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Introduction to the Special Issue on Institutions and Culture in Economic Contexts

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Abstract

The need of further research on the interlink between culture and institutions have been strongly advocated by economists and institutionalists alike. However, bringing together culture and institutions within an organic framework, though, is a non-trivial operation. This is due to the complexity of the synergies between cultural aspects and institutional devices. This special issue attempts to start filling this gap and to build an *ad-hoc* systemic platform for disseminating such a debate. To this purpose, it brings together an organic collection of contributions in well-established conceptualisations of both culture and institutions, supported by robust and consistent methodological applications. The essays presented in this work provide consistent evidence and conceptual perspectives supporting the idea that the synergies between cultural and institutional aspects are of paramount importance to understand human behaviour, individuals' choices and societies' patterns. They also improve the theoretical, empirical and methodological understanding of the role of institutions and culture in different geopolitical and socio-economic realms. By doing so, these contributions place this special issue as prelude to further research on the co-evolution of culture and institutions and on its possible implications on different societal aspects, human development, and well-being.

1. Background and Rationale

This special issue aims to explore the role of institutions and cultural traits broadly defined insofar their respective interconnections on a variety of economic, social and institutional outcomes are concerned.

It was envisioned for the first time in the occasion of a workshop on “Institutions and Culture in Economic Context” organised in London in June 2019 and sponsored by the World Interdisciplinary Network for Institutional Research, the Birkbeck Centre for Political Economy and Institutional Studies (CPEIS), the Centre for Comparative Studies of Emerging Economies (CCSEE) at the School of Slavonic and East European Studies (SSEES UCL) and the Institute for International Management at Loughborough University London. The workshop developed a critical debate on theoretical, empirical and methodological perspectives interconnecting institutions and cultural aspects in different geopolitical and socio-economic contexts. With this in mind, this special issue proposes to ground an organic collection of contributions in well-established conceptualisations of both culture and institutions, while leaving room for authors to operationalise the concepts as they see fit.

We define institutions as “rules and norms able to constrain and shape human interactions as well as open up possibilities” (Hodgson 2006; North, 1990). These tend to be distinguished between formal and informal. Formal institutions generally refer to written and official regulations including constitutional law, official law regulations and standards enforced by official organisations such as courts, governments, states (Hodgson 2006). Informal institutions consist of socially shared “rules in force”, not necessarily codified, but still effective because based on some crucial enforcement mechanisms including mechanisms of mutual obligations and expectation of reciprocity, internalised norms and threats and use of violence (Ostrom 2005). This might correspond to social norms, attitudes and morals not directly state-enforced but community-enforced (or self-enforced) influencing individual’s position and behaviour relative to others (Casson et al. 2010).

In a wider perspective, we view *culture* as an important environmental factor consisting of a set of social-value orientations that distinguish the members of one group from those of another, shape collective preferences and individuals’ attitudes within a socio-economic and geographical space (Greif 1994; Hofstede 1980; Schwartz, 2011).

While the distinction between culture and formal institutions seems to be quite demarked in the literature, the distinction between culture and informal institutions remains an ongoing debate. As formal institutions, cultural beliefs and values affect individual's choices and regularity of behaviours since they represent an indicative road map able to distinguish between proper and improper behaviour (Acemoglu and Robinson 2012; Greif 1994). In fact, culture as informal constraints affect social interaction and facilitating coordinated actions (North 1990; Putnam et al. 1993). According to Alesina and Giuliano (2015), this makes the definition of culture, overlapping, if not equivalent to the definitions of informal institutions.

The role of cultural aspects and their impact on organisational, market and business performance have been widely investigated in the context of managerial and business studies since the very seminal work of Hofstede in 1980 (Hofstede 1980).

Subsequent works have developed challenging and compelling critiques to the definition of culture proposed by Hofstede (e.g., McSweeney, 2002) as well as further approaches to the conceptualisation and measurement of cultural traits (Kaasa et al. 2014; Kaasa 2021; Schwartz, 2011; Voigt 2018). Similarly, culture, as a field of enquiry of relevance to economic and institutional outcomes, progressively gained attention in the broader economic literature and culminated with the emergence of New Cultural Economics as embodied in Guiso et al. (2006) and Tabellini (2010) within a more neoclassical bent. However, within the *Institutional Economics*, the interconnection between culture and institutions has been a recurrent, even though sometime latent, underlying theme. North (1990), for instance, argues that cultural traits such as sanctions, taboos, customs and traditions are informal constraints affecting individuals' behaviour and actions. Hodgson (2006) relates the concept of culture to the interplay between formal and informal institutions within an expanding critical debate on the role of institutions in economics. Along with these two key references, a growing body of empirical and theoretical works has been showing that institutions and cultural factors matter on different economic and institutional performance (Alesina and Giuliano 2015; Douarin and Mickiewicz 2017; Guiso et al 2006; Tabellini 2010; Davis and Williamson 2016). In this regard, in recent years, the *Journal of Institutional Economics* has provided a voice to pioneer empirical and conceptual works on the relationship between culture and different institutional and socio-economic aspects both in high income and developing economies (e.g., Andriani and Sabatini 2015; Berggren et al. 2019; Gerxhani and Van Breemen 2019; Kyriacou and Lopez Velasquez 2015; Spranz et al. 2012; Tarabar 2019). However, in many circumstances, at present, culture and institutions are keywords belonging to two only partially converging research streams. This special issue attempts to start filling this gap and to build an *ad-hoc* organic platform for

