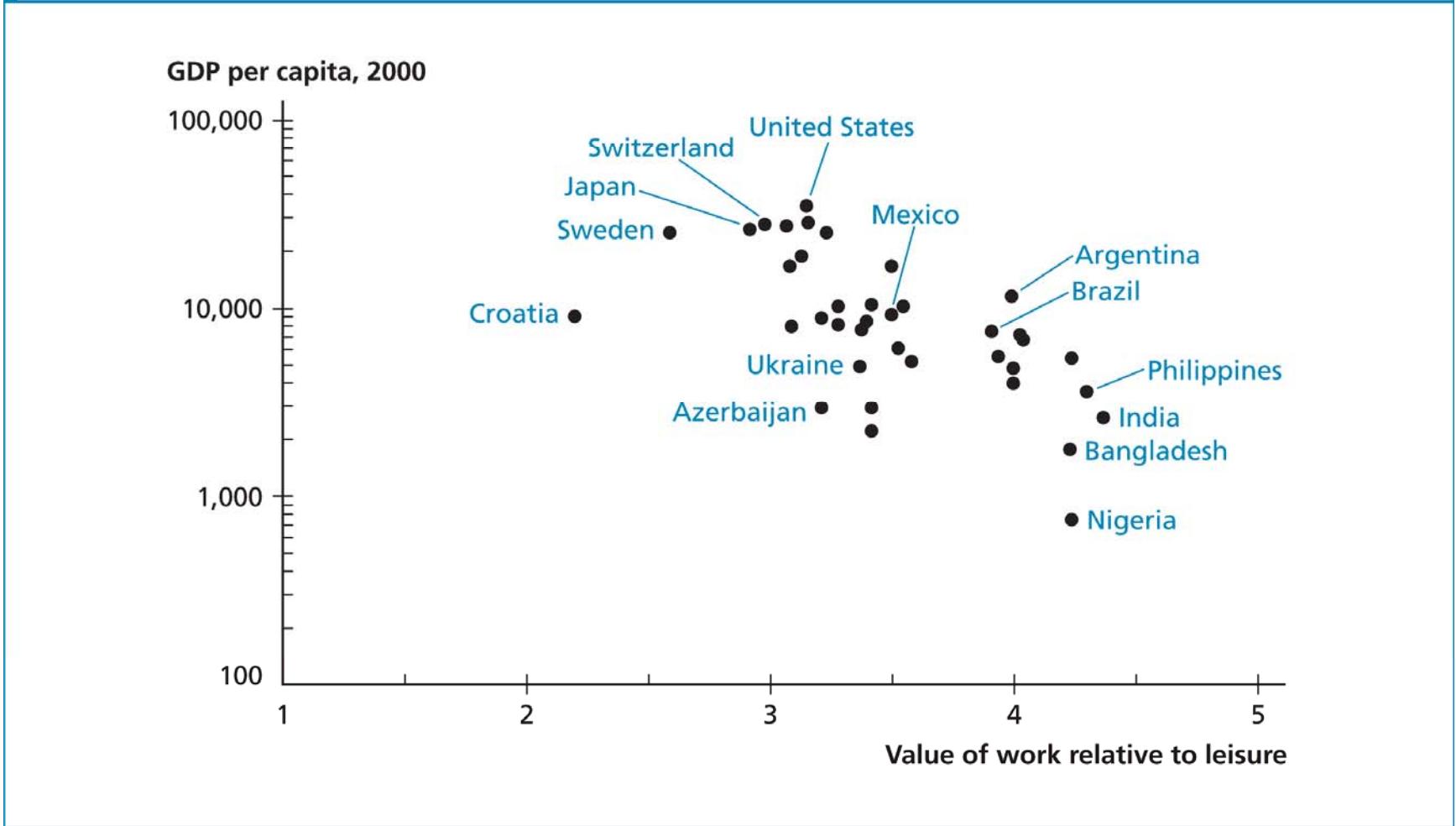
# Hard Work

- Protestants vs. Roman Catholics: in 1985 survey, a sample of Americans were asked “what is more important, work or leisure?”.
- The fraction of Protestants who answered “work” was 10% higher than the fraction of Roman Catholics that answered “work”.

