

CULTURE AND DEVELOPMENT ECONOMICS: THEORY, EVIDENCE, IMPLICATIONS

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The only way to offer universality for one's scientific judgement is to use other disciplines that can contribute to that judgement - or, at least, this seems to be the latest consensus among scholars. Economics is a complex domain which cannot function well without the help of other sciences. Cultural variables are relevant for the economic studies because various forms of cultural behaviour have to be tested by economists for the success of developing and implementing economic strategies. Although economics has the arrogance to consider itself self sufficient, quantitative data must be sustained for accuracy by qualitative interpretations supplied by sociology or anthropology. One can, after using cultural data, find new research questions and raise more accurate theories. This article argues that multidisciplinary studies are the best cure for superficial and unfounded conclusions

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Culture occupies an ambivalent position in development economics. If one considers the work of recent Nobel Prize winners-Gary Becker on social interactions and endogenous preferences (Becker, 1996), Douglass North on institutions as cultural byproducts (North,1990), and Amartya Sen on famines, social choice and capability (Sen, 1998)-one finds economists of quite different stripes all acknowledging that economic and cultural phenomena are related. There are entire journals devoted to aspects of this interface.² In development economics, culture makes regular appearances-in the social capital literature³ in studies that direct attention to gender discrimination, social exclusion, or the marginalization of indigenous groups; in studies of conflicts between ethnic groups. In their daily work lives, moreover, most economists are routinely interacting with colleagues from different cultures, and not infrequently find themselves remarking upon seemingly novel aspects of these colleagues' behavior.

But economists treat culture in very different ways. Deepak Lal's (1998) work on culture and long term growth performance, for example, takes a culturally static approach to historical data. Culture is perceived by most economists, however, as a residual category that is both immeasurable and immune to policy interventions in the near term (hence a realm best left to "softer" social scientists in sociology and anthropology) but having some explanatory power nonetheless. Sometimes a placeholder for culturally-specific attributes is left in the individual utility function-as in Becker's endogenous preference function that incorporates personal and social capital (1996), or worked in to both preferences and constraints as in Akerlof and Kranton's identity variable (2000); sometimes game theoretic models reflect culturally-specific behaviors, as in Platteau (1995) or Bloch and Rao (1999). Sometimes culture is studied not as a behavior but as a category of goods such as art or music or tourism, with specific demand and production functions (Klamer 1996). Sometimes cultural goods or attributes are grouped with intangible environmental goods, and brought into the welfare function by the various pricing methods. The accuracy, empirical basis, and time-relevance of these approaches may differ considerably.

For the most part, economists view culture with professional suspicion and regard it to be too amorphous to be amenable to rigorous analysis. In late 1996, for example, *The Economist* magazine ran a dismissive review article on "cultural explanations" of economic life, arguing that "culture is so imprecise

2 For example the *Journal of Cultural Economics*, *American Journal of Economics and Sociology*, *Review of Social Economy*, *Journal of Economic Issues*, and *Economic Development and Cultural Change*.

3 It is helpful here to distinguish between culture and social capital, since there are several efforts currently attempting to incorporate social capital into the development agenda (Woolcock and Narayan, 2000). Social capital can be viewed as the set of networks where groups build internal solidarity (the "bonding" function) and links with other groups (the "bridging" function) (see Narayan 1999). While this does have a lot to do with norms, values, identity, social relations, and other "cultural" phenomena, these matter for social capital only in so far as they contribute towards the bonding and bridging functions. Culture thus refers to a wider concept of how individuals and groups view themselves and the world, how they construct meaning and beliefs, and importantly, how these systems of meaning and belief are reproduced. Cultural practices also build up identities (Taylor, 1989).

and changeable a phenomenon that it explains less than most people realize".⁴ Despite contributions from influential individual economists, culture is hardly a mainstream topic in development economics. At best, culture can be likened to a visitor whom people greet warmly and appreciate while she stays and speaks, but who would never be invited to join the team. The point of this paper is to critique theoretical and empirical studies on the cultural dimensions of development, and on the basis of this to suggest a constructive, coherent, and multi-disciplinary strategy for taking culture seriously, as an issue with profound significance for development. We aim, in short, to show why and how culture should be invited onto the team.

