

Cultural Values, Economic Growth and Development**Philip O.Sijuwade****School of Urban and Public Affairs****University of Texas, Arlington, Texas****Abstract**

The ties between cultural values and economic growth are examined. The achievement motive thesis developed by McClelland is utilized as a specific empirical point of reference. The theory is tested using the World Values Survey, a database of interview collected in many countries around the world. In this study, data are used for twenty-five countries, and strong evidence indicates that certain cultural values help to spur economic growth.

KEYWORDS: Culture; Development; Norms; Achievement Motivation; Materialism; Mobility.

Do cultural factors influence economic development? If so, can they be measured and their effects compared with that of standard economic factors such as savings and investment? This article examines the explanatory power of the standard endogenous growth model and compares it with that of two types of cultural variables capturing motivational factors—achievement motivation and post-materialist values. It is believed that it is not an either/or proposition; cultural and economic factors play complimentary roles. This belief is borne out empirically. Cultural factors alone do not explain all of the cross-national variations in economic growth rates. Every economy experiences significant fluctuations in growth rates from year to year as a result of short term factors such as technological shocks or unforeseen circumstances that affect output. These could not be attributed to cultural factors, which change gradually. A society's economic and political institutions also make a difference. For example, prior to 1945, North Korea and South Korea had a common culture, but South Korea's economic performance has been far superior.

On the other hand, the evidence suggests that cultural differences are an important part of the story. Over the past six decades, the Confucian- influenced economies of East Asia outperformed the rest of the world by a wide margin. This holds true despite the fact that they are shaped by a wide variety of economic and political institutions. Conversely, during the same period most African economies experienced low growth rates. Both societal-level and individual-level evidence suggests that a society's economic and political institutions are not the only factors determining economic development, cultural factors are also important.

Traditionally, the literature presents culture and economic determinants of growth as distinct. Political Economists and Political Sociologists view their respective approaches as mutually exclusive. One reason lies in the level of analysis employed and with this the underlying assumptions about human behavior. Another reason is that we have had inadequate measures of cultural factors. Previous attempts to establish the role of culture either infer culture from economic performance or estimate cultural factors from impressionistic historical evidence. Both factors could be important, but until cultural factors are entered into a quantitative analysis, this possibility could not be tested.

By culture, we refer to a system of basic common values that help shape the behavior of the people in a given society. In most preindustrial societies, this value system takes the form of a religion and changes

very slowly; but with industrialization and accompanying processes of modernization, these worldviews tend to become more secular, rational and open to change. The cultures of virtually all preindustrial societies are hostile to social mobility and individual economic accumulation. Thus, both medieval Christianity and traditional Confucian culture stigmatized profit-making and entrepreneurship. But, as Weber argues, a protestant version of Christianity played a key role in the rise of capitalism-and much later-a modernized version of Confucian society encourages economic growth, through its support of education and achievement.

Culture, Motivational Factors, And Economic Growth

The motivational literature stresses the role of cultural emphasis. On economic achievement, it grows out of Weber's(1904-1905) protestant ethic thesis. This school of thought gave rise to the historical research of Tawney (1926,1955), case studies by Harrison(1992), and empirical work by McClelland et.al(1953) and McClelland(1961) on achievement motivation. Inglehart (1971,1977,1990) extends this work by examining the shift from materialist to post-materialist values priorities. Although previous work mainly focuses on the political consequences of these values, their emergence represents a shift away from emphasis on economic accumulation and growth. These new values could be viewed as the erosion of protestant ethic among populations that experience high levels of economic security. I suggest that Weber is correct in arguing that the rise of protestantism is a crucial event in modernizing Europe. He emphasizes that the Calvinist version of Protestantism encourages norms favorable to economic achievement. But the rise of Protestantism is viewed as one case of a more general phenomenon. It is important, not only because this belief system undermines a set of religious norms that inhibit economic achievement and are common to most preindustrial societies. Preindustrial economies are zero-sum system; they are characterized by little or no economic growth which implies that upward social mobility only comes at the expense of someone else. A society's cultural system generally reflects this fact. Social status is hereditary rather than achieved, and social norms encourage one to accept one's social position in this life. Aspirations toward social mobility are sternly repressed. Such value systems help to maintain social solidarity but discourage economic accumulation. Weber's emphasis on the role of Protestantism seems to capture an important part of reality. The Protestant Reformation combined with the emergence of scientific logic broke the grip of the medieval Christian world view on a significant part of Europe. Prior to the Reformation, Southern Europe was economically more advanced than Northern Europe. During the three centuries after the Reformation, capitalism emerged, mainly among the Protestant regions of Europe and the Protestant minorities in Catholic countries. Within this cultural context, individual economic accumulation was no longer rejected.

