

Focus on Development

No. 2, 29th January 2014

The Influence of Culture on Economic Development – New Research Findings

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What is the influence of culture on development? Is Africa developing so slowly because African culture is impeding that development? Was it primarily the culture of the Asian "tiger states" that enabled them to develop so quickly? These are questions to which academics have been seeking answers for quite some time now, but it is only recently that a number of important new insights have been gained. These findings are of great relevance to the German Development Cooperation (DC), since they may explain the relationship between culture and development and thus provide clues as to the best way of structuring DC projects.

Whether there is a relationship between culture and development has long been contested. As far back as 1904, Max Weber argued that the Protestant ethic, with its emphasis on "intra-worldly asceticism" manifested in thrift, diligence and discipline, was particularly favourable to growth. Even today, there are many authors who believe that culture is one of the main barriers to economic development in Africa. In contrast, others strongly deny that there is any relationship between culture and economic development whatsoever, as economist Daron Acemoglu and political scientist James Robinson argued in their book "Why Nations Fail". In their opinion, development is the consequence of formal institutions while the influence of culture is insignificant. The fact that barely any reliable and generalizable findings have been published fuels this controversy. Besides, culture is not an easy concept to define, since

it covers many aspects of human behaviour. More broadly, culture refers to the relationships between individuals and groups, but also between ideas, notions and identities. Behavioural norms, which regulate people's coexistence, are often the result of culture.

Nevertheless, recent research findings indicate that there is a close relationship between culture and development. Moreover, studies demonstrate that culture is perfectly capable of adapting to social and economic change. The following contribution presents some of the latest key research findings research in this field.

Culture influences economic development

The once common conviction that culture has no influence on economic development whatsoever now appears to have been refuted. The economists Bereket Kebede and Daniel Zizzo have shown how envy may be an obstacle to the introduction of modern technologies in rural areas of Ethiopia. The two academics conducted experiments to determine how "envious" the inhabitants of different villages were of their neighbours' success. In a further step, they investigated the implications of envy on agricultural productivity in the villages. Where envy was greatest, the fewest technological innovations were introduced and agricultural productivity was at its lowest. Envy, which the academics believe is rooted firmly in Ethiopian culture, therefore has an adverse effect on economic development.

Similar findings are being reported from elsewhere on the African continent. The fear of being cursed by envious neighbours prevents investments, for example, in parts of

West Africa where belief in witchcraft prevails. Economic success is sanctioned. A similar barrier to investment is the obligation to provide financial support to wider family networks and distribute individually generated income within these networks. Many conclude that the pressure to conform, which is part and parcel of African culture, is effectively hindering the accumulation of income and thus economic growth.

Culture is not static, but adaptable

Despite the aforementioned academic findings, it may neither be concluded that solely an "appropriate" culture is decisive for growth, nor that culture is a poverty trap. Generally speaking, culture is not as rigid as is often assumed. Rather, it is subject to constant change which, in turn, results in adaptation to changing circumstances. Economic requirements (such as a rising demand for workers as a consequence of economic growth) may well play a key role here. One good example is the development of women's role and status in society, which has altered considerably as today's industrialised countries became more prosperous. With a greater need for workers, women have also become more involved in the formal labour market. Little by little, the gender pay gap is shrinking, while women are increasingly taking on management positions.

Economic development generally goes hand-in-hand with social mobility, which integrates previously excluded marginal groups into economic life, giving them opportunities for advancement and gradually levelling out cultural differences.

Actors are finding ways to circumvent cultural norms

Actors from a wide variety of cultures have also found ways of circumventing norms that impede development. The economists Salvatore di Falco of the London School of Economics and Erwin Bulte of Wageningen University have investigated such a phenomenon in South Africa. Here, cultural norms demand individuals to share their own wealth with their family, which is a form of social security, but also hampers investment (see above). However, Di Falco and Bulte have observed that

many households, as soon as they receive any significant income, immediately spend it on consumer goods. These are primarily goods that cannot easily be shared with others, such as jewellery, home improvements or furniture. Savings, therefore, do not take the form of bank deposits but accumulated goods and status symbols that can be sold at a later date. In other cases in Cameroon, academics have discovered that families pretend to be poor to avoid having to share their savings with their relatives.

Another way to escape the grasp of the family is migration. This enables individuals to work or start up a business free from domestic constraints. Furthermore, surveys of companies in various African countries reveal that, generally, nothing is sold to relatives, since the payment behaviour of family members is worse than that of other trading partners. It is well known from other contexts that successful entrepreneurs for the most part develop and maintain their business contacts outside of the family. Ethnologists report numerous cases where successful entrepreneurs are religious converts. If they leave their traditional religion this means that they can break away from traditional ties.

Besides, new standard-compliant approaches are being developed that permit efficient business under the prevailing circumstances. This is possible since many norms allow for grey areas in which a violation of the norms cannot be clearly established. A classic example of this is the Islamic banking system, which has been able to establish itself despite the prohibition of interest. The financial transactions customary in classic lending are made possible by the bank purchasing the product the customer would like to acquire. The bank sells the product on to the customer at a higher price, with the customer paying off the outstanding amount in instalments. Strictly speaking, this form of transaction can be viewed as involving the payment of interest, but there is scope for interpretation. Accordingly, many Islamic legal scholars regard this model as legitimate.

Culture will not always be an obstacle to development

Even if the research findings thus far are pointing towards individual, geographically dispersed relationships between culture and development, the general conclusion that culture has a tangible influence on economic development (albeit one that alters over time) seem to be justified. As a result of these changes, aspects of culture that originally impeded development may disappear entirely or ultimately have less of an impact. But it remains unclear how long it takes for norms to change.

Culture can thus be an obstacle to development, at least temporarily. However, in the long term, it appears likely that economic development is permitted by adjustment processes. In a published article, the political scientist Timur Kuran summarised his opinion on this as follows: cultural obstacles to development – often overstated, usually transitory.

What do the findings mean for DC? What are the implications of these findings for DC?

Knowing that culture influences development, but is not an immutable factor, is of great importance to developmental practice. On the one hand, culture must be taken into account during project work, since it can affect the success of a project. On the other, necessary cultural change can also be promoted cautiously within projects to more effectively achieve development goals.

Social marketing can be an important tool here. Indeed, it is already being put to frequent use in healthcare. For example, soap operas broadcast on TV or radio can indirectly provide new role models, values or forms of behaviour.

Another possibility is to establish rituals which function as substitutes for culturally significant traditions that may pose a risk to health (e.g. female circumcision). The cultural need is met (celebrating the transition into adulthood) but health is not threatened. Changes in behav-

our can also be promoted by means of financial incentives or approaches adopted from behavioural research (e.g. nudging).

Any intervention in the local culture poses the dilemma that, on the one hand, DC wishes to avoid all forms of "cultural imperialism" while, on the other, it hopes to remove culturally-related barriers to development. As far as the former is concerned, the very idea of development can be interpreted as a product of Western value systems. Respect for the local culture must therefore be given high priority in all DC projects, but should nevertheless not result in a violation of the donor's culture's values and norms.

If the respective norms and values of DC players are too far apart, productive international cooperation can hardly be achieved. But even in very different cultures, it is often possible to find shared or compatible ideas regarding necessary changes. International DC can then focus on these. In these cases, the close involvement of the target groups in the conception and implementation of DC measures is often an effective way of ensuring that DC projects are accepted and successful. ■

Literature

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