The structure of the paper is as follows. We first address definitional and conceptual issues. Second, several points of empirical intersection between culture and development economics are reviewed. Third, we outline key principles for multidisciplinary research on development that takes culture into account. Finally, we sketch out how development policy and projects might be improved by given greater credence to culture and cultural issues. We should note that we do not, and cannot, do justice to the long and distinguished literature on the interactions between culture and economic development in anthropology.⁵ Our focus is primarily to sketch a few basic issues about this relationship that would be of use to development economists and policy makers.

I. Defining and Conceptualizing Culture

Two ways of considering culture

Culture has a dizzying array of definitions. Nearly fifty years ago Kluckhohn and Kroeber (1963 [1952]) counted 164 definitions of culture and civilization in the anthropological literature; this figure will have increased substantially since then.⁶ However there are two broad ways of considering culture that have a long intellectual heritage, and are relevant to the task at hand.

The first considers culture as collective identity. To paraphrase Appadurai (1996), culture can be thought of as the set of attributes that allow people to mobilize differences between themselves and others. We should note that this definition goes well beyond a narrow focus on culture as a factor in determining

4 The Economist was reviewing Samuel Huntington's influential "clash of civilizations" thesis (Huntington, 1996), namely that certain primordial values and beliefs are ingrained in particular regions ("civilizations") of the world. Huntington argues that longstanding but explosive "faultlines"-located on the borders between different groups-are being challenged anew by forces of globalization and modernization (see also Harrison, 1992; Sowell, 1994; Fukuyama, 1995; and Barber, 1995, and Harrison Huntington and Landes, 2000). This work is similar to but distinct from "political culture" theory-pioneered by the empirical research of Almond and Verba (1963) and continued most recently by Inglehart (1997)-which seeks to detect long-term changes in attitudes and values across countries.

5 It would be akin to writing a survey paper on the analysis of markets in economics.

6 See Kuper (1999) for a survey of the distinct western conceptions of culture that have arisen since the late 19th century.

ethnicity or social exclusion; It includes notions of identity, ethnicity, kinship, marriage systems, public and private rituals, and the other such structures, beliefs, and practices. Many of these attributes are place-based and very routine, such as how you buy, dress, eat, speak, produce and sell. They may be linked together as a framework of meaning or a "collective cast of mind" (Kuper 1999: 227). In this definition, every person usually has several cultures, corresponding to the groups of which they are a part (Sen 1998b).

The second considers culture more narrowly as artistic expression - for example in music, painting, architecture, wood-carving, or dance. This is the definition that often comes to mind when the word 'culture' is mentioned. The 'collective identity' and 'artistic expression' approaches to conceptualizing culture have obvious overlaps-indeed the second is essentially a subset of the first-but for the purposes of this paper we will use the term culture in the first, broader, sense.

Adopting this approach is helpful because it provides a more direct link between the empirical and ontological significance of culture for development, including the way that donors and development agencies are likely to deal with culture operationally (Davis, 1998). First, understanding culture as collective identity facilitates an awareness of cultural values/identities into the design, implementation, and evaluation of development projects. In Bangladesh, for example, where Islamic traditions frown on birth control and the charging of interest on loans, careful attention to cultural concerns has enabled that country to be an international leader in family planning and microfinance programs. Second, it permits special consideration to be given to unique artistic endeavors such as built heritage, tourism, and handicrafts, where these are explicitly seen an element of an overall poverty reduction strategy. Third, by considering the place-based nature of many cultures, it helps to identify the processes and structures of decision-making that will best support those cultures. Critics of the Bank-and of "development" more generally-are quick to note that neglecting these aspects is one of the primary reasons why development projects too often have unnecessarily harmful impacts.⁷

Why does culture matter?

There are both intrinsic and instrumental answers to this question. Culture is important in its own right, entering into the framework of development because it mediates what World Bank president Wolfensohn (1998) referred to as "things that matter" - in other words, it directly affects well-being or quality of life. Culture also affects the efficacy of developmental interventions by affecting the incentives of beneficiaries. Empirical cross-cultural studies of utility (interpreted both as emotional happiness and as life-satisfaction) show that income is more weakly related to utility or well-being than has often been

7 Arturo Escobar (1995: 167) writes, for example, that "peasant resistance [to rural development strategies] reflects more than the struggle for land and living conditions; it is above all a struggle over symbols and meanings, a cultural struggle."

assumed.⁸ Other significant determinants of well-being include relationships, meaningful work, status, and religion. Development activities that are sensitive to culture may impact these variables positively, hence raising the well-being of the poor independently of the economic effects of the same activities.

