

# Economics and Culture

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## Abstract

We survey recent research on the economic effects of culture. We discuss definition and measures of culture used in research. We highlight the strong inertia of culture, document its effects on institutional change, and discuss other economic effects of culture, such as on innovation and growth.

## INTRODUCTION

Until recent years, there was a consensus among economists that the study of culture and its economic effects should be excluded from economic inquiry. The dominant view was that the cultural values of people belonged to the domain of preferences, and economists should abstain from trying to understand preference formation. Culture was best left to sociologists and anthropologists. A famous article by Chicago economists Gary Becker and George Stigler (1977) stated clearly in its title: "*De gustibus non est disputandum.*" Economists have always preferred to emphasize the primacy of economic interests, endowments, and incentives in trying to understand human behavior. In a way, they were always more comfortable with the perspective of Karl Marx (1818–1883) who understood cultural values as determined by economic interests than with that of Max Weber (1864–1920) who instead saw culture as driving force of economic change, or of Karl Polanyi (1886–1964) for whom religion and moral values help mitigate the excesses of greed on the free market. For quite a long time, quantitative measures of culture were not available and there was also no agreed definition of culture. Many economists were accordingly suspicious that cultural explanations of economic phenomena were too vague or even possibly the product of intellectual laziness.

In reality, it seems nevertheless difficult to ignore the effects of culture on economic decisions. There is cultural variation in attitudes towards thrift, work and leisure decisions, in the role of women in society and in other behavioral dimensions that are likely to affect economic performance. It is

thus fortunate that in recent years a large group of economists have started to engage in research on the effects of culture on economic behavior.

Much progress in this research has been made thanks to the availability of large data bases measuring cultural values across countries, making interesting empirical research possible.

We first discuss how to define culture and how it is measured. We then discuss the very strong inertia of cultural values and why culture as a whole changes only very slowly. We then discuss cross-country research on the effects of culture on institutions and on innovation and growth.

### HOW TO DEFINE CULTURE?

In order to avoid any misunderstanding, how do economists define culture in their research? Culture is generally defined as the set of values and beliefs people in a given community have about how the world (both nature and society) works as well as the norms of behavior derived from that set of values. Beliefs relate to expectations about natural phenomena and people's behavior or reactions to other peoples' behavior. Values are about what gives meaning to someone's life and about what is considered important in life. This is a quite comprehensive definition. It includes the beliefs and values of all the big world religions, but is somewhat more inclusive. Culture also arguably evolves somewhat more over time than religion. The culture of Christians, Muslims, and Buddhists in the twenty-first century is not the same as it was 8 centuries ago. Beliefs evolve and they can be influenced by events such as wars, social change, technological advancements or other factors that we do not yet understand. Because this definition is about what people view as central in what gives meaning to their life and about how they view the world, we should not confuse it with views of culture that focus more on folkloric traditions, culinary and clothing habits.

One advantage of this definition of culture is that it is consistent with empirical measures of culture that are now increasingly available at the international or regional level.

### HOW TO MEASURE CULTURE?

The most popular database economists use to try to understand cultural differences is the World Values Survey (WVS). It was developed by Ronald Inglehart, a political science professor at the University of Michigan. Since 1981, in a series of five multiyear waves (1981–1984; 1989–1993; 1994–1999; 1999–2004; and 2005–2009), his research team has conducted extensive worldwide surveys of cultural values on a number of issues. Since this initial wave, more than 100 countries have been surveyed. Over 250,000

respondents worldwide have provided responses to nearly 1000 questions that focus on personal attitudes about life, family, and society; the environment; work; the importance of tradition; gender roles; democracy and government; health; education; religion, spirituality, morality, and honesty.

While economists and social scientists increasingly rely on the World Values Survey, its methodology has been subject to a variety of criticisms. First, the same words may mean different things in different cultures. The meaning of “hard work” may be very different in North America than it is in the former Soviet Union. Furthermore, depending on the question asked, an individual’s frame of reference could distort the data interpretation. For example, in countries with a weak social safety net, such as the United States, greater government responsibility for individual welfare may be desirable, whereas in those countries with a relatively strong safety net, less government support may be preferred. In that case, a country’s local conditions may affect answers to these kinds of questions, and values expressed might not be easily comparable across countries.