# Hard Work: World Values Survey

- Which point on this scale most clearly describes how much weight you place on work (including housework and school work), as compared with leisure or recreation?
  1. It's leisure that makes life worth living, not work
  - 2.
  - 3.
  - 4.
  5. Work is what makes life worth living, not leisure

**FIGURE 14.1**  
**Value of Work Versus GDP per Capita**

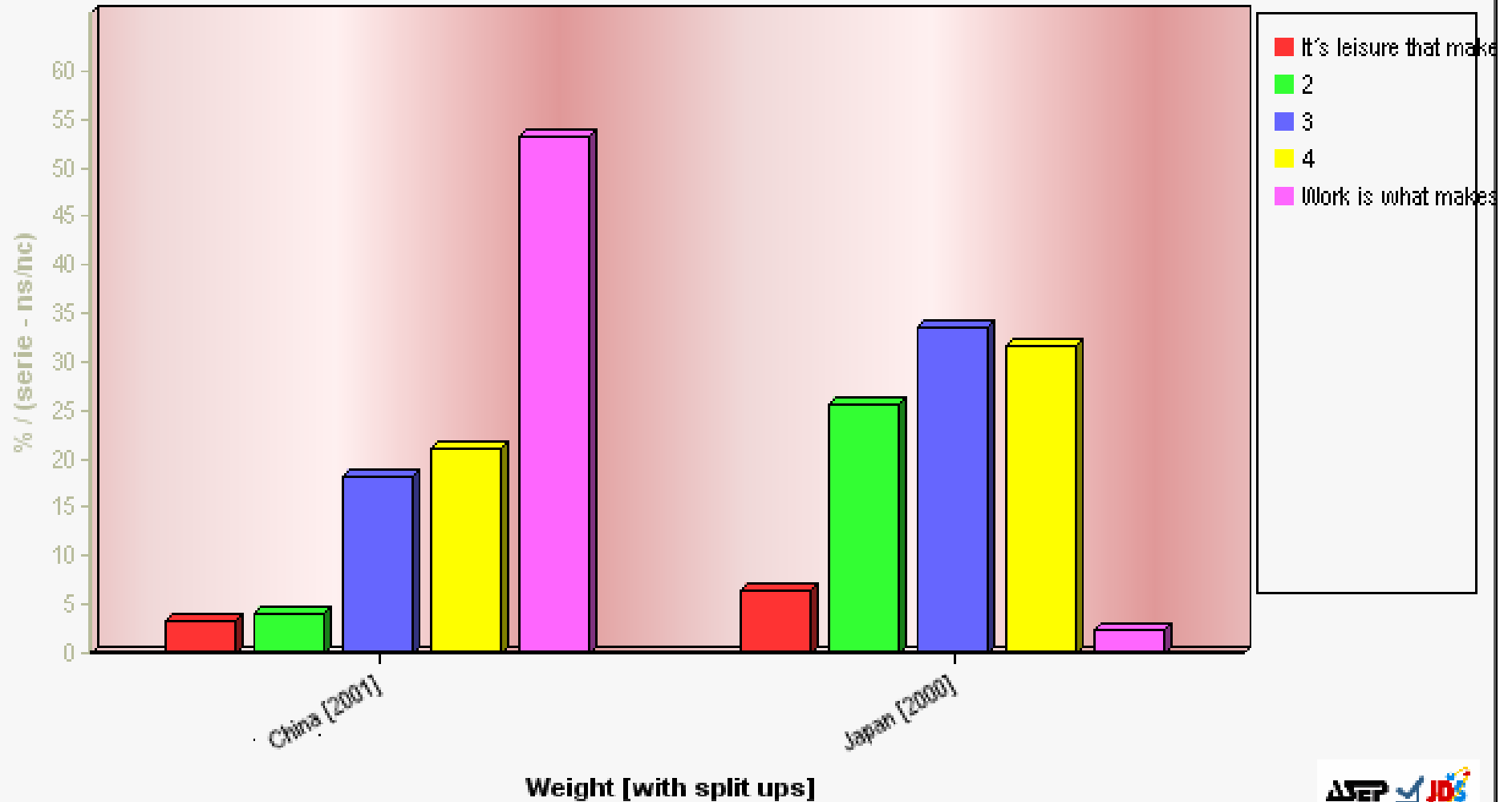


Source: World Values Survey

\* Scored on a 5-point scale where 1 indicates higher value on leisure, and 5 indicates higher value on work.

