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Values and economic development^{*}

Abstract

The main aim of the paper is to show and examine how culture shapes human progress; in particular—how values determine economic development. The author describes culture as an axiological sphere including values, rules, customs, beliefs attitudes and worldviews that are prevalent in a given society. According to the humanistic perspective (called *cultural turn*), adequate values and other axiological determinants have a very positive impact on economic development of each society. The author analyses Mariano Grondona's twenty cultural factors: religion, trust in the individual, the moral imperative, two concepts of wealth, different views of competition, two notions of Justice, the value of work, the role of Heresy, education, the importance of utility, the lesser virtues, time focus, rationality, authority, worldview, life view, salvation from or in the world, two Utopians, nature of optimism, two visions of democracy. The main thesis of the Grondona's work is that economic development and well-being of civilization depends on choosing a progressive value system by a society. The author emphasizes that a further study must be conducted to understand and apply scientifically this model.

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1. Introduction

Investigating the character and causes of the wealth of certain nations, countries or regions has been present in the history of economic thought at least since the time of Adam Smith. To the author of *The Wealth of Nations* the factor determining their prosperity is work, more precisely the division of work,¹ which is applicable especially in industry. However, the importance of Smith's work for the development of economic thought lied most of all in the fact that he—together with other Scottish moralists—overcame a false but ubiquitous conviction shaped in premodern times, according to which wealth can be increased only through military conquest. In other words, before the works of Scottish moralists, people, in general, were not aware that wealth could be increased during peacetime in a systematic and rational way, based on universally accepted principles or values. According to Michael Novak, the momentous character of their work results from their thorough reevaluation of Western values. Defending capitalism even before its triumph, they created moral argumentation in favour of it, thus lay the foundation for the rising capitalistic ethos. They were convinced that a new society, based on free trade and entrepreneurship would be a step forward in the moral progress in relation to its predecessors.² Classical economists of the 19th century—David Ricardo, Thomas Malthus or John Stuart Mill—believed that the key to understanding the principles of social development was technological progress. Continuing Smith's legacy, they claimed that progressing mechanisation of the production process enabled the effective introduction of the division of labour, consequently increasing its efficiency. At the same time, they realised the importance of accumulation of capital, which was, on the one hand, a condition for this progress, on the other, was conditional on the profits thus made. Nowadays, when considering the reasons for economic development we clearly tend to focus on not only purely economic factors (such as work, capital or land) or administrative and managerial practices (structure, management) but we also see many complex but crucial elements, situated in the domain of axiology. Presently, we are becoming more and more aware of the fact that managing is a cultural activity and that, as is the case with every cultural activity; it is regulated by the dominant axiological system.

This work constitutes an attempt to evaluate the effects that adherence to certain norms and values by managing individuals has on the level of economic development of the structures in which they operate. To this aim, we present the cultural typology of economic development suggested by Mariano Grondona. The typology is one of the most representative elements in the works of contemporary scholars who believe that reasons for the economic success of certain societies can be found in the axiological domain, e.g., Francis Fukuyama, Samuel Huntington,

¹ Despite the fact that the concept of division of labour was first introduced by Bernard de Mandeville, it was Smith who first fully recognised the importance and meaning of the concept, analysing its logical consequences connected with utility. For example, he believed—contrary to Francis Hutcheson—that the division of labour was not a cause but a consequence of exchange.

² For more details on “revolutionary” ideas of Scottish moralists, cf. Novak, 1994, pp. 69–105.

Lawrence E. Harrison, and David Landes. They follow in the footsteps of Max Weber, whose analyses of the Protestant roots of capitalism became canonical for modern sociology. In English source literature, the doctrine they represent, called a *cultural turn*, is defined as a tendency to describe and explain various phenomena of economic and political nature through the prism of culture, and is understood as a reservoir of traditionally shaped values, norms, habits or principles.

In order to articulate the goal of this work more precisely, we should make a distinction between economic growth and economic development. Although these terms are often used interchangeably, they have slightly different connotations.