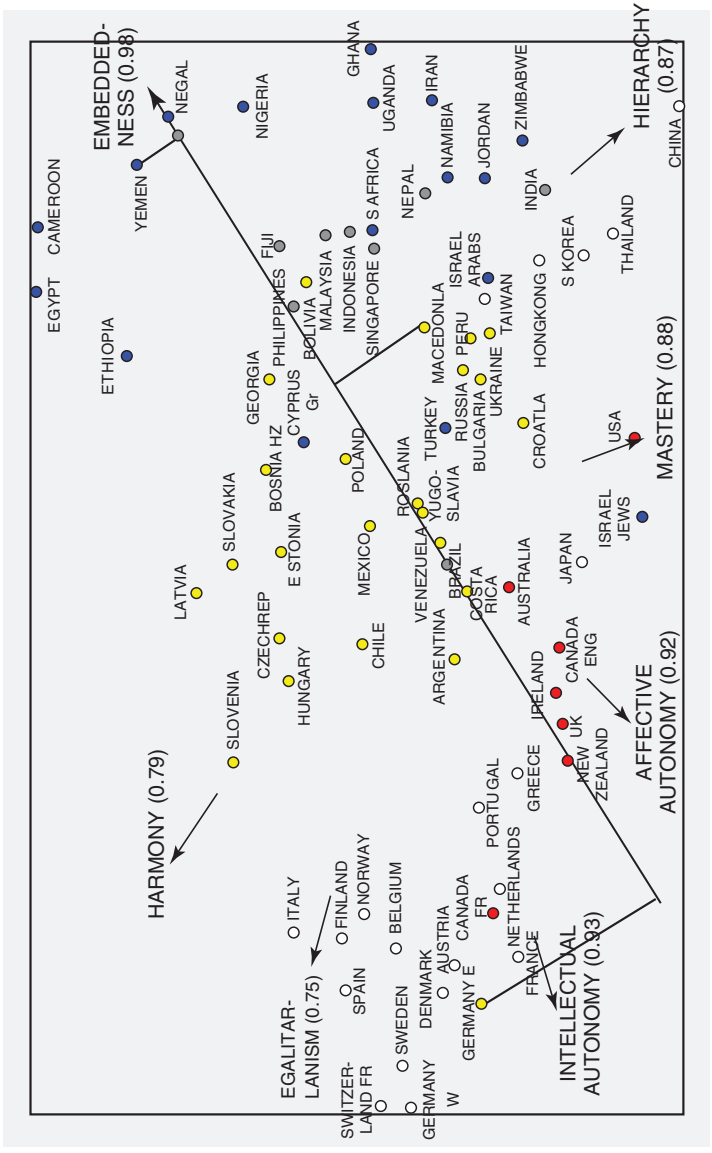
Shalom H. Schwartz is an Israeli cross-cultural psychologist who has developed a core set of values that have common meanings across cultures and can provide a basis for the comparison of cultures across countries. Schwartz’s value survey consists of 56–57 value items that ask respondents to indicate the importance of each as “a guiding principle in my life.” Between 1988 and 2000, Schwartz gathered survey responses from K–12 schoolteachers and college students, for a total of 195 samples drawn from 67 nations and 70 cultural groups. Each sample generally includes 180–280 respondents, for a total of over 75,000 surveys.

From the data generated by those surveys, he has constructed a “cultural map,” shown in Figure 1 below, which displays seven important cultural dimensions. In the upper right, embeddedness of the individual in the traditional community emphasizes a high degree of respect for tradition and security. At its opposite are autonomy, both intellectual and affective. Intellectual autonomy emphasizes self-direction, whereas affective autonomy emphasizes mostly hedonism and stimulation. Hierarchy is valued in societies where stability of the social order is paramount. It emphasizes power, tradition, and conformity. At its opposite is egalitarianism, which emphasizes universalism. Mastery is about self-assertion and is based on the values of achievement. Harmony is its opposite and also fosters the values of universalism. The figure also shows the position of different countries along the map’s axes.

