

# The myth of the “Culture code” in economic research<sup>☆</sup>

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## Abstract

This paper is devoted to the critical analysis of today’s mainstream approach to the inclusion of the factor of culture in economic research. National culture is treated in this framework as a reified entity measured by societal values and is persistently included as a “culture code” throughout different contexts. The paper presents evidence contradicting this treatment, and an alternative methodology for economic analysis of cultural phenomena is suggested, namely that each mass cultural practice should be analyzed on a “case-by-case” basis, comparing stakeholders’ costs and benefits.

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## 1. Introduction

With the world economy beginning to recover from the crisis, understanding the reasons for and the sources of growth, development and modernization has gained vital importance. The recession has highlighted the heterogeneity of the world economy and the diversity of reactions to change across countries. In some countries, the governments accepted the crisis as yet another manifestation of “creative destruction,” as an incentive to seek new approaches and capture new opportunities. In other countries, eyes were fixed on the “glorious past,” and attempts were made to find the external enemies who had caused the downturn and to restore everything back to “the way it was.” Meanwhile, their own economic policies, which often aggravated the negative impact of changes in

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the global economy, were declared perfectly fit and sound and in no need of any changes due to *intrinsic* reasons.

The classical theory of economic growth, rooted in the works of Adam Smith and David Ricardo, named three main growth factors, namely labor, capital (investments), and land (natural resources).<sup>1</sup> the original set of factors was later expanded to include technology (Romer, 1986), institutions (Rodrik et al., 2004; Robinson et al., 2005), and culture (Licht et al., 2007).

It is the latter factor that is now interpreted by a number of researchers, writers and statesmen in Russia as the ultimate cause of the fundamental differences between the Russian economy and others. They stress the distinct nature of the Russian culture and the presence of a deeply rooted “culture code” within it that has remained unchanged for centuries and cannot be altered without the loss of national identity. From their point of view, Russia’s “culture code” renders futile, and even harmful, any attempts in this country to apply any economic policy approaches and measures that have driven growth, development and modernization in a large number of other economies.

We have put aside the purely ideological aspect of the so-called “civilizational approach” and have instead focused on the *scientific* (theoretical and empirical) arguments in favor of the decisive influence of national culture on economic growth and development, and on the counterarguments stressing that culture—along with many other factors—*does indeed influence* the economy, but *does not predetermine* its traits. In the following two sections, we will examine today’s prevailing, reified interpretation of national culture as a system of values and the role of the culture code as a mechanism that ensures its stability. We have also critically reviewed the application of this interpretation in economic analysis. In the fourth section, we will describe some facts that contradict this prevailing concept, and in the fifth section, we provide a brief description of alternative (holistic rather than value-based) interpretations of culture. The sixth section addresses the concept of culture as a popular practice and the resulting methodology of including the cultural factor in economic surveys. The final section contains general conclusions from our analysis.

## 2. Culture as a system of values. Measuring and using culture in economic analysis

The concept of culture, although widely used across various branches of the social sciences, lacks a generally accepted definition. Whereas Alfred Kroeber and Clyde Kluckhohn (1952) found 164 definitions of culture in the mid-20th century, in the early 21st century, the number of definitions is now well in excess of 500 (Kravchenko, 2000, p. 271). Up until the early 1980s, applied economic research had almost completely ignored the phenomenon of culture as an explaining or explained factor. The reason is quite obviously the lack of a sufficiently massive volume of data obtained via more or less valid measures. The situation changed after a publication by Geert Hofstede (1980), who not only suggested operationalizing culture as a *system of societal values* but also completed a comprehen-

<sup>1</sup> The perception of natural resources as a pillar of economic growth was shaken by Jeffrey Sachs and Andrew Warner (Sachs, Warner, 1995).

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