disseminating such a debate. To this purpose, we aim to bring together papers to improve the theoretical, empirical and methodological understanding of the role of institutions and culture in different geopolitical and socio-economic realms.

In this respect, this special issue devotes particular attention to the role of cultural aspects relative to economic and institutional outcomes (Mickiewicz and Kaasa 2021; Moellman and Tarabar 2021), individuals and social attitudes towards rent-seeking behaviours, corruption, tax evasion, and institutional trust, among others (Amini et al 2021; Andriani et al. 2021; Kaasa and Andriani 2021), and to the interplay between specific cultural traits and the evolution of institutional frameworks such as family systems and state formation (Gutmann and Voigt 2021; Benati and Guerriero 2021). Part of the special issue has also been devoted to commemorating Geert Hofstede, pioneer in the study of culture and institutional aspects (Sent and Kroese 2021) as well as the review of Joel Mokyr's book "A Culture of Growth" (Hodgson 2021) and subsequent response of Joel Mokyr to this book review (Mokyr 2021).

This Introduction is structured as follows: Section 2 provides a critical overview of the literature, discussing the interconnection between cultural aspects and institutions and some key areas of research; Section 3 discusses an overview of the contributions to this special issue; Section 4 concludes with some suggestions for further research.

2. Overview of the Literature

2.1 Culture ad Institutions as Main Roots of Civic Morality

The literature claims the existence of two main roots of civic morality: cultural and institutional (Letki 2006).

The cultural root emphasises the role of individuals' values and norms either inherited (from family and religious groups) or acquired through social learning and social life (Spranz et al. 2012). The institutional root links civic morality with institutional quality particularly laying upon the ability of public institutions of implementing good governance, fair, efficient and impartial institutional procedures. According to this root, public institutions perceived fair, impartial, and effective tend to increase individuals' compliance with institutional rules and norms (Scholz and Lubell 1998).

Culture may influence individuals' view about their own responsibility and role within their community as well as their view about the responsibility and the role of the public institutions.

Culture serves as source of motivation and moral justification of institutional conformity as well as motivation of non-conformity (Greif 1994; Licht et al. 2007). Culture identifies ideas, norms and symbols about what is good or bad, legitimate or illegitimate and what is desirable in a society (Alesina and Giuliano 2015). Cultural aspects, sometimes called “cultural traits” (Kaasa and Minkov 2020) or “cultural value orientations” (Licht et al. 2007), provide an attitudinal and behavioural road map through which individuals evaluate events, models of operation adopted by organizations and institutions and other people’s actions (Hofstede 1980; Schwartz 1994).

Individuals’ values and beliefs can be transmitted through inter-generational relationships, from parents to children (Guiso et al 2006), through social activities and religious groups (Letki 2006; Putnam et al 1993) and through social and cultural learning (Spranz et al. 2012; Tavits 2010). Individual’s actions and preferences are, hence, influenced by a process of “enculturation” consisting of the numerous interactions between the individual and the surrounding socio-cultural environment (Spranz et al. 2012). These interactions facilitate the transmission of cultural values and induce the individual to engage in a cultural learning process where she recognises and perceives patterns of behaviour in place in that specific socio-cultural environment. This might drive the individual to assume behaviours and attitudes based on the ones observed and adopted by her peers (friends, family, colleagues and so on) and by the people around.

Individuals’ conformity to institutional rules is, therefore, more likely to occur if such institutional conformity is perceived to be spread within their cohort or the surrounded society (Torgler 2005; Bruno 2018). Hence, operationalising cultural aspects becomes essential in the purpose of understanding the dominant cultural traits predicting society differences in “norms of governance” including, rule of law, curbing corruption and democratic accountability (Licht et al. 2007). In commemorating Hofstede, in this special issue, Sent and Kroese (2021) recall Hofstede’s perspective in viewing culture as a product (or *construct*) of individuals’ minds aiming to simplify the complexity of the real world in order to understand and predict it. Translating these constructs into quantifiable and measurable dimensions, as Hofstede did, allows applications and replications of numerous studies in different fields.