A third important database used is that compiled by Dutch social psychologist Geert Hofstede.<sup>1</sup> It is based on a worldwide survey done among 116,000

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1. Geert Hofstede, *Culture’s Consequences: Comparing Values, Behaviors, and Organizations across Nations*, 2nd ed. (Thousand Oaks, CA: Sage Publications, 2001).



**Figure 1** Dimensions of culture according to S.H. Schwartz. Source: Schwartz, S. (2004) "Mapping and Interpreting Cultural Differences around the World," in Comparing Cultures: Dimensions of Culture in a Comparative Perspective, (ed.) Henk Vinken, Joseph Soeters, and Peter Ester (Leiden, the Netherlands: Brill Academic Publishers, 2004): 43–73.

employees of IBM in 79 countries between 1967 and 1980. The idea was to survey people with equivalent jobs in the same company in different countries so as to measure cultural differences among individuals with comparable professional positions. Hofstede's surveys therefore focused on people who worked in IBM's marketing department, the only department present in all countries. (The Schwartz data were collected in a similar manner, as that survey was done only among schoolteachers and students.) To avoid cultural biases in the way questions were framed, the translation of the survey into local languages was done by a team of both English and local native language speakers. The questionnaire contained 60 questions on employees' personal goals and beliefs as well as their perception of their work environment. On the basis of the surveys' answers, Hofstede constructed four basic cultural indicators: individualism, power distance, masculinity, and uncertainty avoidance.<sup>2</sup>

The individualism score is the first and most important component in Hofstede's factor analysis. It measures the extent to which people believe that individuals are supposed to take care of themselves as opposed to being strongly integrated in and loyal to a cohesive group, which is characteristic of collectivism. Hofstede's individualism index is positively correlated to survey answers that put a high value on individual freedom, opportunity, achievement, advancement, and recognition. It is negatively correlated with answers that put a high value on harmony, cooperation, and good relations with superiors. In other words, individuals in countries with a high individualism score value personal freedom and individual status, while individuals in countries with a low level for that indicator value harmony and conformity. The power distance indicator measures the extent to which the less powerful members of organizations and institutions (both social and familial) accept and expect that power is distributed unequally. The index of masculinity refers to the dominance of men over women and to the dominance of "male" values, such as assertiveness and competitiveness, versus the "female" values of caring and modesty. The uncertainty avoidance index measures a society's tolerance for uncertainty and the extent to which members of society feel uncomfortable in situations that are novel, unknown, surprising, or unusual. Cultures that avoid uncertainty are less tolerant and reject diversity within their societies.

Among these four cultural dimensions, cross-cultural psychologists who have worked a lot with the Hofstede data find that the individualism–collectivism cleavage appears to be the most important and the most

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2. The technique used to construct these indicators is called factor analysis. It reduces a large number of variables (60 in this case) to a small number of variables that are (a) a function of the initial variables, and (2) statistically independent of each other. Thus, from 60 variables (the answers to the questions), Hofstede constructed four variables or indicators that are not correlated with each other.

relevant to understand cross-cultural differences.<sup>3</sup> In terms of the main axes in Schwartz's cultural mappings, Hofstede's individualism index has a significant positive correlation with Schwartz's cultural variables of affective and intellectual autonomy, and it is negatively correlated with his embeddedness variable. As a result, we can see that a major cultural difference across countries is their degree of individualism or collectivism.

At the regional level, data bases similar to the World Values Survey exist. The General Social Survey in the United States, the European Social Survey or the Afro-barometer also measure cultural values.

While these databases have helped considerably advance our understanding of cultural differences worldwide and their effects on economic behavior, they represent contemporaneous measures of culture. The World Values Survey has been available for 30 years, and the Schwartz and Hofstede data are only available in cross section. We would like to know better how fast culture evolves and what determines cultural change over time.

