

Free exchange

A society's values and beliefs matter for its economy

And cultural change can unlock the economic potential of people and ideas

[Print edition | Finance and economics](#)

Jul 25th 2019

MAKE AMERICA GREAT AGAIN is more than text on a red cap. It is an argument about the nature of American success: one which President Donald Trump elaborated on in racist comments last week. On July 21st he questioned whether four Democratic congresswomen, all non-white, were “capable of loving our Country”. The same day Stephen Miller, an adviser to Mr Trump, said the president’s criticisms of America differed from those of his critics because he was defending the “principles of Western civilisation”. The comments seemed to imply that American greatness is built on a cultural inheritance that some people cannot access, whether born in America or not.

Cultural arguments once loomed large in explanations of the ways in which countries differed economically and politically. Economists mostly abandoned such reasoning in the 20th century, not only because it provided cover for racists but also because of its lack of explanatory power. In 1970 Robert Solow, a Nobel prizewinner, quipped that attempts to explain growth with variables such as culture generally ended up “in a blaze of amateur sociology”. This position is changing, however, and not before time. A better grasp of how cultures work may be needed to understand modern political economy.

The responsible intellectual use of cultural arguments begins with clear terminology. In “A Culture of Growth”, published in 2016, Joel Mokyr, an economic historian at Northwestern University, describes culture as “a set of beliefs, values, and preferences, capable of affecting behaviour, that are socially (not genetically) transmitted and that are shared by some subset of society”. Economists typically treat rational self-interest as the lodestar of human behaviour. But Mr Mokyr recognises that acquired social codes also influence individual choices, and thus broader economic activity. Culture is not immutable, as those who ascribe countries’

diverging fates to deep-rooted cultural attributes often suggest. It evolves as the ideas and influence of different groups shift.

Cultural evolution is essential to the thesis of “A Culture of Growth”, which attempts to explain why sustained growth began where and when it did. Mr Mokyr says that factors often credited with kick-starting industrialisation—such as capital accumulation and the cost and supply of certain kinds of labour—may be necessary but are not sufficient. The true catalyst was a continent-wide evolution in beliefs. In Europe between the 16th and 18th centuries, a group of intellectuals often called the “Republic of Letters” groped their way towards a bold new view of nature and knowledge. Francis Bacon, an English intellectual and early contributor to the movement, thought that through disinterested and open inquiry, nature’s secrets could be understood and then manipulated to the benefit of humankind. Such views helped nurture the Scientific Revolution and the Enlightenment, but also percolated through society, influencing behaviour. Once the notion became widespread that objective knowledge was possible and could be used to improve people’s lives, the emergence of self-sustaining economic growth was near-inevitable.

In a recent essay Enrico Spolaore of Tufts University writes that Mr Mokyr’s ideas show how economists might make better use of culture. He does not simply argue that Europe industrialised first because of a particular European cultural way of being. Rather, he identifies a specific cultural change—the rise of an evidence-based, humanistic approach to scientific inquiry—which led to a shift in behaviour that enabled industrialisation. He contrasts this with, for example, China, where rationalistic schools of philosophy such as Mohism were eclipsed in intellectual circles by tradition-venerating Confucianism. China’s fate is not down to something inherent in Chinese culture. Rather, history unfolded one way in one place, and another in another.

Mr Spolaore has deployed cultural arguments in his own research. In work with Romain Wacziarg of the University of California, Los Angeles, he studied how cultural barriers within Europe created social distance, which impeded the flow of ideas and practices. Fertility control, which contributed to a falling birth rate in France in the early 19th century, before anywhere else, spread first to places that had close cultural and linguistic links to France. The reason to consider such cultural factors, Mr Spolaore argues, is that modern economic phenomena often cannot be explained without them. An account of the Industrial Revolution that omitted cultural shifts would be less useful and informative. And imagine trying to explain the labour-

market fortunes of women and racial minorities over the past century solely as the outcome of individual decisions made on the basis of rational self-interest.

A clash of civilisations

On reflection, it seems obvious that cultural change can unlock the economic potential of people and ideas, with history-altering results. Such shifts matter for reasons other than their effect on GDP. Evolving norms that allow women, ethnic minorities, immigrants, and gay and transgender people to play full roles in society not only boost growth but reduce human suffering. But because these shifts matter economically, the dismal science needs a better understanding of when and how cultures change—especially now.

Despite Mr Trump's trade war, America's longest-ever expansion rolls along. But as Trump admirers at a political rally demand that Ilhan Omar, a Somali refugee and naturalised American citizen who is now a congresswoman from Minnesota, be "sent back", it is worth thinking harder about the broader nature of Mr Trump's economic influence. Mr Spolaore, listing the social norms that became a part of Mr Mokyr's "culture of growth", includes "tolerance of heterodox views, rigorous standards based on proofs and reproducible experiments, and positive attitudes towards openness, collaboration and disclosure". These norms shaped behaviour, which enabled progress. But cultures change. ■

This article appeared in the Finance and economics section of the print edition under the headline "The uncultured science"

[Print edition | Finance and economics](#)

Jul 25th 2019