2.2 Operationalisation of Culture

The challenge undertaken in the last few years in the economic literature is to approach culture not any longer as a black box. Culture should be, instead, operationalised in a way that allows researchers to conduct empirical investigations on the relational mechanisms between its

different aspects and a variety of economic and institutional outcomes (Alesina and Giuliano 2015). Hence, the conceptualisation of culture followed by subsequent quantification into measurable units serves several purposes: it allows to map cultural traits at national as well as sub-national and local levels (Hofstede 1980; Kaasa et al. 2014); it permits to analyse cultural differences and convergences across and within countries (Kaasa and Minkov 2020); and, finally, it facilitates to test hypotheses on the inter-play between cultural dimensions and economic and institutional outcomes (Tabellini 2010).

Given the multifaceted nature of culture, different approaches and taxonomies have been used to measure culture and to analyse the role of cultural traits on institutional and economic aspects. These include, but are not limited to, economic experiments (Vollan 2012), religiosity (Torgler 2006), the influence of the cultural values in the country of immigrants' origin on individual's preferences in the destination country (Kountouris and Remoundou, 2013), contextual case-study (Spranz et al. 2012), historical aspects (Alesina et al. 2013) and the use opinion surveys (Cline and Williamson 2017; Kaasa et al 2014).

These taxonomies have been validated, through time, thanks to their repeated use in studies investigating a broad range of behaviours (Beugelsdijk and Welzel, 2018).

One of the most established and used such taxonomies was developed by Hofstede (1980, 2001, 2010), and distinguishes four fundamental cultural dimensions: (i) collectivism versus individualism, (ii) uncertainty avoidance, (iii) power distance and (iv) masculinity versus femininity¹. These four dimensions capture specific aspects of the mental map individuals rely on to guide their decisions and are associated with very specific values and beliefs shared by those who were socialized in a specific country (Hofstede 2001).

Originally, Hofstede constructs these dimensions to map employees' work-related values within a multinational corporation, with focus on IBM (Hofstede 1980). Afterwards, this specific taxonomy has been employed in cross-cultural and business studies (Beugelsdijk and Welzel, 2018), as well as in economics and institutional studies (Cline and Williamson 2017; Davis and Williamson, 2016; Tarabar, 2019).

The cultural values dimension called *individualism-collectivism* indicates the extent to which individuals are self-reliant or embedded in a reference group (Hofstede 2001). In individualistic value-oriented societies, individuals' behaviour are driven by self-determination and people are expected to be responsible for their actions and decisions. In contrast, in collectivistic value-

¹ Later on, Hofstede's added some additional cultural dimensions the fifth and sixth dimensions, Long-Term Orientation and Indulgence versus Restraint, were added later (Kaasa 2021).

oriented societies, individuals are expected to act in the interests of their small reference group, even though this implies higher moral and economic cost for the entire collective (Andriani 2021).

Values of *so-called uncertainty avoidance* reflect at which degree people cope with unfamiliar and uncomfortable situations. In high uncertainty avoidance societies people tend to view changes with suspicious as they value predictability. Contrary to low uncertainty avoidance societies, where ambiguous situations and changes are regarded as constructive and an opportunity for improvement (Hofstede 2010).

Values of *so-called power distance* indicate the extent to which level of unequal distribution of power and hierarchical relations is acceptable in a society without further justification. In high power distance value-oriented societies, individuals tend to accept authority's decisions without engaging themselves into social processes. Instead, in low power distance value-oriented societies, individuals view the social structure less predetermined, and hierarchy/authority is more easily challenged (Hofstede 2010; Kaasa 2021).

Values of *so-called masculinity* as opposed to *femininity* reflect to what extent elements such as achievement, assertiveness and competition (called masculine) dominates over feminine values *a-la Hofstede* such as tolerance, modesty and solidarity (Hofstede 2001).

Hofstede's cultural dimensions are not the only ones. Other taxonomies using opinion surveys exist including the ones developed by Schwartz (2011) and Inglehart (1990). Overlaps between Hofstede's cultural dimensions and the ones advanced by Schwartz and by Inglehart have been recently analysed and supported by robust empirical evidence² (Kaasa 2021). Additional to these three taxonomies other measures of culture have been proposed, such as those in Tabellini (2010) which include trust, respect, obedience and control, for example. Still, Hofstede's remains one of the most popular extensively used in economic literature to explain different economic and institutional aspects including contract enforcement efficiency (Cline and Williamson 2017), efficiency-enhancing reforms (Tarabar, 2017), rule of law, reduced corruption and quality of governance (Kyriacou, 2016), gender equality in terms of employment, income, education and political leadership (Davis and Williamson, 2019), economic development, growth, higher rate of innovation and increasing wealth (Gorodnichenko and Roland, 2017).

