Book Reviews

Why Culture Matters Most

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In recent decades, disputes about culture have increasingly troubled Western societies. The “culture wars” in the United States feature disputes about identity politics and “cancel culture,” the polarizing effects of which are on vivid display in election politics. The mainstream of the economics discipline has mostly positioned itself above these frays.

A notable exception relates to the question of the role of culture in influencing nations’ economic institutions and economic outcomes. Does culture matter? Does it matter more than institutions? Are wise institutional choices enough to secure prosperity, regardless of culture, and perhaps themselves shape culture? Here, an interesting debate within economics is playing out. A bevy of prominent economic historians of the past three decades have argued that culture — usually conceived of as deriving from religion — significantly influences institutional choices and is at least co-equal with, if not more important than, economic institutions in determining national economic outcomes. (Among many, Deirdre McCloskey’s trilogy (2006, 2010, 2014) and Francis Fukuyama (1995) exemplify this view.) Other economists go in the other direction: that institutions, not culture, are the key drivers of economic outcomes, and that culture itself derives from institutions. Acemoglu and Robinson (2012) assert:

...those aspects of culture often emphasized — religion, national ethics, African or Latin values — are just not important for understanding how we got here and why the inequalities in the world persist. Other aspects, such as the extent to which people trust each other or are able to cooperate, are important but they are mostly an outcome of institutions, not an independent cause.
(p. 57)

Similarly, Williamson (1993) and others take the view that institutions can substitute for culture-produced trust, opening a path to economic development regardless of culture.
This is the context into which Rose’s book lands. Rose, Professor of Economics at the University of Missouri-St Louis, ambitiously proposes a “new theory to explain why it is indeed culture—not genes, geography, institutions, policies, or leadership—that ultimately determines the differential success of societies” (p. 1). To make his case, he identifies “free market democracy” as the best type of political economy system for promoting human flourishing (on mostly classical liberal grounds of freedom and efficiency) and works backwards from there. He asks, in effect, what is necessary for free market democracies to emerge—and, especially, not to fail.

He identifies trust as the key social characteristic that powers free market democracy. He conceives of trust as bilateral—between individuals—but also in relation to the political-economic system as a whole—“trust in the system”—and argues that increased cooperation in larger and larger groups, necessary for mass flourishing, hinges on both. Trust fuels cooperation not only by reducing transactions costs (a point widely understood in economics) but by assisting the functioning of trust-dependent institutions:

...[M]any institutions that lower transactions costs are themselves highly dependent on trust. Complex formal contracts...are of little value if the judicial system cannot be trusted. Strong property rights are another important feature of prosperous societies...but are of little value if the government cannot be trusted to fairly enforce them. (p. 29)

The question of how societies should create and maintain sufficient trust to become and remain free market democracies is at the heart of his analysis. Leaning heavily on evolutionary psychology, Rose argues that in prehistoric times humans were well evolved to “extend trust in small-group contexts like families” but that the widespread norm of trustworthiness necessary for large-group cooperation, rooted in a society in which most people are in fact trustworthy, must arise from culture. Rose defines culture as “knowledge transmitted across generations through imitation and teaching rather than through genes,” embodied in “beliefs and practices that are consistently held and followed within societies but that vary widely across societies” (p. 3). Culture allowed humans to speed up social adaptation far beyond what natural selection in the gene pool could accomplish. And some societies, in what was “mostly
a matter of good luck,” hit upon techniques to cultivate the prosocial, trust-producing moral beliefs necessary for high-trust societies (p. 16). In stories and myths, repeated particularly for the impressionable young, culture encourages “beliefs about right and wrong” (p. 32), pointing individuals towards trust and away from trust-betraying opportunist behavior. In this way societies invest “into the inculcation of moral beliefs that can produce trustworthiness in large group contexts” (p. 39).