The direct relevance of culture to economic development can also be seen in those cases where "development" itself undermines cultures. Satellite dishes in remote villages, for example, beam in foreign images of beauty, sexuality, consumption, and alternative lifestyles (Barber, 1995). Similarly, powerful international companies can capture indigenous intellectual and cultural property (e.g. medicines and music) without either sharing the financial gains or assuming responsibility for the immense disruption to local life their actions may cause. Norchi (1998) presents the fascinating case of a potential "cure" for malaria discovered by villagers in the Andaman Islands (off the coast of India), the rights to which were subsequently "purchased" by a global pharmaceutical company. After concerted international pressure was brought to bear, the company in question returned millions of dollars to the Andaman Islands, but the abundance of riches completely overwhelmed the local economy, turning once peaceful and cooperative neighbors into hostile adversaries.

Attention to culture has been identified as instrumental to economic development for a number of reasons:

More cultural sensitivity, better models, less project failures

Human behavior does not respect disciplinary boundaries. Therefore, economic models that ignore the cultural context within which human beings operate are incomplete. Since economics is the most influential disciplinary lens through which development policy is formulated, policy interventions are often designed with imperfect conceptual frameworks. Economic models also tend to imbed Western notions of identity and behavior. For instance, anthropologists have argued that Indian individuality differ markedly from Western individuality, a caricature of which is the homo oeconomicus model that underlies most economic models (Mines, 1994). Models of inter-household behavior usually assume the existence of a Western nuclear family (e.g. Becker 1981). In order to work as more accurate models of non-Western families these need to be adjusted to reflect culturally derived preferences and constraints (and other social or psychological variables).

For example, through significant cross-cultural study in simple societies, Bowles and Gintis (1999) have found that reciprocity and revenge are common across cultures, and argue that these need to be factored into the economic behavior of homo oeconomicus across the world.⁹ Many more development economists adjust the model to particular local or sectoral observed behaviors.

⁸ See the November 1997 issue of the *Economic Journal* (Vol. 107), which discussed the controversy about economics and happiness (articles by Ng, Dixon, Oswald and Frank). See also Csikszentmihalyi (1997), Frey and Stutzer (1999), Myers and Diener (1997), Lane (1991), Argyle (1998), Inglehart (1997), Diener (1995), Diener and Suh (1997), Veenhoven (1994), and Narayan (forthcoming).

⁹ Gintis 1999; see also Stark 1995.

For instance Platteau (1994a and 1994b) finds markets systems to be embedded within socially defined norms and rules of interaction. Ignoring these cultural "endowments" can result in poorly designed development policies that may have unintended social and economic consequences. Other studies examine the impact of culturally derived constraints and structures on domestic violence (Bloch and Rao, 1999), gender specific returns to land productivity (Udry, 1996), and information structures in marriage markets (Bloch, Rao and Desai, 1999).

A number of economists outside the field of economic development are also trying to come to grips with the role of culture in economic decisions. Grief (1994), an economic historian, has explicitly attempted to model the role of cultural factors in shaping the emergence of trading institutions in medieval times. At a more theoretical level, Bhikchandani et. al (1992) have attempted to understand the role of information flows in determining conformity and other "cultural" behaviors. Cole et al (1992) model how social norms can affect saving behavior and growth, while Kandori (1992) has worked on the role of social norms in strategic behavior.

In all of these examples economists have needed to shift their focus to cultural contexts or behaviors in order to formulate models of economic relationships. We will discuss later the source of economists' insights into culture, and a possible code for strengthening and regularizing economists' introduction of cultural assumptions and models.