### THE STRONG INERTIA OF CULTURE

One fact that comes out of a large number of studies on culture is the very strong inertia of culture. Culture is mostly transmitted vertically, from parents to children (the model of Bisin & Verdier, 2001 is the workhorse model in the literature) even though horizontal transmission, via peer effects, also plays a role. The predominantly vertical mode of transmission of cultural values is the main reason for its inertia. Most cultural values and beliefs are not easily falsified and thus not easily rejected. Children inherit their parents' culture and in turn transmit it, with little change, to their own children. A now sizeable literature shows that values of US citizens, as measured in the General Social Survey, are strongly correlated to the cultural values of their ancestors' country of origin. This is true for generalized trust, which is seen to measure civic attitudes and values (Tabellini, 2008) or attitudes towards female labor force participation and fertility choices (Fernandez & Fogli, 2009).

As an example of inertia, the differences in social capital and civic attitudes between Northern and Southern Italy documented in the famous book by Putnam (1994) can be traced all the way back to the experience (or lack thereof) of independent city-states in the late middle ages and Renaissance period, as shown by the work of Guiso, Sapienza, and Zingales (2008). Southern Italy has known for more than a 1000 years, the feudal autocratic rule of aristocratic landlords. The towns of Northern Italy developed instead into vigorous city-states that were self-governed. Active associations such as the

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3. See, for example Heine (2008) and Oyserman, Coon, and Kemmelmeier (2002). See also the economic analysis of Klasing (2013).

guilds were very influential in the life of these city-states. In the twelfth century, there was not really a development gap between the North and the South and the North was not really richer than the South. It only became richer on the basis of the development of the city-states.

Algan and Cahuc (2010) measure the inertia of culture indirectly by linking the inherited trust of migrants to the US at different periods in time, and thus constructing estimates for trust in the country of origin at different moments in time. They find a strong inertia of culture using this method.

Turning to ideological values, Piketty (1995) showed that children to a large degree inherit the political preferences of their parents and that parents' voting behavior is a very good predictor of children's voting behavior.

One example of cultural persistence relates to the "culture of honor" in the US South and its relation to higher homicide rates. This cultural difference between regions in the United States goes back to differences in patterns of migration. Migrants in Northern US states were most often from farming origin, whereas migrants in Southern US states were more often herders of Scottish-Irish descent. Herding societies tend to develop a culture of honor and violence. Cattle is more easily stolen than land, therefore cattle-herders had to develop aggressive behavior to defend themselves against thieves. The interesting thing is that these patterns of migration from centuries ago still have effects today. Nisbett and Cohen (1996) did laboratory experiments on males from Northern and Southern US states and found differences in aggressiveness, as measured by levels of testosterone. Grosjean (2014) found that counties in the US South with more Scottish-Irish Immigration before 1790 have higher rates of homicide today. She also found that this pattern is not present in counties where Scottish-Irish immigrants were in the minority, interpreting this as an effect of horizontal cultural transmission.

## CULTURE AND INSTITUTIONS

Given its strong inertia, culture is very slow-moving. Particular aspects of culture may be subject to fast change at particular periods in time, but cultures as a whole change only very slowly. Because culture is slow-moving and other institutions such as political institutions may be subject to faster change, it was suggested by Roland (2004) that culture could have an important effect on institutions.

