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The Role of Culture in Regional Development

Definition: Defining the term culture is difficult, which is why scholars often abstain from doing so. We can think of culture as the set of moral values, beliefs, and preferences that individuals hold. In November 2001, UNESCO attempted to come up with a broad definition in its Universal Declaration on Cultural Diversity: “Culture should be regarded as the set of distinctive spiritual, material, intellectual and emotional features of society or a social group, and that it encompasses, in addition to art and literature, lifestyles, ways of living together, value systems, traditions and beliefs.”

History: Anthropologists started documenting variations in culture across societies in the late 19th century. Within the realm of economics, Max Weber’s “Protestant Ethic” can be viewed as the first major work explicitly considering cultural values. Much of the early work focused on how ecological constraints shaped beliefs and practices. In recent decades, scholars have devised increasingly creative ways to measure cultural values, and studies have become more and more quantitative in nature.

Theory: The existence of cultural differences across groups and societies has been extensively documented. These differences are not exogenous or random but are shaped by the environment, geography, and historical experiences, among other factors. Cultural values are often shared and learned, evolving through an evolutionary process across many generations. Because they are often transmitted from one generation to the next, cultural traits can be remarkably persistent (see e.g. Nunn, 2020, for a recent survey). These values have also been shown to be important for economic development and growth. Some scholars argue that the existence of long-standing cultural practices is evidence of their social benefit being higher than their social costs, given existing economic and ecological constraints.

An overview of how the emergence and transmission of cultural values have been theoretically modeled can be found, e.g., in Gershman (2017). Of specific importance to regional scientists is how horizontal cultural transmission takes place at a small scale within and across

communities. There is evidence that culture varies substantially at small scales (as e.g. documented by Falk et al., 2018) and within ethnic groups (Desmet et al., 2017).

Conceptualization: Cultural values are commonly measured by surveys such as Afrobarometer or the World Value Survey (WVS). Researchers have also developed tools to elicit cultural traits through field experiments. For long-run research, scholars usually rely on proxies for cultural values from archival data or historical censuses.

Examples of cultural traits are religious values, gender attitudes, trust, prosocial behavior, altruism, loss aversion, risk-taking, preferences for redistribution, leisure, and many others. Importantly, cultural differences do not stop at modern national or subnational boundaries that were often arbitrarily drawn within the last one or two centuries. Isolating the role of culture is a notoriously difficult exercise due to a myriad of omitted variables, most of which cannot be measured credibly. Historical quasi-experiments provide rare opportunities to isolate the effect of culture from institutions and/or geography by, e.g., exploiting spatial discontinuities (e.g. Lehner, 2024). A more common strategy is to look at second-generation immigrants to tease out the role of cultural values.

New Developments: Researchers have shown that culture is shaped by environmental conditions (Giuliano & Nunn, 2021), agricultural practices (Galor & Özak, 2016), and religious organizations (Schulz et al., 2019) among many others. It has also been suggested that ancestral culture often matters more than the current environment for economic success (Putterman & Weil, 2010).

Even though there is a lot of evidence for the persistence of cultural values across generations, there is no reason to think it always does. Scholars increasingly try to understand under which circumstances culture changes. For example, it has been suggested that more volatile environmental conditions make groups more prone to adopt new customs (Giuliano & Nunn, 2021).

Policy Relevance: The fact that many cultural differences are deeply rooted limits the scope for short-run policies directly affecting culture. An important lesson that can be drawn from recent research is that programs and policies have to consider cultural histories of communities or areas for them to be effective. At a higher level, it has been suggested that it is important to create an environment that allows for culture to change and break from traditions (see, e.g., Mokyr, 2016, in the context of the scientific revolution).

Application Fields: Traditionally, culture was studied by anthropologists, sociologists, and psychologists. Only in the last several decades have economists discovered the importance of taking into account cultural values and beliefs. The newly emerged field of cultural economics studies the effect of cultural traits on economic outcomes and tries to understand their transmission (Gershman, 2017). More recently, studies in long-run comparative development tried to uncover

the roots and persistence of these values (Nunn, 2020). Regional scientists have a comparative advantage in studying how culture matters at small geographic scales.

Prospect: Future research should go beyond cross-country or cross-regional studies and leverage increasingly available geo-localized data for studies at a local level. Regional scientists should try to play out their strength in thinking about smaller units of aggregation, for example, by studying how cultural change and/or transmission happens at a fine-grained scale within regions or cities.

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