Qualitative Data and "Participatory" Econometrics

Economic models have often justified their neglect of factors such as collective identity, belief and meaning on the grounds that the set of simple assumptions about individual rationality made by most economists are sufficient for predictive purposes.¹⁰ As Milton Friedman put it:

The relevant question to ask about the assumptions of the theory is not whether they are descriptively realistic, for they never are, but whether they are sufficiently good approximations for the purpose in hand. And this question can be answered only by seeing whether the theory works, which means whether it yields sufficiently accurate predictions.¹¹

But "accurate predictions" assume the existence of a technology that is able to determine "accuracy." In particular it assumes that an econometric result has been identified in a manner that excludes the possibility of all observationally equivalent alternative explanations. As all econometricians know this is extremely difficult. In practice, Econometrics is a fallible science that inherently reflects biases in Economic Theory, and in the person of the Econometrician. Thus, if the theory misses a crucial aspect of behavior, so will the prediction,

10 Sen (1982, 1993), Hirschman (1998), Bowles and Gintis (1995)

11 Friedman (1994: 188).

and the methods available for testing that prediction. This means that while an econometric model may give the impression of precision, it may in fact be "precisely wrong." Wrong models may result in incomplete or incorrect understandings of reality, which in turn would result in imperfect policies.

How does one collect culturally sensitive data? How does one correct for these inherent biases and make econometric analysis more congruent with ground level realities? In other words, how does one make econometrics more participatory? Part of the problem in analyzing secondary data is the disconnect that exists between the econometrician and the data. The data is usually collected by someone else, and the econometrician's analysis of the data is thus based upon a theoretical understanding that, following from the arguments developed above, may be culturally biased and therefore incorrect. One way to correct this is by reducing the distance between the econometrician and the data, i.e.: have the analyst be a central part of the data collection process.

Moreover, the structured questions that usually constitute a survey instrument may themselves reflect the biases that are present in theoretical models and in the person designing the questionnaire, and therefore insensitive to culturally determined nuances in behavior. This is where the anthropological toolkit may be useful. In particular, using open-ended interviews, focus groups, and other qualitative data collection methodologies will help make econometric work more culturally sensitive, grounded and participatory (Rao 1997, Rao 1998).

Qualitative information on its own may not be enough for the purposes of informing policy. It is an intimate and detailed form of inquiry that consequently may become unwieldy with a large sample. When large samples are necessary, when the targeted population is large for instance, qualitative data should supplement quantitative data where the survey instrument has been informed by a qualitative investigation. It should also be kept in mind that qualitative data are just a form of data and that there is no inherent contradiction in using qualitative data collection techniques with random, representative samples. Very large samples may, however, make the cost of qualitative data collection and analysis prohibitive.

To summarize, qualitative information is able to complement the quantitative analysis in at least the following ways:

- 1) by informing the construction of the survey instrument;
- 2) by suggesting hypotheses that could be modeled and tested against the survey data, and by providing an alternate source of evidence against which statistical results can be compared and validated;
- 3) by asking open ended questions that permitted a discussion to be more informative by allowing a respondent more freedom in determining its direction;
- 4) by understanding people's motives, desires, aspirations, expectations.
- 5) by providing a personalized context and texture to statistical work with anecdotes and excerpts from conversations;

- 6) by understanding the nature of community interactions, and how people related to one another.

Intrinsic motivation

The economic value of intrinsic motivation - people doing a task for the sake of doing it rather than for an external incentive such as to be paid - is well-established.¹² Certain activities done from intrinsic motivation have lower supervision or free-rider costs, greater productivity, or better distribution effects, and are highly fulfilling. One kind of intrinsic motivation is identity-expression: when one offers hospitality not in order to get social approval or obtain private returns but rather because offering hospitality is central, expressive, of one's identity (perhaps as a midwesterner or as a muslim or hindu or christian).¹³ Economic development can, and regularly does, introduce economic incentives that, under certain conditions, predictably crowd out intrinsic motivations, leading to inefficient outcomes.¹⁴ This need, then, for economists to beware of the potential negative affects of economic incentives, relates partly to the need to adjust the motivational model of homo oeconomicus discussed above, and also to an additional need for economists to appreciate the role of participation in policy creation (we will return to this point).

Increased trust, cooperation, and reciprocity

The role of trust and trustworthiness in the creation of effective institutions is becoming empirically well-established.¹⁵ In addition, cooperation is instrumental to both production and for distribution, and affects the intra-household allocation of resources, remittances, coping strategies, risk management, and morale. Yet traditional cooperative behavior within a community can be threatened and weakened during the process of modernization. Attending to culture at all levels of interaction can both reinforce cooperative behaviors and help mitigate distrust. This is a vital consideration in settings where communities refuse to cooperate with external agencies or governments because of suspicion or miscommunication.