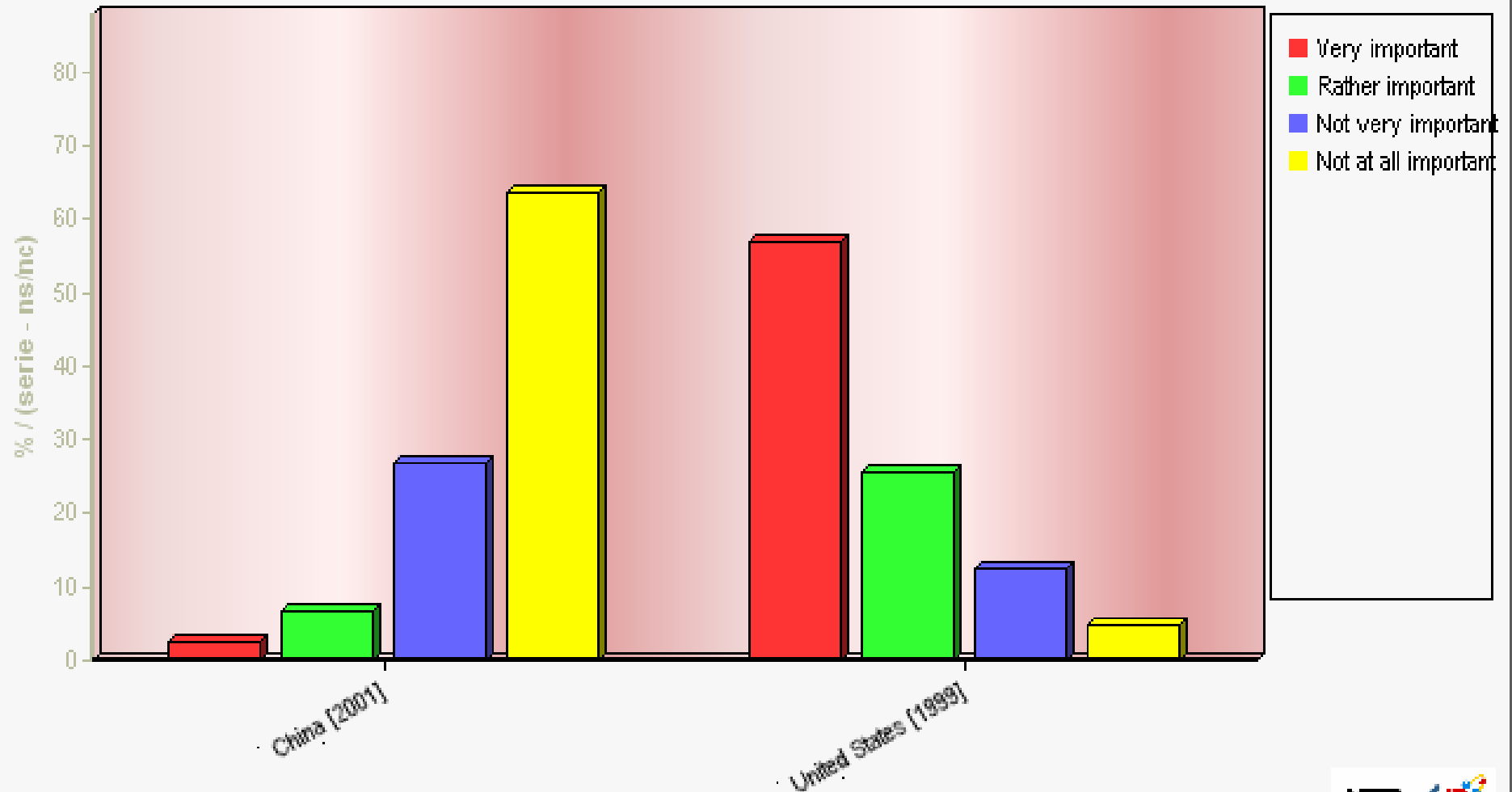
<http://www.worldvaluessurvey.org/>

### Work compared with Leisure



<http://www.worldvaluessurvey.org/>

### Religion important in life



Weight [with split ups]