Protestant Europe manifested a subsequent economic dynamism that moved it far ahead of Catholic Europe. Shifting trade pattern, declining food production in Southern Europe and other factors also contributed to this shift, but the evidence suggests that cultural factors played a major role. Throughout the first 150 years of the Industrial Revolutions, industrial development took place almost entirely within Protestant regions of Europe, and the Protestant portions of the New World. It was only during the second half of the twentieth that an entrepreneurial outlook emerged in Catholic Europe. In short ,the concept of the Protestant Ethic would be outdated if we take it to mean something that exists in historically Protestant countries. But Weber's more general concept, that certain cultural factors influence economic growth, is an important and valid insight.

McClelland et. Al(1951) and McClelland's(1961) work on achievement motivation builds on the Weberian thesis but focuses on the values that were encouraged in children by their parents, schools, and other agencies of socialization. He hypothesizes that some societies emphasize economic achievement as a positive goal while others give it little emphasis. Since it was not feasible for him to measure directly the values emphasized in given societies through representative national surveys, McClelland attempts to measure them indirectly, through content analysis of the stories and school books used to educate children. He finds that some cultures emphasize achievement in their school books more heavily than others- and that the former showed considerably higher rates of economic growth than did the latter.

McClelland's work is criticized on various grounds. It is questioned whether his approach really measures the values taught to children, or simply those of textbook writers. Subsequently, writers of the dependency school argue that any attempt to trace differences in economic growth rates to factors within a given culture, rather than to global capitalist exploitation, is simply a means of justifying exploitation of the peripheral economies. Such criticism tends to discredit this type of research but is hardly an empirical refutation.

Survey research by Lenski (1963) and Alwin(1986) finds that Catholics and Protestants in the United States show significant differences in the values they emphasize as the most important things to teach children. These differences are more or less along the lines of the Protestant Ethic thesis. Alvin also demonstrates that these differences erode over time, with Protestants and Catholics gradually converging toward a common belief system.

The Data

The World Values Survey asks representative national samples of the publics in a number of societies. Here is a list of qualities which children can be encouraged to learn at home. Which, if any, do you consider to be especially important? This list includes qualities that reflect emphasis on autonomy and economic achievement, such as "thrift," 'saving money and things,' and determination.' Other items on the list reflect emphasis on conformity to traditional social norms, such as 'obedience' and 'religious faith.' An index of achievement motivation that sums up the percentage in each country emphasizing the first two goals minus the percentage emphasizing the latter two goals was constructed. This method of index construction controls for the tendency of respondents in some societies to place relatively heavy emphasis on all of these goals, while respondents in other countries mention relatively few of them.

A simple bivariate relationship between the index and rates of per capita economic growth between 1960 and 1989 shows how the zero-point on achievement motivation index reflects the point where exactly as many people emphasize obedience and religion, as emphasize thrift and determination. A given society's emphasis on thrift and determination over obedience and religious faith has a strong bivariate linkage with its rate of economic growth over the past four decades ($r=.66; p=.001$). Though often stereotyped as having authoritarian cultures, Japan, China, and South Korea emerge near the pole that emphasizes thrift more heavily than obedience. The three East Asian societies rank highest on that dimension, while the two African societies, Nigeria and South Africa, included in this survey rank near the opposite end of the continuum emphasizing obedience and faith.