Cooperation, reciprocity, and solidarity have deep economic payoffs in the form of lower transaction and enforcement costs, greater sustainability, and so

12 On the economic value of intrinsic motivation see Sen (1994, 1997) and Lane (1991). On the negative effect of incentives on intrinsic motivation, see Alkire and Deneulin (forthcoming), Deci (1971), Deci and Ryan (1985, 1987), Ellerman (forthcoming), Enzle et al (1991), Frank (1991), Frey (1997), Frey and Oberholzer-Gee (1997), Hogarth and Reder (1987), Kohn (1998), Kreps (1997), Legrand (1997), Lepper and Greene (1978), Lindbeck (1997), and Titmuss (1970).

13 Flanigan and Rorty (1990). This is in distinction to Akerlof and Kranton's notion of identity, which is associated with following prescriptions.

14 Frey and Versand (1999) survey the empirical evidence.

15 See especially Alston, Eggertsson and North (1996) on institutions, and Knack and Keefer (1997) and Knack (1999) on social capital.

on.¹⁶ Indeed, as Rao (2000a) argues, the poor make extraordinary expenditures—up to six times their annual incomes—on cultural events such as weddings and festivals precisely because they want to maintain and enhance their status, and communicate information about changes in mobility, their willingness to be "good" citizens, and to participate in webs of obligation. These expenditures are also extremely important as elements of strategies to cope with risk and poverty, especially in environments where market-driven improvements in urban employment may reduce a village family's dependence upon its traditional networks.

Increased ability to predict growth trajectories

In a paper on the process of economic change, Douglass North asks, "Why are countries poor if we understand the processes that make for growth?"¹⁷ He argues that the new growth economics literature understands the basic economic determinants for growth, but does not recognize two additional determinants of growth: the institutional framework and the cultural heritage (religion, morality, and norms). Cultural heritage, North argues, determines the institutional structure and its path of change. Hence in North's view, a realistic economic prognosis needs to understand "the interplay between parts of the economy that shape economic performance,"¹⁸ one of which is collective identities and their associated cultural values and beliefs.

Direct revenue from cultural assets

Cultural activities are involved in significant industries such as tourism, music, art, jewelry, construction materials, and apparel, when these are seen to be linked to collective identity.¹⁹ Fostering such industries can have direct and significant economic returns. They have a potential (often unrealized) to be especially beneficial for the poor, since such activities are characteristically labor intensive and employ traditional skills that may be already present in the labor force. Yet the links between 'culture economics' and development economics are weak, and the application of culture economics to developing countries is in the early stages.

There is a potential danger in turning cultural "things" into commodities that should be kept in mind.²⁰ By turning an artifact with ritual and religious meaning into a craft for sale in boutiques, the artifact is being divested of its cultural meaning. If there is a demand for the commodity, this may raise incomes, but at the same time it could reduce its intrinsic cultural value.

16 See, among others, Bowles and Gintis (1998), Coase (1960), Elster (1989a, 1989b), Greif (1994), Fehr and Gächter (1998), and Kurien (1994).

17 North (1997: 1) see Lal (1998)

18 North (1991: 9)

19 Sinclair (1998), Klammer (1996), Peacock and Rizzo (1994), Throsby (1994).

20 Appadurai (1988) is a collection of articles exploring different aspects of this.

Similarly, the sale of ritually meaningful music and dance to foreign tourists could "freeze" its artistic development by increasing the incentives to produce it in a manner that generates the highest tourist revenue. Therefore, an economic analysis of the income potential of cultural "assets" should be balanced with a careful anthropological understanding of the negative externalities of that might result from the commodification process.

Rents from knowledge: intellectual property and patent rights

Economically valuable cultural property relates to identity-expressive activities such as music, poetry, craft, folklore and literature (Towse 1999). It also encompasses traditional knowledge about medicinal properties of plants, or agricultural practices.²¹ Global producers threaten to appropriate the downstream economic benefits that can arise from this knowledge and its productive use (Norchi, 1998), hence legal protection can enable poor communities to realize economic profits.