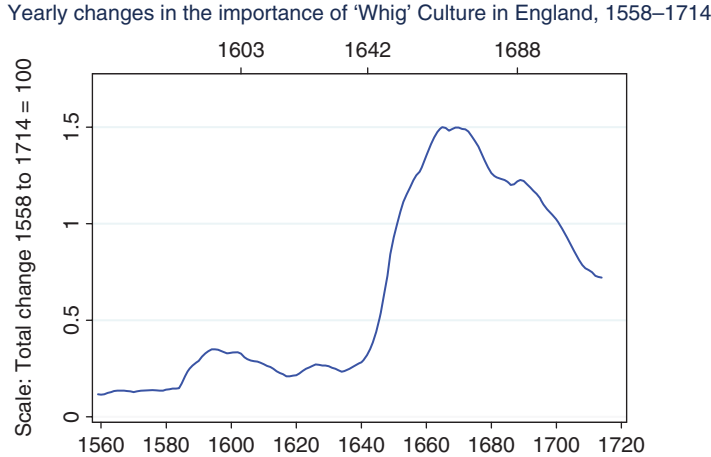
Let us illustrate this first with the example of the US Fischer (1989) found that different waves of settlers to different parts of the United States produced different institutions and different political traditions, which still matter in contemporary American politics. The first wave (1629–1641) were puritans who settled in Massachusetts. They introduced institutions adapted to their belief in the importance of education and order: universal education, high tax

rates, large size of government, swift justice, town meetings, and so on. The second wave (1642–1675) were Cavaliers, second sons who migrated to Virginia in order to find estates of their own. They believed that inequality was natural and adopted different institutions than the Puritans. Under the Cavaliers, there was little emphasis on education and taxes were low. There was a lack of formal justice as citizens were distrustful in government institutions. The third wave were Quakers (1675–1725) who settled in Delaware. The culture of the Quakers put a high priority on personal freedom. They introduced limited government, equal rights for citizens and a less harsh justice than in other areas of the United States given their rejection of violence. The fourth wave were the Scottish-Irish (1717–1775) mentioned above. They had strong beliefs in freedom from the law. They considered that individuals had the right to wear arms to defend themselves against others. Their beliefs led to limited government and vigilante justice. As we can see, these differences between waves of migration resonate today in differences of ideology and institutions in different US states. Overall, we see how differences in culture can have long run and persistent effects on institutions.

Murrell and Schmidt (2011) analyzed the effect of the Whig culture on the Glorious Revolution in England, which led to the institutional changes that North and Weingast (1989) consider to be at the source of early industrialization in Great Britain relative to continental Europe. They recorded the titles of the books from the English Short Title Catalogue (ESTC), the most complete record of nearly half a million books and pamphlets printed primarily in Britain and North America from 1473 to 1800 and held in the collections of a consortium of over 2000 libraries. They used the entries published in English in England from 1559 to 1714 and recorded from book titles the frequency of words such as “freedom”, “liberty”, and “rights” and other words characteristic of the Whig culture, which favored modern political institutions characterized by guarantees of fundamental liberties and constraints on the executive powers of government. Figure 2 below shows a measure of the frequency of words corresponding to Whig Culture in book titles from the ESTC. Figure 2 shows quite clearly that the spread of Whig culture predated the Glorious Revolution of 1688 and not vice versa. In other words, the research of Murrell and Schmidt suggests quite clearly that political change in Great Britain was affected by cultural change, not that political change was the driving force behind cultural change. Cultural change can thus be argued to be a driving force behind political institutional change.

Other research shows that one can convincingly find a causal effect of culture on institutions. This is not easy to do as simple correlations between culture and institutions may reflect causality going both ways. The preferred method to find causal effect is the instrumental variable method. One has to find an instrumental variable that is correlated with the independent variable





**Figure 2** Measure of changes in Whig culture. *Source:* Murrell, P. and M. Schmidt (2011) “The Coevolution of Culture and Institutions in Seventeenth Century England”, mimeo Maryland University.

(here culture) but not correlated with the dependent variable (here institutions). The instrumental variable method estimates a causal effect because it looks only at the variation of the dependent variable that is explained by that part of the variation of the independent variable that is itself explained by the variation of the instrumental variable, which is uncorrelated with the dependent variable. This causal effect may be partial, but it is exempt from two-way causality. Licht, Goldschmidt, and Schwartz (2007) found an interesting instrumental variable for culture that is rooted in linguistics. Certain languages, such as Spanish, allow to drop the pronoun (“I”, “You”) in a sentence, but others do not (such as English, French, or German). This grammatical rule can be interpreted as derived from a culture emphasizing more the individual and the distinction between the individual and the group. They found that prohibition of the pronoun drop scored significantly negatively with the “embeddedness” cultural variable as measured by Schwartz. High scores on the embeddedness variable instrumented by lack of prohibition of the pronoun drop led to low scores on a number of institutional variables, measured by the World Bank’s Governance Indices, such as the rule of law, control of corruption and democratic accountability. Tabellini (2008) did a similar exercise using the same instrumental variable to show that countries where there is a higher civic culture (more trust) have better quality institutions.

