

EUROPE – BETWEEN CULTURE AND INSTITUTIONS

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Abstract

The aim of the report is to stir up academic discussion on the current political determinants in the European Union. Set around the juxtaposition of the two classic texts on whether national economic growth is based on cultural or solely institutional factors – “Does culture affect economic outcomes?” by Guiso, Sapienza, Zingales and “Institutions as a fundamental cause of long-run growth” by Robinson, Acemoglu and Johnson, the report is using the strong polemics of both articles. The report additionally fits examples of national economies across the EU to test the frameworks of both articles and to initiate further discussion.

Key words: cultural determinants, institutional determinants, European Union.

JEL: H

Introduction

The European Union could be an interesting promising testing ground for establishing whether the institutions of a given nation state or its culture have more weight in determining its economic prospects and growth patterns. The Union institutions lead to an ever-increasing similarity across the national institutions across the Member States due to the common legislation and rules. The same applies to the culture of the different peoples of the European Union as the free movement of people leads to more travel, communication and sharing. The general question whether culture or institutions are leading economic growth is sought by two classic texts - “Does culture affect economic outcomes?” by Guiso, Sapienza, Zingales and “Institutions as a fundamental cause of long-run growth” by Robinson, Acemoglu and Johnson.

Guiso, Sapienza and Zingales argue that culture as a factor behind economic output used to be largely neglected and even condemned by mainstream academia. As a reason for that, they point the lack of successfully testable thesis as culture

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being too uneasy matter for such a task. Defending the opposite thesis, they develop a timeline of scholarly thought revealing inconsistency with the former one, backed also by recent approaches in such research. The newer empirical studies, largely provoked by the discussion, are also acquiring the testable connection between culture and economics, being one of the most critical part of such construction. The authors also defend the idea that development of economics as a science should be inspired by the fields of interest, rather than on terms of methodology, which further backs their concept (Guiso, et al., 2006).

The thesis of Robinson, Acemoglu and Johnson is that institutions are the main driver of economic growth for the nation states. They further elaborate on the reasons why institutions differ and may differ, how they emerge into existence - based on empirical testing, historical reviews, economic analysis and refined theoretical framework in terms of institutional economics. Additionally, they create a system of examining the relation between economic distribution of wealth, political power, on the one hand, and institutions, on the other, in one-way causality link (Robinson, et al., 2005).

The current academic discourse has not given viable solutions to the problem. On the contrary – authors tend to extrapolate the problem to other levels, as well as the lack of feasible methodology, from nation states to cities and regions (Rodríguez-Pose, 2020). Thus, the report limits itself to fitting new evidence and data in connection to the European Union which it would try to fit in either frame of the revised two articles, widening the existing discussion. The report uses the existing methods of institutional economics as well as data from Eurostat and Eurobarometer in order to test whether the national economies of the Member States of the European Union are tending to be more influenced by culture or economics.

Culture versus institutions

The meeting point of the two reviewed works is on the ground of inquiry of various common objects revealed in their analytical part. First of all, in regard to institutional economics, the definitions of institutions are somehow different. Guiso, Sapienza and Zingales present culture as explained commonly lately as „those customary beliefs, values, and social constraints that ethnic, religious, and social groups transmit fairly unchanged from generation to generation”, thus the factor of constraint putting it in a form of informal institution. However, Robinson, Acemoglu and Johnson regard institutions largely in their formal part. Of course, a separation should be made on the basis that the former work is dealing with economics in broader terms and the latter with growth.

The similarity between the two works could be brought further by the part that culture plays in the analysis of Robinson, Acemoglu and Johnson. Culture and geography are possible factors in their framework, however claimed to be insignificant. The tests of relevance with North and South Korea presenting historically a single culture, but with huge divergences across economic institutions

diminish culture as plausible global factor. The same procedure is conducted with geography and the negative correlation brought by further empirical comparisons. A similar approach is followed by Guiso, Sapienza and Zingales on the roles of geography, economic history and logistics. Again, without diminishing their role, they find it somehow insignificant compared to that of culture in the distribution of wealth.

Further, another close point between the two texts is the field of economic outcomes. As culture is presented to have effect in spite of its lack of comparative efficiency with the examples of the German Catholics and the Yankees and the female circumcision as well, the institution framework is dealing with economic distribution of welfare, being a substantial part of the further framework as describing the evolution of institutions. Further, Guiso, Sapienza and Zingales present similar concept as the other discussed authors as placing culture in the formation of economic preferences and also political preferences thus creating the economic outcome.