Prevention of costly conflict.²²

Development activities whose benefits accrue to particular cultural or ethnic groups can unwittingly contribute to the preconditions of conflict (Uvin, 1998). A proactive understanding of the cultural beneficiaries of activities, and of potential cultural flashpoints between groups, is a necessary preventative measure.²³ Also, the protection and even rebuilding of cultural heritage in post-conflict situations has a crucial psychological role. As the heading from a World Bank Evaluations Department Report put it, "Culture is Not a Luxury", for "cultural heritage has the power to inspire hope and remind people of their creativity;"²⁴ its restoration can help people heal.

These few examples suggest different nodes at which culture intersects with the issues of development economics. Policy prescriptions that ignore the cultural dimension do so at their peril.

II. ELEMENTS OF OPERATIONALLY RELEVANT RESEARCH

What relationship do these various levels, ends, and means of culture have for economic inquiry and subsequent policy-making? We identify three general rules: multi-disciplinarity, specificity regarding the use of the culture term, and a clear awareness of the need for economic and anthropological analysis and

21 Warren et al (1995); see also Kumar (1996), Felker et al (1997), and Appfel-Marglin and Marglin (1990, 1996).

22 Conflict, as Hirschman (1994) correctly notes, can in fact be a "pillar of democratic market society" when it is conducted fairly and becomes a basis for institutional renewal. Conflict becomes destructive when it is grounded in an environment that ignores due process and basic civil liberties, and where different social groups are isolated from one another (Horowitz 1985, Collier, 1999; Varshney, 1999).

23 Olson, 1982; Easterly and Levine, 1997; Collier, 1999

24 Kreimer et al (1998), p 32.

policy recommendations to be supplemented by political and/or participatory processes.

1. Multi-disciplinarity: An Answer to the Need for Further Information

First, by now it should be clear that sound economic analyses and policy recommendations require information on culture - in order to adjust economic models of individual or group behavior to be sufficiently adequate predictors of actual behavior in a particular setting, in order to assess the empirical/economic significance of a statistical relationship, in order to predict long term growth performance, and so on. Where is this information on culture to come from? It might be the case that a top economist could recognize this need for further information and diligently resort to quite ad hoc or amateur analyses of culture, or else embark on considerable further study. Alternatively, one could develop stronger mechanisms of partnership between disciplines (Bamberger 1999). It is this partnership across disciplines that many have come to commend.²⁵

Anthropologists make it their business to study culture, and much can be learned from this literature. Yet new research requires multiple disciplinary angles. If economists are seriously going to get into the business of understanding culture, it would be helpful to learn from the methods and theories of anthropologists and culture theorists and others who make culture their primary business. In particular, qualitative methodologies may be particularly useful in informing more realistic economic models which can be then be tested econometrically to determine their generalizability (Ensminger, 1996; Rao, 1997).

There is a further issue - an issue, if you will, of the culture or 'collective' identity of respective social science disciplines themselves. Clearly there could be clashes between the sharply contrasting disciplinary cultures of economics and anthropology/sociology, and again between these and others, such as those who write intellectual property laws, or study political conflicts. In order to improve the effectiveness of policy analysis it might be necessary for all members of, for example, a multi-disciplinary research team, to suspend these suspicion and make an effort to understand the other's language and to appreciate the historical and intellectual underpinnings of the other disciplines.

2. Specifying Culture

Related to this, a far more explicit and transparent specification of 'cultural' terms is necessary. When culture is brought in to the analysis it is often treated as a black box without much regard to its internal logic. There is thus a crucial need to better understand how 'concern for culture' is to be introduced into

²⁵ Scitovsky (1995), Hirschman (1998), Veblen, Lawson, Bowles and Gintis, Lutz, Sen.

development economics - even to mobilize around a common professional code. Yet the code must not require economists to become anthropologists - for that would hardly be a popular recommendation - but only to handle non-economic data more expertly. One approach, based on Huntington, would be to generate, for example, distinctive 'cultural assumptions' or 'models of human behavior' and have economists apply the relevant model depending whether the data originated from the Far East, South Asia, Africa, Latin America and the Caribbean, and so on (or related to men vs women, or rural versus urban populations). But this approach (however much it has been used in the social sciences) disregards two things: 1) that cultures change over time, and 2) that groups (whether identified along geographical, gender or ethnic lines) have internal heterogeneity even at one point in time.²⁶

Rather than adopting the Huntington approach, then, we would propose that economists consider a few characteristics of the relationship between an individual and any culture at time.