² For a detailed theoretical integration among these three taxonomies, see a very recent work conducted by Kaasa (2021).

2.3 Bridging Culture with Institutions

The need of further research on the interlink between culture and institutions have been strongly advocated by economists and institutionalists alike (Alesina and Giuliano 2015, Hodgson 2006). However, bringing together culture and institutions within an organic framework, though, is a non-trivial operation. This is due to the complexity of the synergies between cultural aspects and institutional devices. In institutional economics, it is well argued that social order relies upon formal institutions, such as legal rules, as well as informal rules broadly recognised and accepted within a social context. The latter reflects people's shared mental map consisting of ideologies, social values, religions and so on (Hodgson 2006).

The interplay between culture and institutions has been considered within different economic and institutional perspectives. Here below, we can consider some of them, mostly related to the key questions addressing in our special issue, and completely conscious that this list of perspectives is far from being exhaustive.

Within the context of state formation and of the relationship between state, ruling elites and other social groups, the interplay between culture and institutions has become of paramount importance (Acemoglu and Robinson's 2012), also as prerogative for designing more effective economic policies (Bisin and Verdier 2017). So far, models of interaction between culture and institution have been developed through an incentive-based approach where cultural changes are viewed as dynamics of agents' preferences, not necessarily driven by moral values and beliefs. Here, advancements in political inclusiveness put in place by ruling elites, are often seen as a strategy to mitigate the risk of civic (non-elite) unrest and, hence, to control violence (Acemoglu and Robinson's 2012; Bisin and Verdier 2017). Without neglecting the important methodological and theoretical contribution of these works, we feel that these dynamics so far, have not emphasised enough the role that the moral dimension has on individual's preferences. This dimension is more likely to be captured where culture is approached more under its normative perspective, that translates in a stricter connection between culture and its institutional context. Hence, culture is viewed as set of values and beliefs through which people interpret behaviours and reflect on how the world and societies should function (Gorodnichenko and Roland, 2017). Emblematic, in this respect, is studying how the inter-play between culture and institutions support cooperation among different types of agents, a channel through which economic prosperity and democratic values are boosted within a society and public good is provided more effectively (Greif and Tabellini 2010; Putnam 1993). It is undeniable the importance that effective formal institutions through their punishment mechanisms have on individual's choices towards cooperative behaviour (Fehr and Gächter

2000). However, this, standing alone, is too limiting in understanding individuals' behaviour in the long run (Frey and Torgler 2007). Beyond the opportunity-cost perspective of the punishment, formal institutions may also work as transmission mechanisms able to internalise cultural values and norms as "moral imperative" (Brennan and Buchanan 1985). In a complex society, the punishment is not simply gauged against a simple "prize" for pursuing a collaborative strategy and refraining from crime or illegal "collectively" unacceptable act. It is also a symbol bridging the illegal behaviour with the moral dimension as it distinguishes the "wrong" from the "right" (Brennan and Buchanan 1985). Empirical works in the literature of tax morale and corruption aversion, for instance, report that citizens consider tax evasion and corruption more immoral in contexts with a stronger rather than a weaker rule of law in both high-income and low-income countries (Andriani 2021; Frey and Torgler 2007; Torgler 2005). This literature supports the perspective that effective formal institutions can transmit stronger values of law abidance and civic duty³. These two values contribute to determine moral attitudes since, if both violated, they may provide an individual with a feeling of guilt for having committed a wrong act and for having failed in complying with recognised ethical rules (Orviska and Hudson 2003). It is important not to ignore these perspectives as analysing synergies between institutional and cultural aspects might shed important light on individuals' moral attitudes and, hence, their preferences.

Understanding individuals' preferences through cultural traits may also shed lights on other important aspects of market and economic outcomes such as entrepreneurship (Langlois 2016; McCloskey 2016; Mokyr, 2016). Given the still unexplored role of culture in this respect, identifying the specific cultural aspects driving entrepreneurial behaviour is of paramount importance (Langlois 2016). This, in turn, addresses the issue of whether the classical operationalisation of cultural values (Hofstede 1980; Swartz 1994; Inglehart 1990) explain individuals' approach towards entrepreneurial behaviour, or whether there is the need to go beyond these classical cultural dimensions to understand what Tocqueville calls "creativity and courage to seek" (John and Storr 2018).