Gorodnichenko and Roland (2013) found that countries with a more individualist culture, as measured by Hofstede (see above), had higher Polity scores, that is, had more democratic institutions and democratized earlier

than countries with more collectivist cultures. They used two instrumental variables: a first measuring historic pathogen prevalence in the nineteenth century and early twentieth century, and a second one measuring differences in the frequency of type A and type B blood across countries. Historic pathogen prevalence has been argued by Fincher, Thornhill, Murray, and Schaller (2008) to favor a more collectivist culture and the correlation is quite strong. On the other hand, historic pathogen prevalence cannot be argued to be linked with democracy. Genetic differences in blood types on the other hand can be understood as a proxy for cultural distance. Parents transmit their genes to their children as well as their cultural values. We do not measure the latter but can capture the former, which can be argued to be a proxy for cultural distance. Differences in blood type cannot be argued to be linked in any way with political institutions. It is not surprising that more individualist cultures also tend to have more democratic institutions. Indeed, individualist cultures place more weight on rights and freedoms of individuals and are more eager to constrain the power of the executive branch of government. This however does not mean that more individualist cultures lead automatically to more democratic forms of government as individualist cultures also suffer potentially more from collective action problems (the theory in Gorodnichenko & Roland, 2013 explains that in the long run collective action problems are trumped by a higher propensity to introduce democratic institutions in case of successful collective action).

### CULTURE, INNOVATION, AND GROWTH

Recent economics research has found many economic effects of culture. Guiso *et al.* (2006) survey the early literature on the economic effects of culture. We already mentioned effects on female labor force participation and fertility choices. Guiso *et al.* (2006) find that religion affects the propensity to trust others but that this effect is stronger among Protestants than for other religions. They also find that religion affects positively the propensity to save.

We focus now on one particular example of the effect of culture, which is important in the long run, the effect of culture on long run growth. Gorodnichenko and Roland (2010) found that countries with a more individualist culture have higher innovation activity and also higher long run growth (measured by the log of GDP per capita) than countries with more collectivist cultures. Individualistic culture emphasizes individual achievement and awards social status to outstanding success in individual achievement, be it economic, artistic, scientific, humanitarian, or other. Collectivist culture

on the other hand emphasizes conformity and embeddedness in larger groups and frowns on deviation from conformity (see, e.g., Platteau, 2000; Baland, Guirkinger, & Mali, 2007, Comola & Fafchamps, 2010; Jakiela & Ozier, 2011). Gorodnichenko and Roland (2010) have built an endogenous growth model where individualism gives social status benefit to innovation on top of monetary benefit, but where collectivism has efficiency advantages in coordination. In the equilibrium of the model, they find that the latter has no growth effect, only a level effect whereas the social status award to innovation that is higher in individualist culture has an effect on long run growth because it encourages higher rates of innovation.