First, culture is not a static bundle of "endowments" but a dynamic, endogenous process that evolves according to its own incentives and constraints while being influenced by and, in turn, influencing local and global economic and political processes. Second, culture is more than just ethnicity. Unlike ethnicity culture does not, to quote Appadurai "stress simply the possession of certain attributes (material, linguistic or territorial) but the consciousness of these attributes and their naturalization as essential to group identity."²⁷ For example, one may recognize national cultures, cultures among feminists, cultures among ironworkers, cultures among the 'older generation', and even the culture of particular families. Third any one person has a set of different identities which may have different cultures associated with them - e.g. mother, Bosnian, Jewish, clerk, urban poor (Sen, 1998b) - and the relative importance of each identity may fluctuate over time.

Fourth, culture links individuals to households to communities. Thus, at the most atomistic level, we could think of how the psyches and preferences of individuals are affected by notions of group identity (Kakar, 1979; Akerlof and Kranton, 2000). At the household level, families may develop ritual traditions or household-specific norms and values that allow them construct a sense of family identity. Households are of course fundamentally shaped by their links to other households through marriage and kinship systems. Social cohesion within a set of households is achieved through festivals, weddings and other ritual and ceremonial events. Greater social cohesion builds social capital and allows households to cooperate with each other to protect themselves against income risk, natural disasters, and other exigencies. "Culture" thus provides the

²⁶ Sen (1996) argues this clearly in his New Republic article "Our Culture Their Culture".

²⁷ As Peters (1999: 400) astutely notes, "ethnicity is not a primordially given essence, but the outcome of complex sociocultural and political processes of labeling and identifying people... [A problem with much of the macroeconomic work on ethnicity is that it] conflates the terms ethnolinguistic diversity, ethnic diversity, ethnicity, ethnic fractionalization, ethnic identity, and ethnic groups, all of which refer to quite different social phenomena."

mechanisms, beliefs and meanings that allow a set of households to define themselves as a community.

Fifth, cultures function at different levels. Distinct communities, which may vary in size from small sub-castes to large ethnic groups, have to live and work with each other in villages and cities; indeed, various cultural and social institutions exist to allow communities to interact with one another and to define themselves as co-members of a larger political entity (Varshney, 2000). For instance, a village may have an annual village festival where different groups come together to worship a local goddess (Fuller 1992, Rao 2000b). A historical or religious site may provide a focus for the coordination problems that exist in bringing different groups together, and help them define themselves as a larger entity. At the macro level a nation-state may develop "macro-cultures" of national identity, public rituals, etc. These sentiments are an important means by which the very notion of a country or region is constructed and reproduced (Anderson, 1982). Importantly, they can be mobilized and harnessed for a variety of political purposes; defending "our culture" from "their culture" (Sen, 1996) can be used to promote patriotism, protectionism, and violence, just as more inclusive forms can be drawn upon to support peace, pluralism, and reconciliation.

Culture, then, does not exist *sui generis*, but is socially produced and reproduced to meet both intrinsic and instrumental goals. Furthermore, culture shapes not just the goals to which people aspire (ends), but also how they seek to realize them (means). Such diversity requires careful deployment of the term culture. What does this mean in terms of a professional 'code'? DiMaggio argues that economists who make assertions regarding cultural influences must clarify two things: "what he or she means by 'culture'" and what is "the scope of phenomena to which one's assertion applies" (1998:28). Failure to do so - because of ungrounded assumptions that a behavior for population A at time t_1 will be the same for population B at time t_2 - is a common oversight. This general rule, then, is a plea for transparency in the definition of, and empirical basis for, statements about 'culture'.

3. Definition vs prescription

Finally, there is need for very considerable caution in using empirical studies regarding cultural behavior as a basis for normative policy prescriptions about cultural behaviors. This is not only because of the inherent problems with the reliability of empirical evidence, but also because of the political economy of such policies. For example, if a culture seems particularly desirable for some reason (either intrinsically or instrumentally), the policy recommendation might be that the culture be protected.

