Does Culture Matter for Economic Growth?

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Abstract

This paper examines how culture affects the differences in economic growth within a country and across countries over time. We postulate that a link exists between cultural elements and approximate determinants (factor accumulation, technology, and efficiency) of economic performance. We connect the cultural elements to these conventional approximate determinants, which underlie the fundamental determinants for economic performance. The cultural elements in fundamentals include work ethics, savings behavior, religion, trust, ethnic homogeneity, social capital, social capability, and openness to ideas. By demonstrating the interrelation between cultural elements and approximate determinants as an explanatory variable in economic performance, we clarify the definition of cultural elements and assist in data collections for future studies.

Key words: Approximate Determinant, Culture, Economic Growth, Fundamental Determinant, Income Distribution

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I. Introduction

In sociology, there are three different views on the relationship between culture and economy. Karl Marx (1818-1883) believed that all culture is a mere reflection of economy. From the existing economic base - the forces and relations of production that make up material life - is born a “superstructure” or cultural, social, political and intellectual life processes in general. The superstructure consists of everything non-economic in nature such as a society’s legal, political, and educational systems, as well as its stock of commonsense knowledge (Marx, 1859/1978: 4). As a result, an individual’s very consciousness (that is, a person views the world and defines his or her interests, is not determined by the individual’s own subjectivity but by economic base.) Conversely, Max Weber (1864-1920), in his concept of the Protestant work ethic, saw all work as built on a desire for personal spiritual fulfillment and social betterment. Accordingly, the development of a capitalistic European economy beginning in sixteenth-century resulted in income disparity in the world (Weber, 1904). Finally, Emile Durkheim (1858–1917) claimed that a kind of social cohesion (i.e., mechanical or organic solidarity) is the driving force behind the relation between culture and the economy. Durkheim argued that a society, by its very nature, is interdependent - everyone depends on hundreds, even thousands, of others for goods and services as well as emotion, moral, general will, and consensus (Durkheim, 1893).

By comparison, economists generally are reluctant to include cultural elements as an explanatory variable for economic growth. This neglect of culture has at least three possible sources. First, culture is multidimensional, making it difficult to define and measure. Because culture encompasses a way of the life that is passed down through generations and includes values, norms, attitudes, beliefs, art, and so on, neither a widely acceptable measurement nor a single time series exists