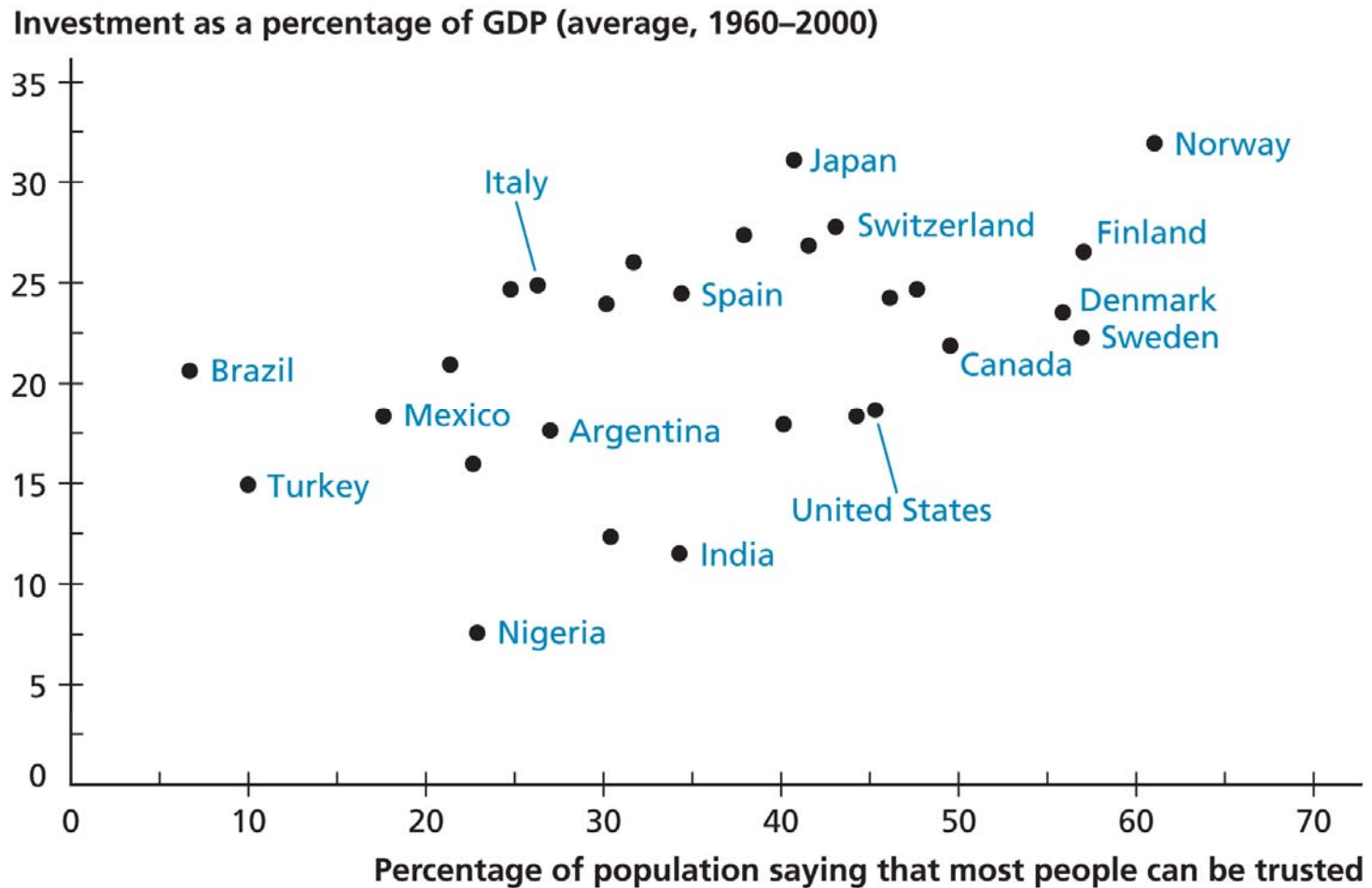
# Saving for the Future

- After WWII, Japan, South Korea, Taiwan, Singapore, and Hong Kong, had very high saving rates.
- Is this a cultural feature? Perhaps Confucius influence?
- Hard to answer because maybe saving is driven by current economic conditions.
- Tests of immigrants to Canada and U.S. showed no correlation between saving rates of immigrants and the saving rates in the source countries.
- Problem with tests of immigrants: **selection bias.**

# Trust

- Kenneth Arrow: “Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the economic backwardness in the world can be explained by the lack of mutual confidence.”

**FIGURE 14.2**  
**Relationship Between Trust and Investment**



Source: Knack and Keefer (1997), Heston et al. (2002).