Economic growth means increasing capabilities of a given country to produce goods and services desired by people. [...]. Economic development is affected by structural and other changes that accompany economic growth. It includes but also goes beyond perfecting technology and skills, and so it goes beyond the factors stimulating economic growth. (Kamerschen, McKenzie & Nardinelli, 1992, p. 958)

The term “development” is used to emphasise the long-term character of the process, pertaining to all socio-economic structures. (Bernard & Colli, 1994, p. 146)

It can be said that the concept of economic growth is used to describe quantitative changes, while economic development is applied to qualitative changes. An effect of long-term qualitative changes, which are described in terms of development, can be, e.g., a transformation of the population structure in terms of employment. In less developed countries, most people are involved in the process of food production and work in agriculture, in more developed countries, with dominating industrial production, the majority of their population is employed in manufacturing, while the most developed countries (the so-called post-industrial societies) are characterised by an extensive service sector. After the tragic events of the 20th century, economic development is no longer equated to progress. It became clear that despite positive consequences it could also entail negative effects and lead to unfavourable events. We should remember, however, that change is an immanent characteristic of progress, owing to which we can speak of a process and not of stagnation. This is well formulated by Kenneth E. Boulding (1985, p. 71), who wrote that “[n]ot every change is a change for the better, but it is clear that no improvement can take place without a change.”

Most often, the essence and character of economic development can be seen most clearly during pivotal moments in history, during great socio-economic breakthroughs, when nations or communities decide to change the structure of their organisation on new principles and in doing so they achieve a somewhat higher level of their material and spiritual existence. One of the most spectacular examples of such a breakthrough was the rise of capitalism. It was at the turn of

modernity that the Western countries went on a path to accelerated progress, not only successfully combating the problem of famine but also achieving stable and tangible welfare.

When looking for the origins of this process, Nathan Rosenberg and L.E. Birdzell (1994, p. 40–60) emphasise the fundamental importance of innovation developed and successfully applied in various domains of economic activity. These novel practices involved not only introducing new goods to the market or manufacturing new items but also (and maybe most of all) they pertained to lowering of production costs, which could be seen especially clearly during the Industrial Revolution.

As early as 1912, Joseph Schumpeter argued that economic development is based largely on the innovative practices of the entrepreneur. In his *Theory of economic development* (1960), he claimed that a source of innovation, and so a necessary condition for development, was the entrepreneur's ability to pioneer in taking advantage of and applying their potential, their initiative, domination and creativity. He was fully aware that the reasons for economic development or the lack of it are mental in character. In other words. For an economic subject to engage in creative and active *realising of new combinations*, thus contributing to economic development, they need to possess certain traits of character. It is their state of mind or psychological structure that predestine his willingness to undertake an enterprising activity. However, for economic development to be stable and bear expected results, two other conditions must be met. First, the enterprising characteristics mentioned above cannot be exhibited incidentally. It means that the willingness to undertake enterprising activities cannot be exhibited by just a few individuals, who, because of their pioneering work, could be inappropriately perceived. It would be best if similar predispositions were present among a significant number of members of a given society, is not by its majority. Second, the emphasised readiness to engage in enterprising activities cannot be based on fleeting and unstable grounds. This readiness has to be rooted in something external to the decision-making individual. It cannot stem only from their individual predispositions. Both of these conditions are met when economic activity is grounded in the domain of axiology. Stable and fruitful economic development can take place if many members of the same culture participate in desired actions aiming at realising some extra-economic values. For this reason, we should look more closely at this axiological sphere and try to discover how it determines economic development.