The stories a society tells itself are valuable “cultural commons” (p. 32) so long as they are not destroyed by trust-breaking opportunism or neglect. Drawing on the work of Robert Frank (1988), Rose argues that maintaining a high-trust society requires “instantiating moral tastes that can be expected to produce strong and involuntary feelings of guilt upon behaving in an untrustworthy way,” so as to “…more closely align every individual’s interests with the common good” (p. 47). Rose dubs the resulting unwillingness to break trust, *per se*, “principled moral restraint” (p. 50).

Rose prizes principled moral restraint in individuals more than their positive moral values or “moral advocacy,” his term for positive moral actions (p. 54). The moral tastes of a person with principled moral restraint “effectively redact untrustworthy actions from the domain of his utility function” to take the “moral decision-making process away from its natural cost-benefit mode.” This solves what would otherwise be a significant time-inconsistency problem of individuals abandoning previous commitments when “golden opportunities” for opportunism show up.

However, Rose identifies two long-run problems in free market democracies. The first is the public good problem of under-investment in trust-producing beliefs. Moral beliefs are a kind of public good: they provide external benefits that are non-rival and almost entirely non-excludable (untrustworthy individuals benefit from transacting with trustworthy ones). As such, they will suffer from chronic under-investment. Families will invest in the moral development of their children up to the private optimum, but under-invest relative to the social margin. The second long-run problem, the “democratic dilemma,” is the special interest group problem identified by Mancur Olson. Pleading for privileges, special interests subvert economic prosperity and erode trust when they gain access to the public trough, diverting government spending and private resources into divisive zero-sum games.
For Rose the key to solving both problems is to pair principled moral restraint with the promotion of society-wide, duty-based approaches to morality, to form what he calls duty-based moral constraints. This enhanced sense of duty, which he believes should always take precedence over moral advocacy, can rectify the under-investment problem. Though some religions “stumbled onto” (p. 143) the value of promoting the merits of duty to the larger group over oneself, he appears to prefer a wider, non-moral approach to promoting that ethic. Likewise, duty-based moral constraints can solve the democratic dilemma by encouraging citizens not to “use the democratic process to engage in redistributive or regulatory favoritism no matter how noble the ultimate objective” (p. 147). Rather, government spending should be focused exclusively on a need-based social safety net and pure public goods, lest it undermine the common good and tempt individuals to defect from trust.

The central requirement of Rose’s whole project is that children be raised, from a very early age, in their most impressionable years, in an environment that teaches duty to the larger community over self, and which elevates principled moral restraint as a good. Rose is silent on the specifics of how this might be achieved, and about whether principled moral restraint should be considered the highest good.

Most of the book is written in a clinical tone with very few examples of any kind. But towards its end Rose cuts loose somewhat and offers several trenchant takes on current cultural disputes. For instance, he makes a heartfelt plea to appreciate free market democracies as “mankind’s best invention” (pp. 155-156). He closes with several paeans to culture, understood as duty-based moral constraints, for the sake of civilization, including this:

The need to reteach moral beliefs each and every generation makes culture fragile, but it also separates the decision to have certain kinds of beliefs from the cost of having them. This allows a society to encode certain kinds of beliefs as moral tastes that function pre-rationally, so individual rationality does not undermine the common good. This is what makes culture so powerful and why there is no substitute for what it does. (p. 155)

Rose has attempted something valuable in this book. Its biggest strength is Rose’s sustained attention to the notion that culture in general, and trust in particular, are types of social capital that are best understood as
public goods. High-trust cultures can provide enormous external benefits to participants because one of the public goods they furnish is a widely honored social norm of honesty and trustworthiness. Yet they require care and tending, investment and maintenance, in the face of chronic problems of free-riding, opportunistic norm-breaking, and temptations to simply neglect them and rely on law or institutions as substitutes. These problems really do get worse in larger and more prosperous societies where individuals see that the cost of their personal defection from moral norms is low, have trouble forecasting the collective long-term consequences of their behavior, and are socially disconnected from other groups in the society to the detriment of empathy.