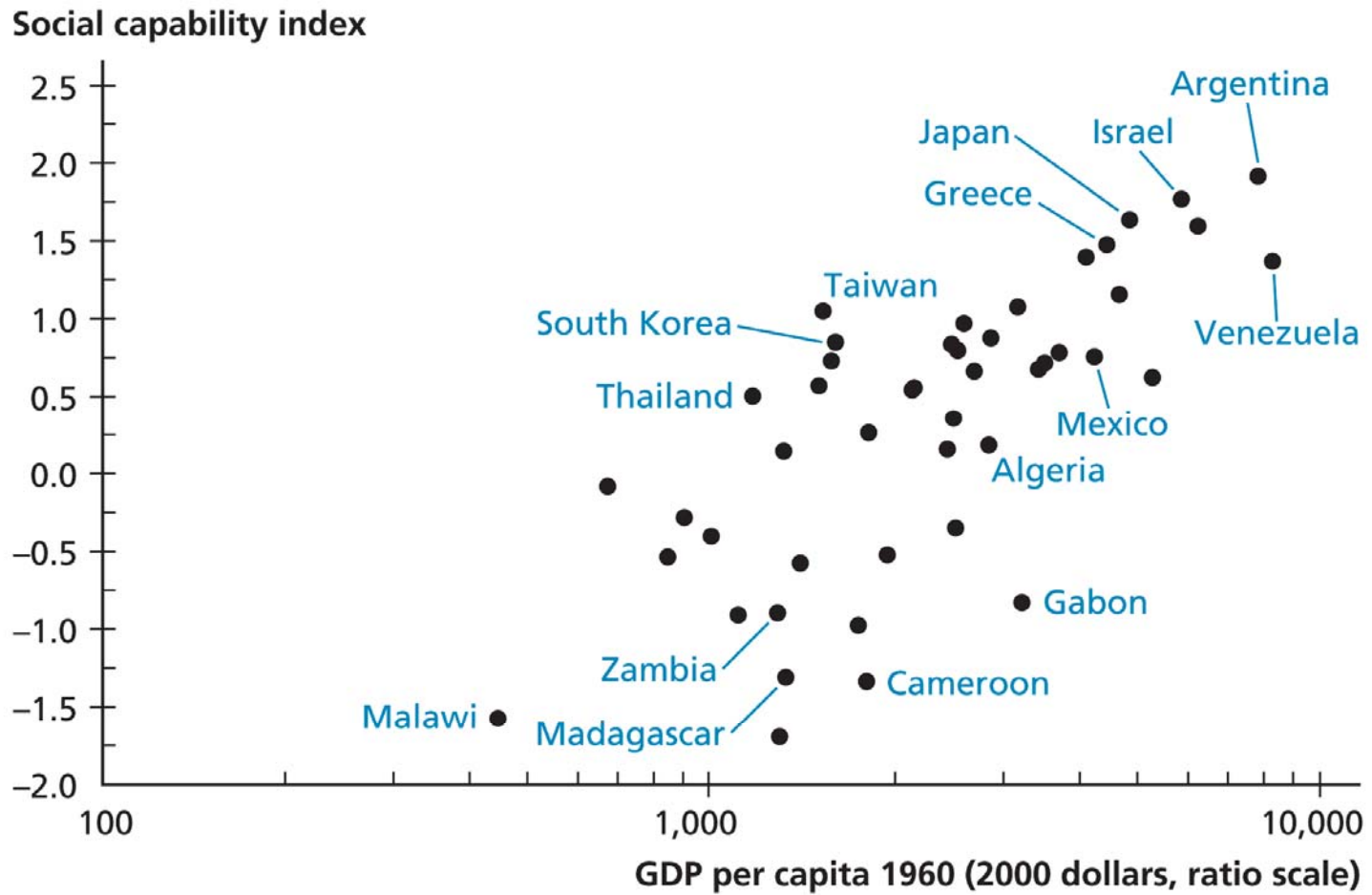
# Social Capital

- Social Capital – inclination of people to form and belong to social networks. Examples: memberships in clubs, religious services, voluntary groups, etc.
- Studies have shown a positive correlation between social capital and income, quality of government, trust.

# Social Capability

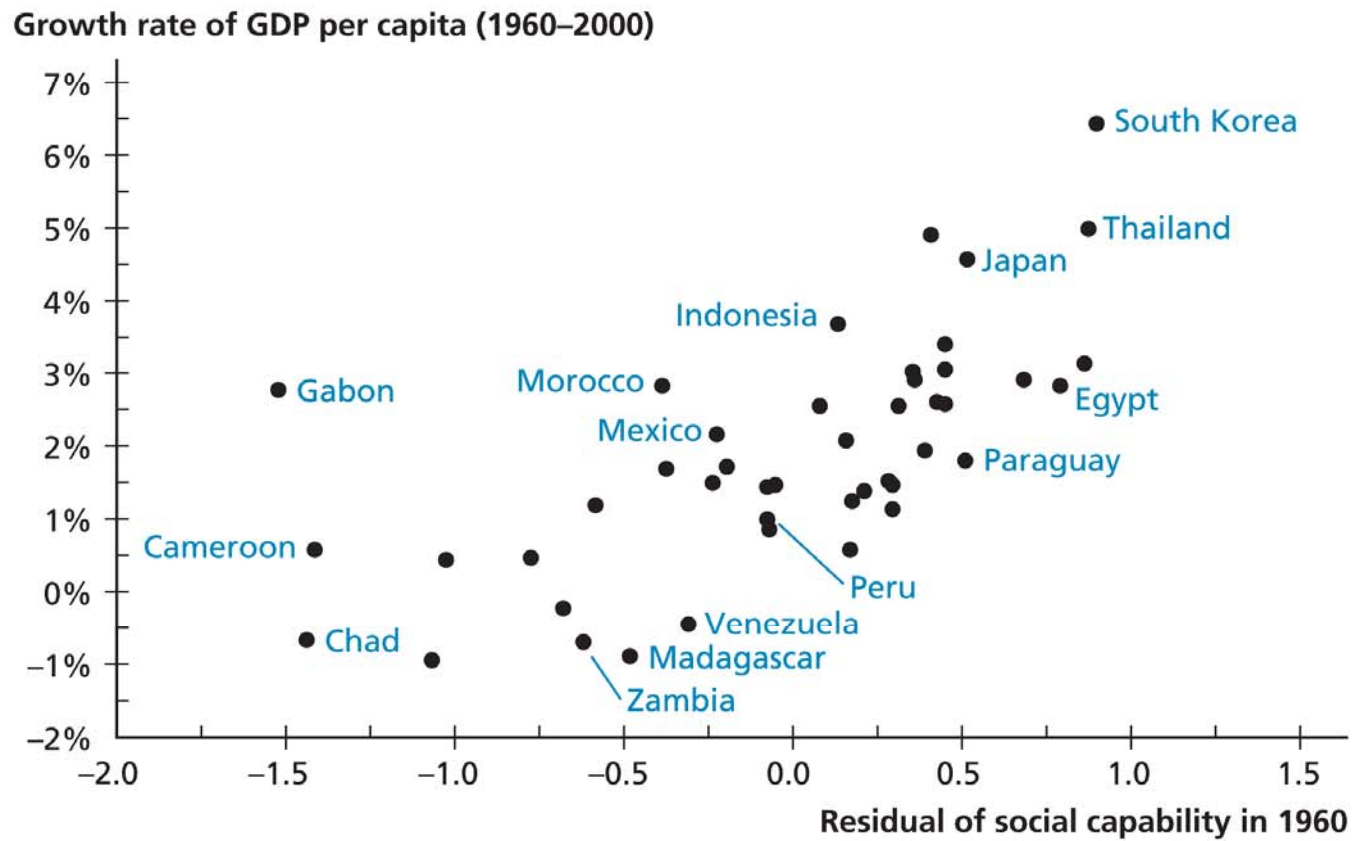
- The experience of the population with the organization and management of large-scale enterprises
- The ability of residents of a country to take advantage of market economics, such as through specialization and trade
- An outlook compatible with empirical science – that is, belief in cause and effect, in contrast to superstition and magic
- A social view that focuses on life on earth, rather than seeing life as relatively unimportant in contrast to spiritual existence.