2. The role of culture as a reservoir of values

Axiological determinants, whose influence on the economic development of societies we are going to analyse, are to be found in the broadly defined sphere of culture. Samuel P. Huntington writes in the foreword to *Culture Matters: How Values Shape Human Progress*, a book he edited together with Lawrence E. Harrison:

Anthropologists, perhaps most notably Clifford Geertz, have emphasized culture as „thick description” and used it to refer the entire way of life of a society: its values, practices, symbols, institutions, and human relationships. In this book, however, we are interested in how culture affects societal development; if culture includes everything, it explains nothing. Hence, we define culture in purely subjective terms as the values, attitudes beliefs orientations, and underlying assumptions prevalent among people in a society. (Huntington, 2000, p. XV)

We must direct our attention to values, which are a stable element of the conventional symbolic system that permits to choose between numerous alternatives and so to act in any certain way. Mariano Grondona highlights this special role of values, especially during the pivotal moments in the economic development history of nations. He points to a danger of ceasing any further activity and complacency with what has already been achieved. When projects, having been heavily invested in, finally start to bear fruit, their beneficiaries, on seeing their wealth, start to lose interest and willingness to work. Excessive consumption and neglecting to invest the surpluses in development show the superficiality of development and the fleeting sense of wealth. According to Grondona, it is values that can help any given nation overcome these temptations, driving the process of economic development further. Stability, however, stems from a special set of values as “Only those nations with a value system favourable to temptation-resisting decisions are capable of sustained, rapid development” (Grondona, 2000, p. 45).

Grondona also distinguishes between internal and instrumental values. In the case of the internal values, we tend to stand by them, regardless of potential gains or losses (e.g. patriotism), while with the instrumental values we realise them because they benefit us directly. If a nation that is willing to progress values hard work, productivity, or investments and bases its decisions on some instrumental economic value (e.g. its desire for wealth), its achievements can disappear the moment it attains its goal (the desired level of wealth).

Grondona—wondering why a nation that has achieved wealth should go on living as if was poor—emphasises that causes for economic development can be found at the time when people increase their economic activity and do so not for gaining wealth. It means that the values they looked to when making their decision to enter the path to development had to be of the internal sort. Instrumental values, which are inherently temporary, just as instruments become obsolete out of their context of an application. The moment we realise that all economic values are instrumental, we will also realise that the thing that constantly incentivises people to invest cannot be economic in character:

When a nation is rich, something other than the pursuit of wealth must be present in its value system so that the wealth generated never suffices. This non-economic „something” may be salvation, survival, safety, excellence, prestige, or even empire: any value that will always be wanting. However, the intrinsic values indispensable for sustained development, although non-economic, must not be anti-economic. They must be non-economic and pro-economic at the same time. (Grondona, 2000, p. 45)

According to Grondona, because of the fact that purely economic values are insufficient to ensure long-term economic development, we can speak of a specific paradox. The values that determine to undertake given economic activities and their ultimate success depend on culture. In other words, long-term economic development is a culture-dependent process. What is more, if we agree with the claim that these values exist in the sphere of culture, which we tend to call ethics; if we agree that individuals act morally when they obey the universally accepted internal principles; lastly, if we assume that long-term economic success depends on extra-economic values, which are simultaneously pro-economic, then we must conclude that economic development is a moral phenomenon. This development is a domain where two competitive expectations, long-term and short-term, clash. Grondona writes:

This is the function of values: to serve as a bridge between short-term and long-term expectations, decisively reinforcing distant goals in their otherwise hopeless struggle against instant gratification. (Grondona, 2000, p. 46)

3. Cultural typology of economic development

The presented above detailed presentation of Grondona's stance is well justified. The author does not stop at presenting the general conditions that, in his opinion, must be met for us to speak of long-term economic development. Based on the analyses by L.E. Harrison from his book *Underdevelopment Is a State of Mind*, he formulates his own typology of cultures, expressed in two ideal systems of values. The first system includes values facilitating economic development, the second – their exact opposites. At the same time, he emphasises that his suggestions are just mental constructs and are nothing more than just ideal types:

Neither of these value systems exists in reality, and no nation falls completely within either of those two value systems. However, some countries approach the extremely favourable economic development, whereas others approach the opposite extreme. (Grondona, 2000, p. 46)

However, it seems that the real value systems are mixed in character and are subject to change, we can make use of the cultural typology of economic development that Grondona presents and treat it as a foundation for empirical research. Therefore, in order to present the discussed typology in a more systematic and clear way, we decided to show the twenty cultural factors that Grondona suggested in the form of a table:

Table 1. Mariano Grondona's cultural typology of economic development

Cultural factor	Pro-developmental type of value system	Anti-developmental type of value system
Religion	Pharisee's line of thought (Protestantism)—the rich are successful as a proof of God's blessing, the poor see their poverty as a symptom of damnation. Both groups have a strong motivation to improve their position.	The plebeian line of thought (Catholicism)—economic development is hindered because the poor feel justified in their poverty, while the rich see themselves as sinners and suffer from a guilty conscience.
Trust in the Individual	The individuals feel free and in control of their own fate, which makes them take risks and be innovative.	The lack of trust in the individual, exemplified by an excessive system of supervision and control, which results in stagnation and their destructive resistance against authorities.
The Moral Imperative	The universal consistency of laws and norms, which are not overly demanding and so it is possible to enforce them. Moral norms and social reality go hand in hand in hand.	The existence of two separate worlds: laudable ideals and highest standards on the one hand and everyday reality full of deep and widespread hypocrisy on the other.
Two Concepts of Wealth	Wealth is mostly that which does not exist yet, e.g. potential processes of innovation, the potential lying in knowledge or productive power.	Wealth consists mostly of that which already exists, e.g. land and its crops. Things are perceived through the prism of their current, not future value.
Two Views of Competition	Universal conviction regarding benevolent consequences of ubiquitous competition. The success of any enterprise is the result of competition.	Condemnation of competition as a form of aggression. Its place is taken by solidarity and harmonious cooperation. Lack of mutual motivating.
Two Notions of Justice	Distributive justice accommodates for the interest of future generations. There is less consumption and more attention devoted to saving and investing.	Domination of distributive justice including only the living. The attachment to what is now is reflected in the tendency to consume and the lack of tradition to save.
The Value of Work	Respect and prestige for the working people, especially those who work for their own (e.g. entrepreneurs). Vital role of the work ethos.	Work is not much respected. At the top of the social ladder, there are intellectuals, artists, politicians, religious and military leaders.
The Role of Heresy	Openness to change and intellectual pluralism are conditional to and drive innovation.	Orthodox, dogmatic approach that suppresses all signs of innovativeness and preserves the status quo.
To Educate Is Not to Brainwash	Possibilities of individual's investigation, the truth is not imposed from the top. Individuals are encouraged to think independently.	Preservative character of education aiming at brainwashing, transferring dogmas and educating conformists and ardent believers.
The Importance of Utility	Avoiding unfalsifiable theories and interest in that which is verifiable and practical.	Domination of inspired visions. Preference for huge projects that do not bring measurable profits.

The Lesser Virtues	Respect for minor virtues (e.g. good work, tidiness, kindness, punctuality), which affect economic effectiveness and harmonious cooperation.	Marginal role of minor virtues, respect for major, traditional virtues such as love, justice, beneficence.
Time Focus	Focus on the foreseeable future that is easily anticipated.	Cult of the past. Interest in future only in the eschatological aspect.
Rationality	Ability to appreciate small achievements, which, if systematic, guarantee continuous progress.	Adoration for momentous enterprises (e.g. huge buildings, revolutions).
Authority	Rule of law (nomocracy), which – through its dominant position – regulate social life according to the order of nature.	Lack of known, consistent and unchanging rules of law. Basing authority on the will and whims of a prince, a dictator or the state.
Worldview	Perceiving the world as a space for action, grounded in the experience that the world is your oyster.	Perceiving the world as a mystical entity, an arena for omnipotent, obscure forces: e.g. capitalism, imperialism, Marxism, Zionism.
Life View	Life is something we create; we are its active creators.	A conviction that life is given to us and acceptance for the conditions we live in.
Salvation from or in the World	The belief that salvation in the next life is connected to our struggle in our mundane world. Our successes here and now let us look to the future with optimism.	Salvation is understood as liberation from the sorrows of this world, which turned out to be a vale of tears. One can attain it only by resisting temptations waiting on their path to the better world and life eternal.
Two Utopias	Optimistic world gradually, thanks to individuals' creativity and effort, moves towards a distant utopia.	Individuals seek imminent utopia that is beyond their reach. Such an attitude results in fanaticism or fatalism.
The Nature of Optimism	An optimist is a person who decides to take steps to secure a decent future for themselves.	An optimist is a person who believes that happiness, God or the wealthy will be on their side.
Two Visions of Democracy	A significant influence of liberal and constitutional democratic tradition built by Locke and Montesquieu, where political power is dispersed and law plays a superior role.	The widespread influence of absolutist tradition, which do not assume any legal limitations or forms of institutional control.