The more sophisticated framework of Robinson, Acemoglu and Johnson is placing the economic and power distribution at the beginning. Presenting Marx and his critique, Guiso, Sapienza and Zingales analyse similar problem. Citing Marx as explaining culture as a product of economic distribution, he also mentions Kowalowski and Gremsci, thus creating a vision of power distribution similar to that of Robinson, Acemoglu and Johnson. However, such a compilation is abandoned in "Institutions as a Fundamental Cause of Long-Run Growth". Ideology is cited as being characterized by certain beliefs, thus forming again kind of a culture close to the approach of according to „Does Culture Affect Economic Outcomes?“.

Economic growth, institutions and culture in the EU

The longer-term economic growth across the Member States is not spread evenly amongst its greater cultural clusters such as Eastern and Western Europe, North and South, new and old Member States, Latin, Balkan, etc. groups. Even though there is a clearly higher growth in Eastern Europe with counties such as Lithuania, Hungary, Poland and Romania, the highest average economic growth in the European Union for the years 2011-2022 is registered in Ireland. Further, Eastern European countries such as Bulgaria, Slovenia and the Czech Republic show sluggish growth (Eurostat, 2023).

The fact that growth patterns across the European Union are not following existing cultural clusters of states and that culture could not be easily fit as a major determinant of economic growth could lead to the hint of Robinson, Acemoglu and Johnson that geography may play a substantial role. The higher growth tends to be situated mostly in the semi-periphery of the Union.

Table 1: Real GDP growth across the European Union

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Avg. 2011- 2022
EL	-10.1	-7.1	-2.5	0.5	-0.2	-0.5	1.1	1.7	1.9	-9.0	8.4	5.9	-2.1
IT	0.7	-3.0	-1.8	0.0	0.8	1.3	1.7	0.9	0.5	-9.0	7.0	3.7	2.2
PT	-1.7	-4.1	-0.9	0.8	1.8	2.0	3.5	2.8	2.7	-8.3	5.5	6.7	2.5
FI	2.5	-1.4	-0.9	-0.4	0.5	2.8	3.2	1.1	1.2	-2.4	3.2	1.6	2.05
ES	-0.8	-3.0	-1.4	1.4	3.8	3.0	3.0	2.3	2.0	-11.2	6.4	5.8	2.5
FR	2.2	0.3	0.6	1.0	1.1	1.1	2.3	1.9	1.8	-7.5	6.4	2.5	2.35
AT	2.9	0.7	0.0	0.7	1.0	2.0	2.3	2.4	1.5	-6.5	4.6	4.8	3.85
DE	3.9	0.4	0.4	2.2	1.5	2.2	2.7	1.0	1.1	-3.8	3.2	1.8	2.85
EU	1.9	-0.7	-0.1	1.6	2.3	2.0	2.8	2.1	1.8	-5.6	5.7	3.4	2.65
BE	1.7	0.7	0.5	1.6	2.0	1.3	1.6	1.8	2.3	-5.4	6.3	3.2	2.45
NL	1.6	-1.0	-0.1	1.4	2.0	2.2	2.9	2.4	2.0	-3.9	6.2	4.3	2.95
UK	1.3	1.4	2.2	2.9	2.4	1.7	1.7	1.3	1.4	:	:	:	1.3
DK	1.3	0.2	0.9	1.6	2.3	3.2	2.8	2.0	1.5	-2.4	6.8	2.7	2
CZ	1.8	-0.8	0.0	2.3	5.4	2.5	5.2	3.2	3.0	-5.5	3.6	2.4	2.1
CY	0.4	-3.4	-6.6	-1.8	3.4	6.6	5.7	5.6	5.5	-4.4	6.6	5.6	3
HR	-0.1	-2.3	-0.4	-0.4	2.5	3.6	3.4	2.8	3.4	-8.5	13.1	6.2	3.05
SI	0.9	-2.6	-1.0	2.8	2.2	3.2	4.8	4.5	3.5	-4.2	8.2	2.5	1.7
BG	2.1	0.8	-0.6	1.0	3.4	3.0	2.8	2.7	4.0	-4.0	7.6	3.4	2.75
SE	3.2	-0.6	1.2	2.7	4.5	2.1	2.6	2.0	2.0	-2.2	6.1	2.8	3
SK	2.7	1.3	0.6	2.7	5.2	1.9	2.9	4.0	2.5	-3.3	4.9	1.7	2.2
LU	1.0	1.6	3.2	2.6	2.3	5.0	1.3	1.2	2.9	-0.9	7.2	1.4	1.2
HU	1.9	-1.3	1.8	4.2	3.7	2.2	4.3	5.4	4.9	-4.5	7.2	4.6	3.25
LV	2.6	7.0	2.0	1.9	3.9	2.4	3.3	4.0	2.6	-2.3	4.3	2.8	2.7
EE	7.3	3.2	1.5	3.0	1.9	3.2	5.8	3.8	4.0	-1.0	7.2	-0.5	3.4
RO	4.5	1.9	0.3	4.1	3.2	2.9	8.2	6.0	3.9	-3.7	5.8	4.7	4.6
LT	6.0	3.8	3.6	3.5	2.0	2.5	4.3	4.0	4.6	0.0	6.0	1.9	3.95
PL	5.0	1.5	0.9	3.8	4.4	3.0	5.1	5.9	4.5	-2.0	6.9	5.1	5.05
MT	0.5	4.1	5.5	7.6	9.6	3.4	10.9	7.4	7.1	-8.1	12.3	6.9	3.7
IE	1.3	-0.1	1.2	8.8	24.5	1.8	9.3	8.5	5.3	6.6	15.1	9.4	5.35