Yet policies that are designed to protect people's cultures, or to prevent social disintegration, could turn around and become a reverse form of colonialism. This may seem hard to picture, especially because 'cultural' programs are advanced, normally, by persons who are most concerned with the 'voice' of beneficiaries. Still, someone is bound to bring up the fact, sooner or later, that "apartheid was based

on an anthropological theory." In fact, Kuper (1999: xiii) points out that the intellectual architect of the apartheid system in South Africa, W.W.M. Eiselen, "had been a professor of ethnology." His studies led him to predict that "if the integrity of traditional cultures were undermined, social disintegration would follow. [Hence] Eiselen recommended that government policy should be aimed at fostering 'higher Bantu culture and not at producing black Europeans.'... Segregation was the proper course for South Africa, because only segregation would preserve cultural differences." This kind of an outcome would be a very bad dream indeed. Yet it is best prevented not by a knee-jerk rejection of culture, nor by avoiding the use of anthropological studies for policy purposes altogether,²⁸ but rather by integrating policy recommendations with participatory and political processes.

The way ahead is sketched by Sen (1999), when he elaborates the need for participation when a proposed project entails a change in collective identity, or affects technologies, heritage or cultural assets:

When an economic adjustment takes place, few tears are shed for the superseded methods of production and for the overtaken technology. There may be some nostalgia for specialized and elegant objects (such as an ancient steam engine or an old-fashioned clock), but in general old and discarded machinery is not particularly wanted. In the case of culture, however, lost traditions may be greatly missed. The demise of old ways of living can cause anguish, and a deep sense of loss...

This is an issue of some seriousness, but it is up to the society to determine what, if anything, it wants to do to preserve old forms of living, perhaps even at significant economic cost. Ways of life can be preserved if the society decides to do just that, and it is a question of balancing the costs of such preservation with the value that the society attaches to the objects and the lifestyles preserved. There is, of course, no ready formula for this cost-benefit analysis, but what is crucial for a rational assessment of such choices is the ability of the people to participate in public discussions on the subject. We come back again to the perspective of capabilities: that different sections of the society (and not just the socially privileged) should be able to be active in the decisions regarding what to preserve and what to let go. There is no compulsion to preserve every departing lifestyle even at heavy cost, but there is a real need-for social justice-for people to be able to take part in these social decisions, if they so choose.²⁹

Thus the last point is that given that culture is intrinsically valuable to people - it is part of well-being or utility itself - when there is a trade-off

28 Klitgaard (1995: 193) notes that anthropologists at present seem averse to giving policy advice: "Polly Hill's anthropological critique of economics is typical in saying: 'Just as an art critic seldom gives artists practical advice on how to improve their work, so it would seem the height of arrogance for an anthropologist like myself to make practical suggestions on working methods or subject matter to economists.' (1986, xi)." Klitgaard argues that this attitude is a departure from the earlier agenda of anthropology and sociology, which was indeed policy oriented, as we have seen.

29 Sen 1999:241-2 italics ours

between more efficient outcomes or a greater income gain, and a cultural loss, the relative weights of the income versus the cultural loss, and the resulting choice, lies outside the professional competence of the economist and is to be referred to political leaders or to public debate.

III. CONCLUSION

Culture clearly matters for economic development, in many ways and in varying degrees. In this review we have sought to show that it makes the most sense not to discuss culture as a single homogenous entity that is the exclusive possession of particular national or ethnic group (Sen, 1996; Rueschemeyer, 1999), but as a dynamic and fluid process in and through which people define who they are, what they desire, and how they seek to realize their goals. We are still a long way from understanding how culture "works" (cf. Bohannan, 1994), and it may well be in the nature of things that it remain that way. Nevertheless, from casual experience to formal analysis, it is evident that culture exerts real and present effects on development outcomes and development projects, and ignoring it has potentially measurable consequences. Taking culture into account does not necessarily require gazing deeply into the eyes of the subject, but does require integrating information about culture into development economic analyses in an informed, defensible way. We invite scholars, policymakers, and practitioners from all backgrounds to contribute to the on-going dialogue needed to move the agenda forward, and to keep culture 'on the team'.

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