Empirical evidence confirms this causal effect from individualism to measures of long run growth and innovation. The difference in frequency of blood groups in between countries is used here also as an instrumental variable for cultural distance. Two other instrumental variables, also based on genetic data, that are used to confirm the causal effect of individualism on long run growth (on top of historical pathogen prevalence discussed above) are differences in frequencies of (i) a short (S) allele in the polymorphism 5-HTTLPR of the serotonin transporter gene SLC6A4, an allele (variant of a gene) that is known in psychology to put individuals at greater risk for depression when exposed to life stressors; (ii) the G allele in polymorphism A118G in the  $\mu$ -opoid receptor gene that leads to higher stress in case of social rejection. Chiao and Blizinsky (2010) have documented a strong correlation between collectivism and the presence of the former genetic variable in 30 countries. The mechanism linking individual genetic traits and culture is that a collectivist culture protects individuals from these stressors by embedding them more strongly in communities with strong social links thus providing strong psychological support networks. Way and Lieberman (2010) showed similarly that collectivism is also strongly correlated with the G allele mentioned above. Here also, a collectivist culture can be seen as providing psychological protection from social rejection. All in all, there is robust evidence that the culture of individualism affects long run growth. This is an important result because in recent years the work of Acemoglu, Johnson, and Robinson (2001) had shown that institutions play an important role in explaining long run growth. Gorodnichenko and Roland (2010) show that culture also plays an important role. Given that culture also affects institutions, one may conclude that culture is an important explanatory factor in understanding the wealth of nations. Gorodnichenko and Roland (2011) showed that the individualism-collectivism cleavage was more important than other cultural variables, such as trust, in explaining why some countries became more developed than others.

### WHAT DIRECTIONS FOR FUTURE RESEARCH ON CULTURE?

More and more economists now agree that the economic effects of culture cannot be ignored. Culture influences the behavior of individuals and collectivities and thus affects many important economic variables as well as institutions across countries. Culture has also shown to be highly persistent. Which directions are likely to be the most exciting in this domain? We highlight here only three: (i) understanding better how culture affects particular outcomes; (ii) understanding which dimensions of culture matter more, (iii) understanding cultural evolution.

The research on the economic effects of culture is only in its infancy. We have emphasized effects of culture on institutions, on innovation, on labor force participation and fertility choices. Other dimensions are being explored, such as for example the effects on gender discrimination (Alesina, Giuliano, & Nunn, 2013), the effects on international trade (Guiso, Sapienza, & Zingales, 2009), Spolaore and Wacziarg (2009). Are there effects of culture on immigration policies, propensity to go to war, organization of firms, and degree of concentration? We do not have the answer to many of these questions. They need to be asked and researched.

Research needs to be focused. It is thus natural that researchers look at the impact of particular dimensions of culture, as it is difficult to define cultural aggregates. Which dimensions of culture matter more, however? A large part of the literature has emphasized differences in trust across cultures, cross-cultural psychology and some research in economics emphasizes the importance of the individualism-collectivism cleavage. The issue is not so much to understand which dimensions of culture have more effect on particular economic variables. For example, Gorodnichenko and Roland (2011) showed that individualism mattered more than other cultural variables in understanding differences in innovation and growth. Much more needs to be done to see which dimensions of culture matter and which ones matter less.

Understanding the different effects of particular dimensions of culture is, however, not enough. Cultural dimensions are not necessarily independent of each other. Since culture affects one's world view, one may expect certain beliefs and values to be part of one's core values and beliefs, and others less so. Core values and beliefs can be seen as the pillars of one's world view as these affect values and beliefs in other dimensions. If those collapse, then one's world view completely collapses. Other values and beliefs can be modified without necessarily affecting core values and beliefs. To understand the differences between the core values and beliefs of a culture and more peripheral values and beliefs, one must better understand the consistency between core values and others. Presumably, core beliefs and values should be more

persistent than peripheral ones. While this makes sense, we are not aware of any research by economists on that issue. A clear conceptual approach would be needed to help one how to think about culture as an aggregate.

Understanding cultural evolution is a very difficult topic, but its importance is even bigger than understanding the effects of culture. While one can document a lot of cultural persistence, one obviously needs to understand what causes cultural change. Presumably, there are historical periods when culture hardly changes over time, but there are other periods when cultural change is faster. What is behind these periods of faster change? Is it driven by particular economic change? By competition between world views and adaptation to changing economic environments? Is it affected by military invasions and the imposition of cultural values of invaders on local population? Grosjean (2009), for example, found that cultural distances in Europe between any two localities were reduced strongly if these two localities had been part of the same empire for over 150 years. What would be the mechanism affecting such cultural change? The empirical strategies discussed above to understand determinants of culture are obviously only a first step, and one needs to understand better when cultural change takes place and why. Only historical research may help to make progress here, in combination with anthropology, archeology and most likely modern genetics. This is a difficult avenue, and a steep one to climb, but it is also an extremely promising one. Understanding the effect of past events on people's values and beliefs will open the key to understanding better how culture has evolved over time.