Viewing culture as social capital opens a constructive way to address the forces that work to undercut it. It also opens culture-promoting arguments to economists, for whom thinking about capital accumulation and public goods comes naturally. Third, it is an important corrective to the Acemoglu and Robinson view that culture derives almost entirely from institutions and plays essentially no role in the development of nations. And although Rose positions culture as antecedent of institutions, he does not critique the necessity or importance of institutions. Nor is he arguing that culture is immutable. One of its key virtues is its relative malleability over time through the learning that children imbibe, a malleability that in many contexts is beneficial. In that sense, prosperity-promoting trust can, in principle, be learned — accumulated — by cultures that currently have a deficit of it.

Rose’s hopes for the future of civilization are pinned on inculcating particular sets of beliefs in young children so that they are deeply embedded in the minds of the adults of the next generation. For someone who views this as the linchpin of his plan to remediate the cultural commons, he is surprisingly timorous about it:

One cannot help but feel that there is something unsettling about effectuating social control through moral tastes that are better described as having been absorbed by young children than as having been chosen by adults. It is, frankly, a kind of mind control. Anyone raised in a free society naturally worries that this undermines individualism. (p. 170)

From a Christian perspective, of course, inculcating truth in young children is both obedient to Scripture and wise (“Train a child in the way
he should go, and when he is old he will not turn from it,” Proverbs 22: 6). What parent should refrain from teaching a child how to be wise, as best the parent understands that? (Not to mention that it is impossible to not teach children, who inhale lessons from what parents do as much as from what they say.) Rose is on far more solid ground here than he seems to realize.

A deeper critique is that Rose’s view of culture is too thin. His definition is serviceable, but he speaks of it far too narrowly — as basically the set of inbred norms that sustain bilateral trust and trust in the system. Culture is far more expansive and wild. It shapes a people’s vision. It is a lodestar that orients life, policy, and institutional change, and it offers language to give voice to aspirations. Looked at in full, cultures must emerge from faith traditions of some kind — even when people claim to be of “no faith,” culture emerges in their actual living out of worldview assumptions — because cultures make claims about ultimate reality.

All a society’s mediating structures are schools of cultural instruction and encouragement. All a culture’s values can be deepened or revised through rational discourse among adults. Rose’s argument is the weaker for not addressing these matters. He writes as if there is no means to promote healthy culture other than children’s education.

While not opposed to duty-based arguments for culture, traditional Christian thinking has focused on care for a culture’s overall vision of the human person, wanting it to be rooted in commitments to the inherent dignity attributable to the Imago Dei, from which flow important commitments to the rule of law, equality before the law, property rights, and so on, leavened with personal ethics of love, service, and virtue.

A further critique is that Rose’s solution appears dependent on strong families capable of raising children into mature, duty-bound adults. I will not dispute the importance of strong families. But it’s possible that the single largest casualty of the past 60 years of cultural change in the West has been the institution of marriage, leading to a considerable loss of social capital available for the raising of young children, particularly among poor and lower middle-class households (which have the highest rates of single parenthood). Rose’s program — or any attempt to improve cultural outcomes — will need to encompass the difficult task of rebuilding a cultural vision for marriage, likely supported by thoughtful economic policy reform for job creation and social mobility.
The book has other flaws, including sections marred by dense and repetitive writing. And yet, for all that, it is an important book nonetheless. Rose frames trust as an intrinsically and instrumentally valuable element of social capital, and in a way that makes it amenable to economic analysis and better public discussion. By explicitly naming what constitutes healthy sustainable culture, he has implicitly called out unhealthy culture — a brave act in the West right now, but one with considerable long-term promise of helping to orient us aright.

Notes

1. Fukuyama (1995) is far superior in delineating varieties of culture and culture-building institutions (including mediating institutions), the features of high-trust and low-trust societies, the differences between cultures based on family-based trust and generalized social trust, and the particular problems that low-trust societies encounter.

References