**FIGURE 14.3**  
**Social Capability Versus GDP per Capita in 1960**



Source: Temple and Johnson (1998), Heston et al. (2002).

**FIGURE 14.4**  
**Social Capability and Economic Growth**



## 14.2 What Determines Culture?

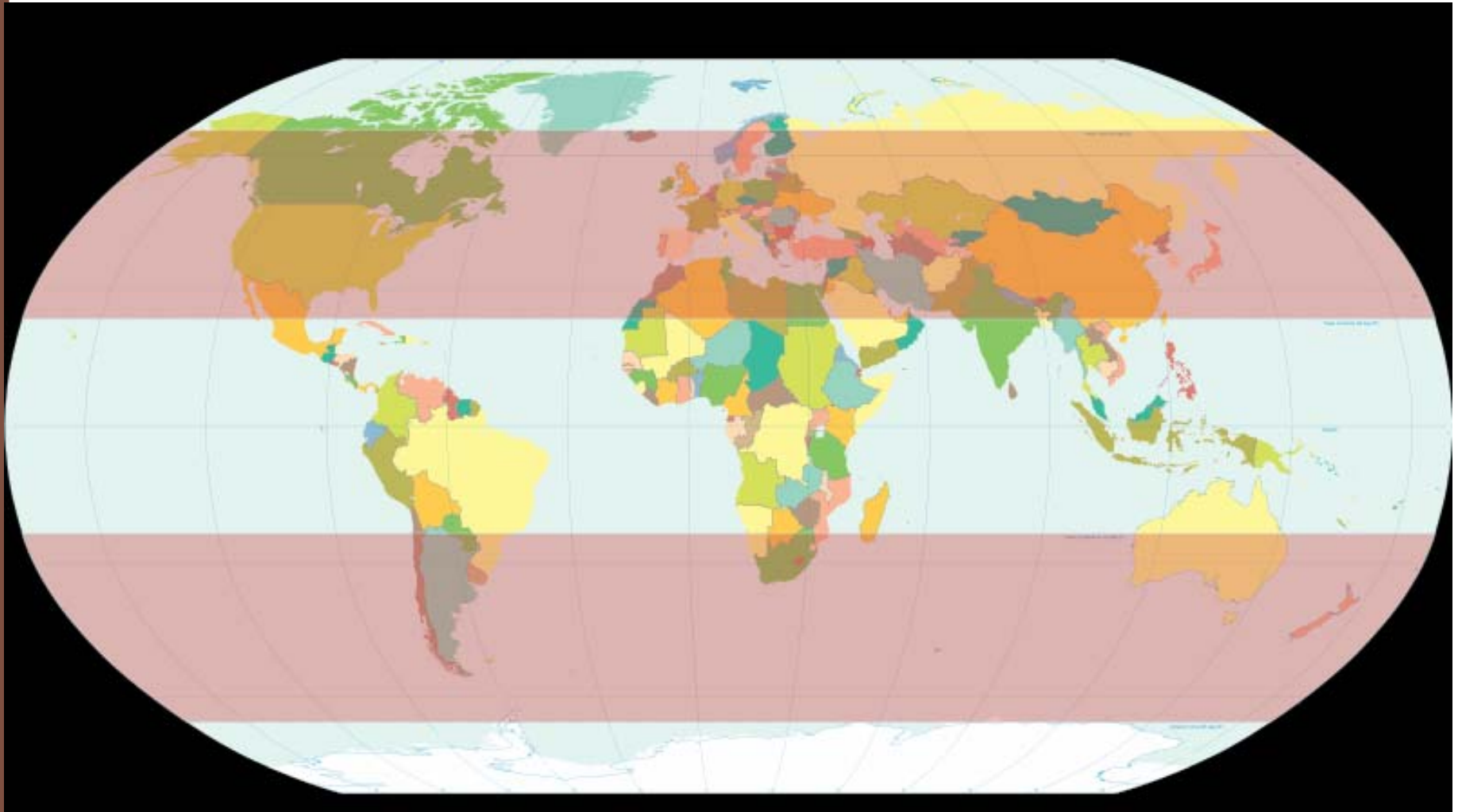
We will look at the following factors:

1. Climate and Natural Resources
2. Cultural Homogeneity
3. Population density

# Climate and Natural Resources

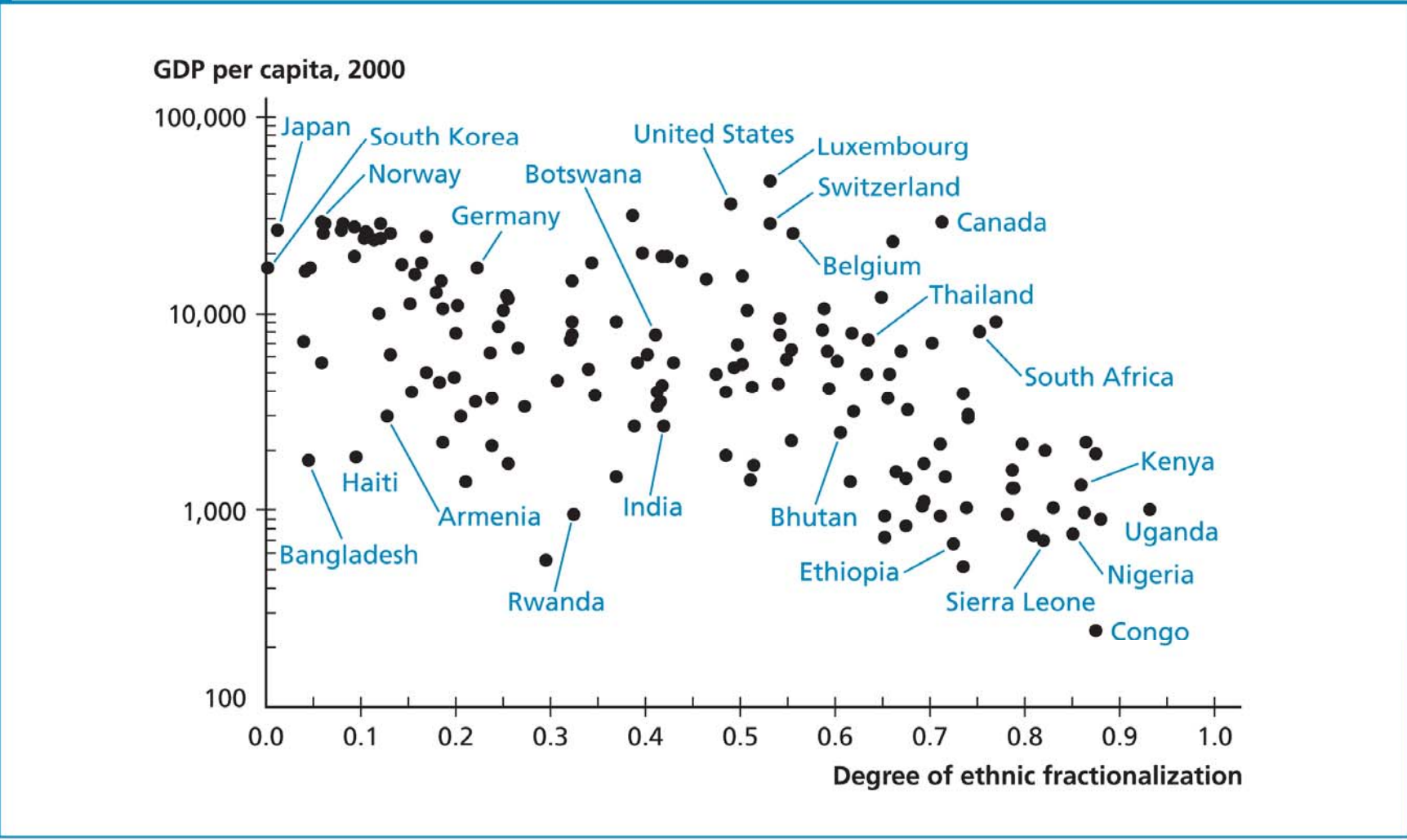
- In a temperate climate like in Europe, crops mature seasonally, and one must plan ahead. Temperate climate instills values such as saving and planning ahead.
- Jean Bodin: “Men of a fat and fertile soil, are most commonly effeminate and cowards, whereas contrariwise a barren country makes men temperate by necessity, and by consequence careful, vigilant, and industrious.”