Another societal context in which institutions and culture interconnect is the family system. Emblematic is the field work conducted by Banfield (1958) on the institutional and cultural values ruling the behavioural mechanisms in a society of a small south Italian village, a context that Banfield named "amoral familism". Here, social exchanges and individual preferences are

³ According to Orviska and Hudson (2003), law abidance refers to the objective responsibilities defined by the law, while civic duty refers to subjective responsibilities within a code of conducts and behaviours .

driven by collectivistic values of in-group cooperation and mutual obligations within family members rather than on values of civic spirit and institutional conformity more broadly defined. Family structure has been recurrently recognised as an important societal context where attitudes towards formal and informal institutions as well as cultural values are transmitted and learnt (Tavits 2010). These values and beliefs not only regulate members behaviours occurring within the family environment, but they also influence preferences and societal views that the same members adopt outside their family context including their views towards the rule of law (Alesina et al. 2013). Research so far reveals that family characteristics have an impact on economic outcome and institutional performance (Alesina and Giuliano 2011). However, the theoretical and empirical frameworks of most of these works have omitted the historical family types and structure. In-depth investigation in this respect, might shed light on the role that historical family types and persistency in family structure have on socio-economic aspects such as innovation and process of industrialisation, and on institutional aspects such as the conformity to the rule of law.

Under a comparative economic perspective, the interplay between institutional and cultural aspects have been recently included in empirical functional forms for better understanding market regulations (Davis and Williamson 2016), contract enforcement (Cline and Williamson 2017), tax evasion (Richardson 2008) and rule of law (Licht et al. 2007). Enriching this important stream of the literature is paramount. An interesting perspective that is worth further exploring is the role of cultural traits especially within a cross-country comparative perspective on different economic institutional aspects including the way countries regulate business and trades, protect property and investment. For example, which are the cultural traits that can explain more systematically the pace of institutional reforms and institutional gap across countries?

3. Summary of the contributions of this special issue

We summarise the papers included in the special issue, highlighting synergies and connections. In fact, we posit that each perspective has its own cultural and institutional validity, and their collection together is more than the sheer sum of what these papers individually add to the literature to the readers of the *Journal of Institutional Economics*.

The paper by Esther-Mirjam Sent and Annelie Kroese (2021) commemorates Geert Hofstede who passed away on the 12th of February 2020 after a remarkable and inspiring career. The

paper captivates the reader by taking her through the four phases of Hofstede's "journey": Hofstede started as an engineer and he ended up pursuing a PhD in social psychology (1950-67); the IBM "full immersion" followed by the great escape and the publication of the seminal book "Culture's Consequences" (1967-1980); his first fully-fledged academic job at University of Maastricht (1980-90); and finally the research on extension into six cultural dimensions, instead of the four (1990-2020). This journey is interesting not only for its variety and it shows how the intellectual curiosity of the person and academic alike have never crystallised in rigid views or comfortable "status quo" biases. This journey leads the paper to articulate a more analytic accounting of his successes in many applications: from history to medicine, political science, law, engineering, international business, management, social anthropology/psychology and of course economics. However, while culture has been assuming an important role within different disciplines such as business and organisational studies, only with the new millennium economists have embraced the view that culture matters also within "their" discipline (Guiso et al. 2006 Tabellini 2010, Gorodnichenko Roland 2017)

Finally, from Sent and Kroese (2021) we learn another import aspect of his work: the openness to criticism and the willingness to see the discipline evolve. Recognising that culture is endogenous to the external influence of the environment, in his own work, Hofstede considered "family, educational systems, political systems, and legislation as the primary institutions that perpetuate culture" (Sent and Kroese 2021, page 10). This brings us fully into the core of the Special Issue: how, if and under which conditions culture and institutions co-evolve and co-shape each other. The co-evolution of the cultural and institutional context shapes our understanding of reality, especially in social science. Various streams of the literature interested in culture should compare/contrast respective views and reach a synthesis.

The essay by Benati and Guerriero (2021), bring us into an historical perspective about the intertwined relationship state-citizens, that is at the root of the connection between culture (citizens) and intuitions (state). In fact, the paper builds a theory of state formation based on the complementarity in group specific-skills by studying the first stable state institutions in Bronze Age Mesopotamia (3800- 1750 BCE). The paper analyses how the impact of technology shocks upon elites used to foster a culture of cooperation between elite and non-elite (endowed by complementary skills) essential, to overcome consumption risk and loss of living standards. More specifically, shocks reducing the return on joint investment used to drive the elite to grant non-elite political and property rights (share of public good) in exchange of workforce from the non-elite. Looking at different phases of power retention/sharing, Benati and Guerriero (2021) exemplify the changing identity of the elites across technological eras:

from religious (temple) to military (palace) to the merchant. This sharp analysis brings us at the core of the state-citizenship. Without an historical understanding on how the state (elite) has shaped its relationship with the citizens (nonelite) towards a culture of cooperation, we would be fundamentally unable to understand why culture and intuitions do need to mirror each other, within the “red queen effect” context (Acemoglu and Robinson 2012) where a relentless effort is needed to maintain a status quo (stable institutions). Therefore, from Benati and Guerriero (2021) we learn how to contextualise and give value to the connection culture-intuitions without losing sight why this was historically so important in Bronze Age Mesopotamia as it is today.