## CONCLUSION

In recent years, economists have broken with the taboo of searching for cultural explanations of economic phenomena. Culture plays an important role in understanding differences in institutions across the world, but also economic variables such as the propensity to save, fertility choices, female labor supply choices, propensity to innovate, and economic growth. Culture is highly persistent across time, and thus plays a role in understanding long run phenomena. What is the least understood is how and when culture changes, and why certain countries have adopted a certain culture and not others. Preliminary research shows that differences in genetic and geographic endowment play a role. Nevertheless, we should expect history to play a very important role. Historical research will thus be crucial to understand better the determinants of cultural evolution.

There are many potential pitfalls when looking at the economic effects of culture. First of all, we must be wary of policy recommendations calling for cultural change in particular countries. Given the inertia of culture, one

should expect people's values and beliefs to remain very stable. A country's culture is also part of people's identity and a key component of national pride. The diversity of cultures in the world means that different countries must often develop their own specific legal and political institutions or adapt imported institutions to reflect their local cultures. "One size fits all" institutions do not exist, but there is room for experimentation and cultural exchange.

When considering issues of culture, we must be especially cautious not to rank cultures and apply value judgments to them, especially if we find that certain cultures are more suited for certain measures of economic performance. There is surely much to criticize about the cultures of the more economically advanced countries, and much to learn from other cultures in terms of philosophy, well-being, wisdom, and virtuous behavior, among other cultural qualities. This danger of applying inappropriate value judgments should not, however, stop us from trying to improve our understanding of culture's effects on the economy. Research on culture will certainly be seen as offensive to some, just as psychology, sociology, or other social sciences were initially considered to be offensive. It is imperative that researchers in this field take care not to fall into the trap of stereotypes and cultural imperialism.

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**Gérard Roland** is the E. Morris Cox Professor of economics and Professor of political science at the University of California Berkeley where he has been since 2001. He was the Chair of the Economics Department between 2008 and 2011. In 1998–1999, he was a fellow at the Center for Advanced Studies in Behavioral Sciences in Stanford. He has received many honors including an honorary professorship from the Renmin University of China in Beijing in 2002. He is currently editor of the *Journal of Comparative Economics*.

He is the author of over 150 journal articles, chapters in books, and books and has been published in leading economics journals. His research has covered many areas in the field of transition economics since the early 1990s where he has covered mainly political economy aspects of transition but also financial reform, privatization, restructuring, and macroeconomic issues. He wrote the leading graduate textbook on the subject *Transition and Economics* published in 2000 at MIT Press and translated in various languages, including Chinese and Russian. He co-organized with Olivier Blanchard a Nobel symposium on the transition economics in 1999. He is working on scenarios for transition of North Korea to the market economy in case of a regime change. He has also been very active in recent years in the field of political economics where he has done seminal work on the economic effects of different political institutions around the world. He has also made intellectual contributions to debates on the institutional structure of the European Union. His recent book *Democratic Politics in the European Parliament* with Simon Hix and Abdul Noury has received the Richard F. Fenno Prize for the Best Book Published in the Field of Legislative Studies during 2007. In recent years, his research has broadened to developing economies in general where he tries to understand the links among institutions, institutional change, and economic



development. He just finished a new undergraduate textbook on *Development Economics* (2013, Pearson Addison-Wesley). His current research focuses on the economic effects of culture across the world, where he emphasizes the differences between individualist and collectivist culture.

He has been a regular consultant to the IMF, World Bank, and EBRD in the past 15 years and has also consulted for the European Commission and the Inter-American Development Bank.

He has been several times on mission with Nobel laureate Joseph Stiglitz in country dialogues for his institute, the Initiative for Policy Dialogue.

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