# Temperate Climate



# Cultural Homogeneity and social Capital

**FIGURE 14.5**  
**Ethnic Fractionalization Versus GDP per Capita**



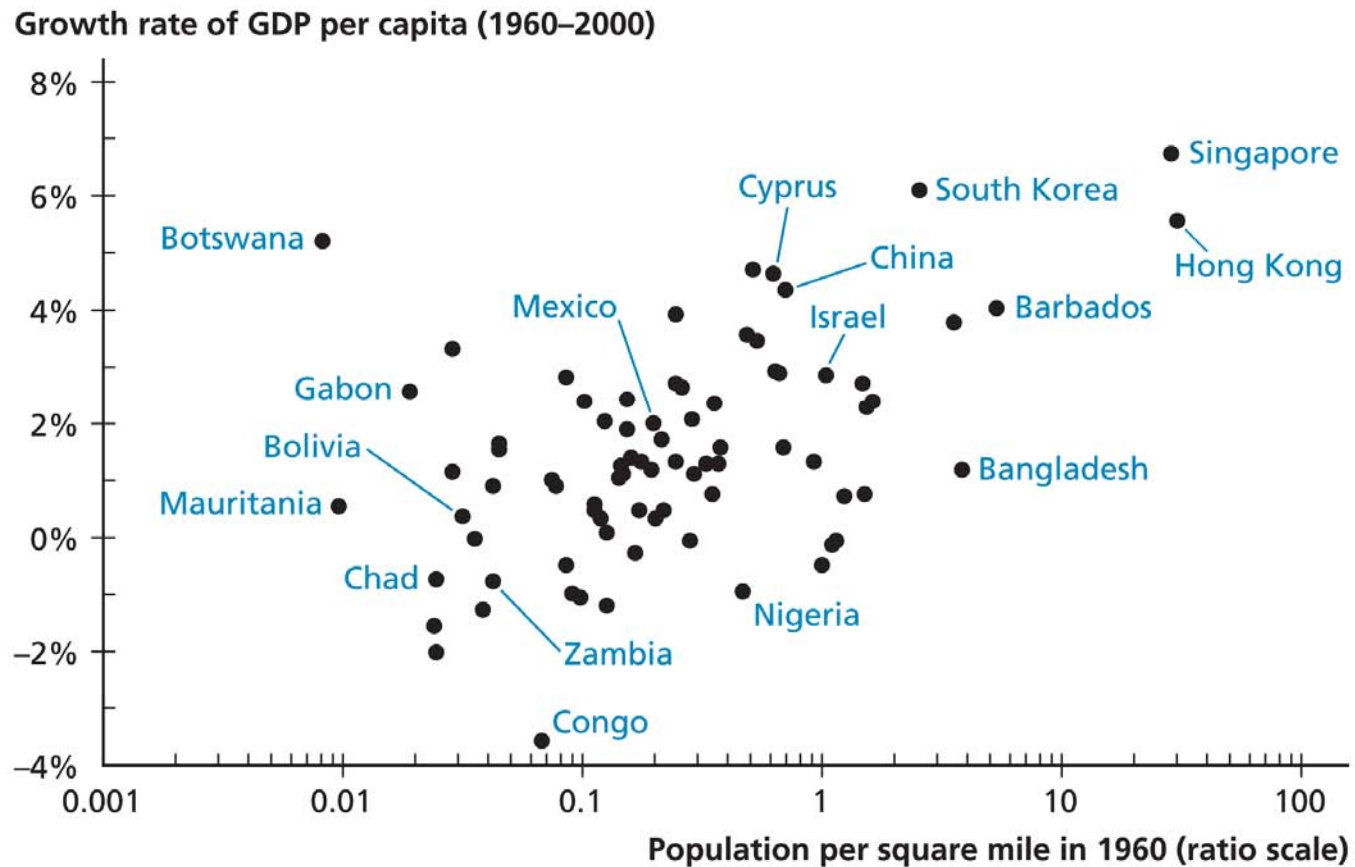
Source: Alesina et al. (2003).

## Population Density and Social Capability

- Facilitates specialization, division of labor, trade.
- Higher population density increases the need for a government, organizations, laws, contracts, institutions.

# Population Density and Social Capability

**FIGURE 14.6**  
Population Density Versus Economic Growth



Source: Burkett, Humblet, and Putterman (1999).

## 14.3 Cultural Change

- The period of Japan's openness to new ideas (during Emperor Meiji) followed 230 years in which Japan sealed itself off from the West in order to prevent the inflow of ideas.
- Islamic world started to resist new ideas in 13-14 centuries. During the 500 years before that, the Islamic world was open to new ideas during Europe's dark ages (advances in math, adoption of decimal number system from India, invention of experiments, adoption of paper from China long before Europe did).

# Government Policies and Cultural Change

- Language unification
- Ataturk (1881-1938), the first president of Turkey. Moving the language from Arabic to Latin alphabet, adopted Western calendar, promoted political rights and education for women, introduced European dress and outlawed the traditional hat.