The next paper of Kaasa and Andriani (2021) explores how Hofstede’s cultural traits conduce to institutional trust, exploiting the European value Survey, and controlling for institutional quality (European quality of government index based on WGI). The analysis is thorough and statistically powerful. A multilevel model at the regional level (NUTSI) for individual level data in 2008 (47845) and 2010 (45637) on 85 and 81 regions is implemented, where a confirmatory factor analysis is adopted to build the main depended variable: institutional trust. The paper shows that the regions affected by a high-power distance are indeed also characterised by low institutional trust, *ceteribus paribus*. This is a very important results, that puts the lack of inclusion, participation, and information policies under the spotlight. How can societies regain a fruitful relationship with their citizens? The answer might lie in enforcing law, assure property rights and keep tax legislation stable. This is also connected to Benati and Guerriero analysis on societies of 6000 years ago. The results of the two papers reinforce each other in completely different historical contexts.

The paper by Andriani et al. (2021) look at the role that specific Hofstede cultural traits (individualism, power distance, uncertainty avoidance and femininity), have on individual’s attitude towards tax evasion. To do so, they exploit data from European value Survey (available waves in the 1981-2010-time span across 164997 respondents within 48 countries). The main depended variable is an economic behavioural outcome, tax morale, the “intrinsic non-pecuniary motivation to comply with taxes”. The unit of analysis is the cohort (defined as age group) within the NUTSII regions as well as year of interview. In other words, the detailed reconstruction of the individual responses within geo-localised (NUTSII), age and wave specific (three groups in four waves) cultural traits allow for a fine grained mapping of culture. The paper “follows” relatively homogenous cultural traits *within* the same cohort, NUTSII and wave, by allowing wide heterogeneity *between* cohorts, NUTSII and waves. This is not only statistically very robust, but it also addresses one of the criticisms regarding the Hofstede

“national”, “static” and “a-generational” way to measure culture. A polycoric principal component analysis defines the four cultural dimensions and ordered logit regression studies the determinants of tax morale with a battery of controls and three set of fixed effects for cohorts, wave and location, strongly reducing the possibility of omitted variable bias. The authors find that individualism and femininity are associated with higher levels of tax morale while uncertainty avoidance and power distance with lower level of tax morale.

This conclusion is in line with the findings of Kaasa and Andriani (2021): the sense of participation and drive of people able to determine their destiny, “closer” to the sense of belonging in the state and more oriented at values of solidarity foster high tax morale, that can be read as another way of showing institutional trust⁴. Societal culture as well as individual values should be considered when designing policies aiming to improve tax compliance.

Looking at potential channels of “escaping the status quo and act against corruption”, Amini et al. (2021) explores the role of Hofstede individualism dimension and institutional trust on individuals’ reporting corruption in post-Communist economies. This paper shares the methodological stance of the previous two, i.e., the use of a principal component analysis to extract the cultural dimension of Hofstede, it differs in term of source of data, by exploiting the insightful database of “Life in Transition”. The paper has very convincingly made three methodological/measurement choices. Firstly, it shows a robust polyconic principal component analysis to measure individualism as a weighted composite index of “preferences towards income inequality over equality”, “preference for public ownership over private ownership” and “intolerance towards homosexuality” respectively⁵. Second the measure of institutional trust is computed dividing the average trust in public institutions by the average trust in all institutions to account for the “Kvetch effect” that might affect the “Life in Transition” questionnaire (effect hat is much less of a concern in the European Value Survey, for example). Thirdly, it develops a wide batter y of five depended variables on the willingness to act against corruption: these range from the simple condemnation of an act of corruption and then feeling that is acceptable to report it, to the willingness to spend time in court as witness. Hence, the paper assumes a clear stance and convincing “micro-level” preferences perspective.

The analysis assesses the existence of positive relationship between “willingness to act against corruption” and individualism and institutional trust in turn, as two determinants. The empirical

⁴ That is indeed highly correlated with tax morale in all regressions of the paper.

⁵ This is very much line with Kaasa and Andriani.

results show that the individualism and institutional trust reinforce each other in such relationship (via an interaction term).

The next three papers move away from the empirical models based on Hofstede cultural traits, to different remits, data and level of analysis.