The publics of India and the United States also fall toward the latter end of the scale. This is not an authoritarianism dimension. It reflects the balance between emphasis on two types of values. One set of values—thrift and determination—support economic achievement; while the other—obedience and religious faith—tend to discourage it, emphasizing conformity to traditional authority and group norms. These two types of values are not necessarily incompatible; some societies rank relatively high on both, while others rank relatively low on both. But, the relative priority given to them is strongly related to its growth rate. Do cultural factors lead to economic growth, or does economic growth to cultural change? I believe that the causal flow can work in both directions. For example, there is strong evidence that post-materialist values emerge when a society attains relatively high levels of economic security. In this case, economic change reshapes culture. On the other hand, once these values become widespread, they are linked with relatively low subsequent rates of economic growth. Here, culture seems to be shaping economics—a parallel to the Weberian thesis, except that what is happening here is—in a sense, the rise of the Protestant Ethic in reverse. Demonstrating causal connections is always difficult. In connection with the achievement motivation index, the obvious interpretation would be that emphasis in thrift and hard work rather than on obedience and respect, is conducive to economic growth. The two most sensitive indicators of this dimension are thrift, on the one hand, and obedience on the other. For some time, economists have been aware that a nation's rate of gross domestic investment is a major influence on its long term growth rate. Investment, in turn, depends on savings. Thus, a society that emphasizes thrift produces savings, which leads to investment, and later to economic growth. Emphasis on obedience is negatively linked with economic growth, for a converse reason. In preindustrial societies, obedience means conformity to traditional norms, which de-emphasize and even stigmatize economic accumulation. Obedience, respect for others, and religious faith all emphasize obligations to share with and support one's relatives, friends, and neighbors. Such communal obligations are strongly felt in preindustrial societies. But from the perspective of a bureaucratized rational-legal society, these norms are antithetical to capital accumulation and conducive to nepotism. Furthermore, conformity to authority inhibits innovation and entrepreneurship. The motivational component is also tapped by materialist/post-materialist values, With post-materialism having a negative relationship with economic growth. The achievement motivation variable is only modestly correlated with the materialist/ post-materialist dimension ($r = -.39; p = .0581$). Though both dimensions have significant linkages with economic growth, they affect it in different ways. The achievement motivation dimension seems to tap the transition from preindustrial to industrial value systems, linked with the modernization process. The materialist/post-materialist dimension reflects the transition to post-industrial society, linked with a shift away from emphasis on economic growth, toward increasing emphasis on protection of the environment and on the quality of life more generally. Previous research demonstrates that: (1) a gradual shift from materialist toward post-materialist goals has been taking place throughout advanced industrial society; (2) that this shift is strongly related to the emergence of democracy ($r = .71$); but (3) that it has a tendency to be negatively linked with economic growth (Abramson and Inglehart, 1995).

CONCLUSION

The idea that economic growth is partly shaped by cultural factors has encountered considerable resistance. One reason for this resistance is because cultural values have been widely perceived as diffuse and permanent features of given societies; if cultural values determine economic growth, then the outlook for economic development seems hopeless, because culture cannot be changed. Another reason for opposition is that standard economic arguments supposedly suffice for international differences in savings and growth rates. For example, the standard life cycle model and not cultural arguments explains the difference in savings rate and growth rates between, say Germany, Japan, and the United States. When we approach culture as something to be measured on a quantitative empirical basis, the illusion of diffuseness and permanence disappears. We no longer deal with gross stereotypes, such as the idea that “Germans have always been militaristic, “ or Hispanic culture is unfavorable to development,” We can move to the analysis of specific components of a given culture at a given time and place. Thus, it was found that from 1945 to 1975, West German political culture underwent a striking transformation from being relatively authoritarian to becoming increasingly democratic and participant (Baker, Dalton, and Hildebrandt,1981). And it is found that from 1970 to 1993, the United States and a number of West European societies experienced a gradual intergenerational shift from having predominantly materialist toward increasingly post-materialistvalue priorities (Abramson and Inglehart,1995). Though these changes have been gradual, they demonstrate that central elements of culture can and did change. Furthermore, empirical research can help identify specific components of culture that are relevant to economic development. One need not seek to change a society’s entire way of life. The present findings suggest that one specific dimension—achievement-motivation-is highly relevant to economic growth rates.

In the short run, to change even a relatively narrow and well-defined cultural Component such as this is not easy, but it should be far easier than attempting to change an entire culture. Furthermore, empirical research demonstrates that culture can and does change. Simply making parents, schools and other organizations aware of the potentially relevant factors may be a step in the right direction. It is found that economic theory already is augmented with “social norms” and “cultural” factors (Cole et. Al.,1992). Where would cultural values fit theoretically in growth models? The economics literature is replete with models of savings behavior that focus on the life cycle and more specifically, the bequest motive. Cultural variables matter here. Since savings and investment behavior holds an Important place in growth models, a determination of how cultural and motivational factors can be used to augment these existing economic models, it seems to us, is the next step to uncovering a better understanding of economic growth.

In the end, however, these arguments can only be resolved on the empirical battlefield. I use ordinary least squares regression to test economic and cultural models of growth on a cross section of 25 countries. I find that economic and cultural factors affect growth. The results in this article demonstrate that both cultural and economic arguments matter. Neither supplants the other. Future theoretical and empirical work is better served by treating these separate explanations as complementary.

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