Note. Adapted from "A cultural typology of economic development," by M. Grondona, 2000, in L. E. Harrison & S. P. Huntington (Eds.), *Culture matters: How values shape human progress*, New York, Basic Books, pp. 47–53.

4. Conclusions

The presented above cultural typology of economic development should not be considered complete or absolute, as highlighted by the author himself. It pertains to systems of values and other cultural factors, which are subject to change. Moreover, to realise specific goals the proposed list can be modified at any time. One can easily add new elements to it, to include some local circumstances, or remove some of them, to emphasise only most significant differences.

Because of the unchanging character of certain elements of culture, the core of this typology gains universal meaning and can be applied more broadly when comparing systems of values that facilitate or hinder economic development. It appears that the presented typology can be used as a point of reference and a foundation for specific research on the character of the Polish system of values in terms of its pro- and anti-developmental nature. A pioneering example of such an application of this typology is the work of Krystyna Skarżyńska. She applies the findings of Grondona and other authors from the *cultural turn* circle and confronts them with the results of polls conducted on a representative sample in Poland (i.a. IPSOS-Demoskop, 1997). Skarżyńska, aware of our limitations, has an optimistic outlook on our future (2004, p. 18):

Enterprising successful people do not have it easy because they are bubbles of novelty in the sea of the old. But thanks to them, something is changing also in the minds of Poles. When in the Polish Alphabet book As, Ala's dog starts winning all intelligence and beauty competitions and Ala from Ia wins over all her rivals at skating and becomes the most popular girl in class—only then will we be a society doomed to succeed.

In the end, we should not forget about two issues. First, we should be aware that changes in the world usually take place very slowly. For this reason, it is often impossible for just one generation to notice the changes. Therefore, it seems important to adopt a historical perspective, which allows us to grasp the direction, dynamic, and character of these changes. To put it simply, when analysing the influence values have on economic development, we should “realise the importance of the mechanism of intergenerational transfer of norms and values, understood as stimuli for taking certain actions [...]. In this sense, the mechanism of reproduction involves recreating cultural codes, containing a form of ‘pool of information’ which is necessary for individuals to operate properly in a society or culture” (Banach, 2016, p. 80). In other words, culture understood as a kind of “conveyor belt” should be analysed in a diachronic manner, with special emphasis put on historical context. It is, after all, a historical creation.³ Second, we should

³ For more details on the necessity of adopting a historical perspective in research on the so-called economic culture see also: Kochanowicz & Marody (2010). In the introduction to this important book, Jacek Kochanowicz writes: “Because at all times everything [...] remains a result of past events, economic culture, understood as presented above, is a product of history and in the process of its recreation and transformation we can expect a clear ‘path of dependence’ ” (p. 18).

also realise that the presence of a specific system of values in a society is caused not only by the dominating role of a given type of culture but also by the place a given country occupies in the centre-periphery system. If it is peripheral of the civilised centre, it is usually burdened with a more or less hidden addiction, and its economy and society are a source of cheap labour and a market for the goods manufactured in the centre. According to many authors, the area of Eastern and Central Europe was in such a peripheral location. We, therefore, cannot speak of Polish economic culture without considering economic, political, social and cultural consequences of Poland's centuries-long dependence on the West (cf. Wallerstein, 1974 and the important book, discussing especially the matter of Poland's peripheral position: Sowa, 2011).

We should bear in mind the presented above remarks when investigating systems of values of different societies, especially when it comes to the influence they have on their economic development.

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