Source: Eurostat

The patterns of economic growth fit in another question of institutional economics, that is whether aid is beneficial to nation states or it is often leading to more corruption or misuse (Chernomas & Hudson, 2019). To some extent the funds which the EU distributes to predominantly Eastern countries, Portugal, Greece and Southern Italy could be describe as leading to not clearly positive results as only part of those nation states shows greater economic growth.

The major fluctuations in the trust towards institutions in the EU are connected to not only economic growth or crises, but also to other events such as the accession to the EU – such as the 2007 increase in trust due to the accession of Bulgaria and Romania, the debt crises and the response of the European Union, the COVID-19 crises which saw and increased trust in the EU institutions and decrease of such to the national governments. Thus, trust in the institutions across the Member States should be examined for its role in determining growth. As visible by the data of Eurobarometer the trust in the European and national governments is co-dependent on the performance of the national economies (Eurobarometer, 2023). An additional possible connection between the culture and the trust in the EU institutions could be the spread and the vulnerability of the different nations to the spread of conspiracy theories (van Prooijen, et al., 2022).

Table 2: Trust in EU and national institutions, 2023

	EU institutions			National institutions		
	Tend to trust	Tend not to trust	Don't know	Tend to trust	Tend not to trust	Don't know
DK	73%	20%	7%	56%	40%	4%
LT	65%	23%	12%	29%	65%	6%
IE	64%	26%	10%	50%	45%	5%
SE	67%	27%	6%	43%	54%	3%
LU	65%	28%	7%	77%	17%	6%
PT	67%	28%	5%	48%	49%	3%
FI	57%	28%	15%	55%	27%	18%
LV	55%	29%	16%	30%	61%	9%
MT	58%	31%	11%	43%	51%	6%
EE	48%	36%	16%	38%	55%	7%
PL	57%	36%	7%	31%	65%	4%
BG	48%	37%	15%	14%	75%	11%
NL	57%	37%	6%	36%	61%	3%
RO	52%	40%	8%	23%	73%	4%
HU	54%	41%	5%	41%	56%	3%

ES	48%	43%	9%	27%	68%	5%
HR	52%	44%	4%	24%	73%	3%
EU	47%	45%	8%	32%	63%	5%
BE	49%	47%	4%	40%	57%	3%
SK	44%	47%	9%	19%	73%	8%
DE	43%	49%	8%	38%	57%	5%
CZ	43%	50%	7%	29%	67%	4%
IT	41%	50%	9%	32%	62%	6%
AT	43%	50%	7%	38%	55%	7%
SI	43%	50%	7%	25%	70%	5%
UK	33%	52%	15%	22%	74%	4%
CY	39%	54%	7%	36%	57%	7%
FR	34%	55%	11%	20%	75%	5%
EL	40%	56%	4%	28%	70%	2%

Source: Eurobarometer

Conclusion

Although the reported academic works deal with two different issues namely the economic outcomes determined by the culture and institutions as a foundation of growth, their evolution and divergence, there is a strong connection between the two. Culture is explained a major factor for wealth distribution by Guiso, Sapienza and Zingales. Wealth and power distribution is viewed as a major driver of institution creation by Robinson, Acemoglu and Johnson. However, the findings of both texts are not similar. Both do not claim for entirety and exclusivity in the argument, so further examination of the links culture – power - efficiency and power-distribution-institutions is called for.

The presented data from Eurostat and Eurobarometer on the medium-term economic growth across the Member States in the European Union as well as the relationship between societies with their national and European institutions suggest that culture is not a major determinant of growth on a continental level. Economic growth patterns do not follow the major cultural clusters but rather geography – with a clear tendency towards the semi-periphery of the European Union. Another layer of possible discussion should be set at the trust the societies of the Member States have in their national governments as well as in the European institutions, as they follow the economic growth patterns. However, they require further research into the internal national politics as well as in other national issues – such as the spread of conspiracy theories and its methods.

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