Gutmann and Voigt (2021) look at Todd's seminal work on "Family structure and social system" (1985) to investigate the potential relational mechanisms between Todd's family types and societal attitudes or economic outcomes. The paper looks at five different categories of family types defined as follow: low liberty low equality in treatment of brothers -authoritarian-; high liberty low equality in treatment of brothers -absolute nuclear-; low liberty high equality in treatment of brothers with endogamous community; low liberty high equality in treatment of brothers with exogamous community; high liberty high equality -egalitarian nuclear-. The authors take the typologies to the empirical test for 164 countries: how do those relate to a series of "broader" societal/institutional outcomes, such as "ideology" (racism, control over own life), "state formation" (strength of the state), "constitutional structure" (rule of law, federal structure), "post-constitutional outcomes" (government turnover, civil society, timing of industrialisation, innovativeness, inequality)? Communitarian family type is associated with higher levels of racism. No family type is particularly inclined to favour "control of own life". State formation is correlated with all family types but the "authoritarian" one had a clear lead (contrary to Todd prediction). Also, rule of law is associated positively with "authoritarian" but negatively with "communitarian" type of family (but federal structure does not seem to prevail in any type). Both the authoritarian and nuclear score in terms of "strength of state" (the former having again an edge), whereas the communitarian is associated with lower state capacity in term of the Worldwide Governance Indicators (WGI). Finally, as far as two "post-constitutional outcomes" are concerned (the outcomes more closely related to the economy as whole), innovation today is lower in communitarian, and it is higher in authoritarian types and post-redistribution income inequality is lower in the authoritarian vis-à-vis all other types.

This paper also suggests very interesting avenues for future research given the availability of family type data at the regional (rather than national) level. Looking at within countries variability in family types under the same de jure institutional national setting, could shed some further light on the intertwined relationship culture -institutions.

Mickiewicz and Kaasa (2021) venture into the role of culture and institution within the literature of entrepreneurship. They look at specific societal values expressing individuals' creativity and security as cultural/environmental drivers of what they call "nascent entrepreneur". The authors posit that these cultural dimensions have been relatively

disregarded in the entrepreneurship literature, and hence hypothesize their central role in explaining such an entrepreneurial endeavour. Creativity ultimately leads to opportunity identification, that is in turn separable in opportunity discovery and creation. Security ultimately gives “assurance to reap the benefits” of the entrepreneur job, that can usually be enjoyed in medium long run. The paper measures “nascent entrepreneur” dependent variable in an unbalanced multilevel cross-country panel data of 157806 individuals for the 2005-2015-time span using the Global Entrepreneurship Monitor (GEM) database. World Value Survey, the World Bank and the Polity project are, instead, the three main data sources used to derive the independent variables and the cultural/environmental drivers. The empirical analysis is conducted via multilevel discrete choice model (logit) allowing for within clusters (country-year) correlations between observations.

The empirical results cannot be starker: both these cultural dimensions are positively and significantly associated with the “nascent entrepreneur” effort, where “important to be rich” is negatively associated with entrepreneurship, debunking some of the more traditional classical economic views solely based on wealth maximisation.

The paper offers a very interesting example on how fast expanding fields in the social sciences research can fully benefit from more complete availability of bigger database on culture and more and more established theoretical underpinnings that culture matters for economic behaviour and choices, mapping the way we read the “economic environment” that surrounds us (in Hofstede wording “the software of the mind”).

The paper by Moellman and Tarabar (2021) brings us back to the definition of culture in Hofstede’s view, using all the Hofstede’s six dimensions taxonomy (Hofstede 2001). The authors show us that cultural distance between countries (based on all six dimensions of Hofstede 2001 work on culture, individualism, power distance, uncertainty avoidance, masculinity, long-term orientation, indulgence/restrain) is good “predictor” of institutional distance in the medium long run, where institutional distance is measured by the economic Fraser Institute’s Economic Freedom of the World Index (EFW) on the 1950-2015-time span for 75 countries. The empirical modelling strategy is thorough and comprehensive. They start with showing a stark stylised fact: in the 1950s the “institutional variation/dispersion of countries” was much lower than in the 1980s (historical period characterised by high global economic turbulence and very tense international relations worldwide), but again in the 2015 such variation was back at the levels of the 1950s. Why is that? The paper is after a quest to address what accounts for such evolution and “return” (inverted “U” shape relationship between time and variation). Their analysis shows that individualism has positive moderating

effect on the democracy-economic institutional change relationship (or inversely that democracy has positive moderating effect on the individualism-economic institutional change relationship). Furthermore, a composite distance cultural distance measure from USA exerts a detrimental effect on improvement in economic institutional reforms. Next the paper delves into a set of dyadic regressions, where the absolute distance between the EFW in pair of countries is regressed against the cultural distance (as composite index), plus controls. The results are fascinating: higher cultural distance is associated with higher institutional distance, especially in the 2015 but also in comprehensive “average model 1950-2015 or panel of two points (1980, 2015), the latter being a very statistical test.

Culture is a so-called slow-moving institution whereas EFW is relatively much less slow moving one. Changes in economic freedom cannot be expected to happen quickly, or at least to happen without a much closer “alignment” between cultural informal values and intuitional formal infrastructures. We posit that the quest for such “alignment” is one of major challenges many countries in the world are facing today.

The last paper included in the Special Issue is “Culture and Institutions: A Review of Joel Mokyr’s *A Culture of Growth*” by Geoffrey Hodgson (2021). This is a very insightful and balanced review of an important book by a brilliant scholar at the intersection of economics and history. The review is therefore a perfect fit for the Special Issue on Culture and Institution within the *Journal of Institutional Economics*, on which Joel Mokyr himself has published in different occasions. The review is enthusiastic and constructively critical at the same time, and it gives a very insightful “institutionalist” view on the strengths and weaknesses of the book. As far as the strengths are concerned, there is an appreciation of evolutionary explanation of cultural change. On the weakness side, the review asserts to be too much emphasis on evolution of culture and not enough on evolution of institutions, as if institutions played a relatively minor role in the European Enlightenment and the Industrial Revolution. The review captures this internal paradox very clearly and with extremely convincing arguments.

4. Conclusions

This special issue provides consistent evidence and conceptual perspectives supporting the importance of the synergies between cultural and institutional aspects to understand human behaviour, individuals’ choices and societies’ patterns.

In the last decade, economists have been prolific in producing an increasing literature focusing on the role of culture within institutional and economic dynamics. Nevertheless, the predominant perspective embraced by this literature so far relies upon incentive-based utility maximisation models (McKloskey 2021). This approach has consistently overlooked the moral dimension of cultural values and norms influencing individuals' preferences and behaviours. These values and norms unlikely fits within a classical utility function since, by using McCloskey's words, "people have identity" (McKloskey and Silvestri 2021, p.8). This identity drives individuals to act and behave according to beliefs, morals and ideals rather than to incentives (McKloskey 2021). Human behaviours driven by cultural norms often persist despite institutional constraints and economic sanctions in a variety of socio-economic contexts. For instance, female genital cutting is a quite widespread practice in different African contexts, even though, nowadays, illegal and subject to judicial sanctions (Gulesci et al. 2021). Corruption and tax evasion occur at different extents in every country despite being legally sanctioned worldwide. Individuals' assessment of whether these malfesances are "right" or "wrong" plays an important role in this respect (Frey and Torgler 2007: Torgler 2005). In post-communist economies, evidence shows that institutional reforms including anti-corruption policies have not been followed by equivalent individual's behaviour and attitudes (Dimitrova 2010). This has been partly explained by a condition of co-existence of new formal rules and persistent informal practices of bribery and informal payments commonly employed within citizens' interaction and between citizens and public officials during the period of central planning economy (Ledeneva 2006). These examples reflect even more the need of further research exploring the interplay between culture and institutions within processes of institutional changes. In this respect, an interesting perspective would be to look at the interplay between culture and institutions in period of crisis and emergencies. In his review on Mokyr's book on *A Culture of Growth*, Geoffrey Hodgson explicitly argues that little attention has been devoted so far on the role that disruptive (not devastating) exogenous shocks of different nature, geopolitical, military, economic and so on, have on cultural and institutional co-evolutions (Hodgson 2021). This stream of research would inevitably hold important lessons for theory and policy makers and enrich the debate around human development within the literature of institutional and evolutionary economics. In certain circumstances changes in institutional and or in economic systems do not occur although recurring crises might highlight the limitations of the existing system. Conversely, more research is needed to understand the resilience of some institutions to crises even when changes appear desirable. Both perspectives require a better understanding of the synergies occurring between culture and institutional aspects.

This special issue certainly does not fill this gap. It provides, however, an introductory and explorative investigation on this research stream. By doing so, this special issue provides interesting evidence and intellectually engages with the proposition that the synergies between cultural values and institutional aspects cannot be neglected from the broader economic debate, and neither can be reduced to an incentive-based utility maximising model. By using Mokyr's words, culture is "something entirely of the mind" (Mokyr 2016, p.9) and is based on shared values and beliefs transmitted through social learning and accepted via a process of normative and moral contemplation. This requires a cognitive reflection that goes beyond the classical zero-sum game. Looking at this perspective, this special issue might be seen as a prelude to further research on the co-evolution of culture and institutions and on the possible implications that this co-evolution may have for the society under different aspects including, but not limited to, economic performance, technological progress, entrepreneurship, governance of the state-citizens relationship and, more importantly, human development and well-being.

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