

THE INFLUENCE OF VALUES ON SOCIAL AND ECONOMIC DEVELOPMENT

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Abstract. The study is devoted to providing new facts to support the influence of culture on the development of the country. We tried to interpret the phenomenon of economic growth through non-economic factors such as institutions, technology (innovation), trust, culture, values. There is no single decisive factor of economic growth, it is always a set of unities. It is assumed that cultural values and economic performance in a country have a two-way relationship. Cultural values determine the social direction and complement the traditional factors of economic growth. Moreover, at the same time, they change under the influence of socio-economic development. A comparative analysis of different cultures requires identifying universal characteristics and grouping countries according to these characteristics. Categories of universal culture are the informal rules that underlie any social organization and form the basis of social relations. The categories of property rights, income distribution, competition, and environmental protection are among the main issues of society's existence and development. These categories relate to economic values, the economic interests of the country. Values and attitudes largely determine the direction and rate of economic growth and, at the same time, are influenced by ideology, religion, and political regime. The purpose of this article is to determine the interdependence of society's values and its economic development. The main economic values are private property, competition, and profit. It is possible to explore these categories of economic values through an analysis of data from the World Values Survey (WVS). *Research methods.* Regression is useful to test the relationship between economic values and well-being on the example of 36 countries. The initial data are economic values statistics WVS (Greif, Mokyr, 2016) and GDP per capita, World Bank (GDP per capita (current US\$)). The regression model includes independent (values) and dependent (GDP per capita) variables. *Result.* The study examined attitudes to private property, competition and environmental protection in European countries. A positive correlation was found between attitudes towards private property and wellbeing, between economic growth and environmental goals. The findings confirm the correlation between culture, values and economic growth. At the same time, there is no noticeable correlation between attitudes toward competition and income levels. Institutional factors are assumed to have a particular influence on competition values.

Key words: Values, economic behavior, culture, economic growth, cross-cultural analysis.

JEL Classification: C21, E71, Z13

1. Introduction

Behavioral economics increasingly suggests that context and culture influence people's actions, shape thinking, motivate and create incentives. Previously, religion served as a moral guide for people. Modern societies are more secularized, but differences in culture and values remain. Moreover, they influence people's attitudes toward private property, competition, work, and environmental protection. Nations differ in purpose, social functions, level of rights and free-

doms of individuals, degree of control over resources. The social order determines the corresponding political regime, social organization (the ratio of public and private property), power distance and hierarchy, and the process of solving common problems (the ecological factor).

Culture and the economy are interconnected. On the one hand, a society's cultural values largely determine economic growth. On the other hand, countries with a low level of economic development and a lack of goods

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demonstrate only the needs of survival. The satisfaction of primary existential needs shapes the emergence of new, higher-order values, including the rule of law, democracy, individual freedoms, and concern for the environment. These values begin to emerge in middle-income countries.

2. Analysis of research and publications

Culture and values are informal social institutions. According to North, individuals create institutions – formal (property rights) and informal (codes of conduct) rules designed to organize economic, political and social interaction (North, Douglass, 1991). Institutions impose some restrictions, but they create order, reduce uncertainty, and this, in turn, provides the potential for economic activity.

Cultural differences can be a crucial source of differences in growth from country to country. Hofstede (1980) found a significant positive correlation between GNP per capita and individualism, and a negative correlation with the power distance index. Achievement motivation and frugality have a positive effect on economic growth. At the same time, post-materialistic values have a negative impact (Granato, Inglehart, and LeBlang, 1996) (Granato, Inglehart, Leblang, 1996).

Religious influence on economic growth (Barro and McCleary, 2003), the intensity and strength of religious beliefs, including belief in heaven and hell, has a positive relationship with economic growth, while church attendance has a negative correlation.

An essential merit of this paper is the study of WVS economic values in a cross-cultural analysis. Understanding this will help to suggest the economic attitudes and behavior of individuals in countries with different income levels.

3. Economic values

Formal and informal rules determine the process of decision-making and human interaction. These political, social, and legal norms become the basis for production and consumption in the economic system. Social institutions have different characteristics: laws and instructions have a regulatory function, values and norms of behavior have a normative and cognitive function. The basis of value rules is action by default because it is accepted. They have moral and cultural legitimacy, and are transmitted through learning or following (Geels, 2004).

Social rules and norms originate in common cognitive rules that summarize a community's beliefs and experiences. This is how culture is transformed from tradition to the social cognitive construct of a nation (Greif, Mokyr, 2016). We are interested in the formation of individuals' economic behavior and beliefs: attitudes toward private property or environmental protection.

The World Values Survey measures the social, economic, political, and religious values of people in different countries. The data is a nationally representative social survey based on a common questionnaire conducted every five years since 1981. The 7-wave data set 2017-2021 was used for economic values statistics (Haerpfer, Inglehart, Moreno, and other, 2020).

The formula for calculating the economic value index is as follows:

$$I = \sum_{i=1}^{10} k_i * q_i,$$

where I – the index of economic values; k_i – weighting factor that determines the degree of contribution of the i -th indicator; q_i – normalized score of the i -th indicator.

Private vs. state ownership. WVS polled respondents about the desirability of increasing private or public ownership of businesses on a scale of 1 (private ownership of business and industry should be increased) to 10 (public ownership of business and industry should be increased). Regression analysis shows the dependence of economic development on private property values. Countries with a higher priority of private property have a higher level of income per capita.

The results of cross-cultural analysis using Inglehart's typology of clusters by dominant religion show that Protestant and Catholic cultures have similar values regarding the importance of private enterprise in the economy and business (Figure 1).

Post-communist countries have lower values of private property in business. This is a consequence of the long influence of the collectivist system of the communist regime. Here is another example of how socio-economic background shapes public culture.

Multiple regression was used to analyze the influence of values in combination with the factor of religion and post-communist background. The 86% result is due to differences in values, religion, and affiliation with the communist regime (Adjusted R Square 0.8610). The test results confirm the statistical significance of the results: F stat 73.25 > F critical 8.6, p-value < 0.05 (Tables 1, 2).

Private ownership is more efficient than state ownership and additionally stimulates economic growth. Entrepreneurs respond more flexibly to technological change and are an incentive for innovation. Of course, the question is not about critical infrastructure enterprises, which should be state-owned according to the importance of their functions. It is debatable whether private companies can work for social purposes and protect the environment.

Competition: advantages and disadvantages. Competition is the key to entrepreneurial success; the need to compete for wealth and supremacy contributes not only to economic development, but also to other

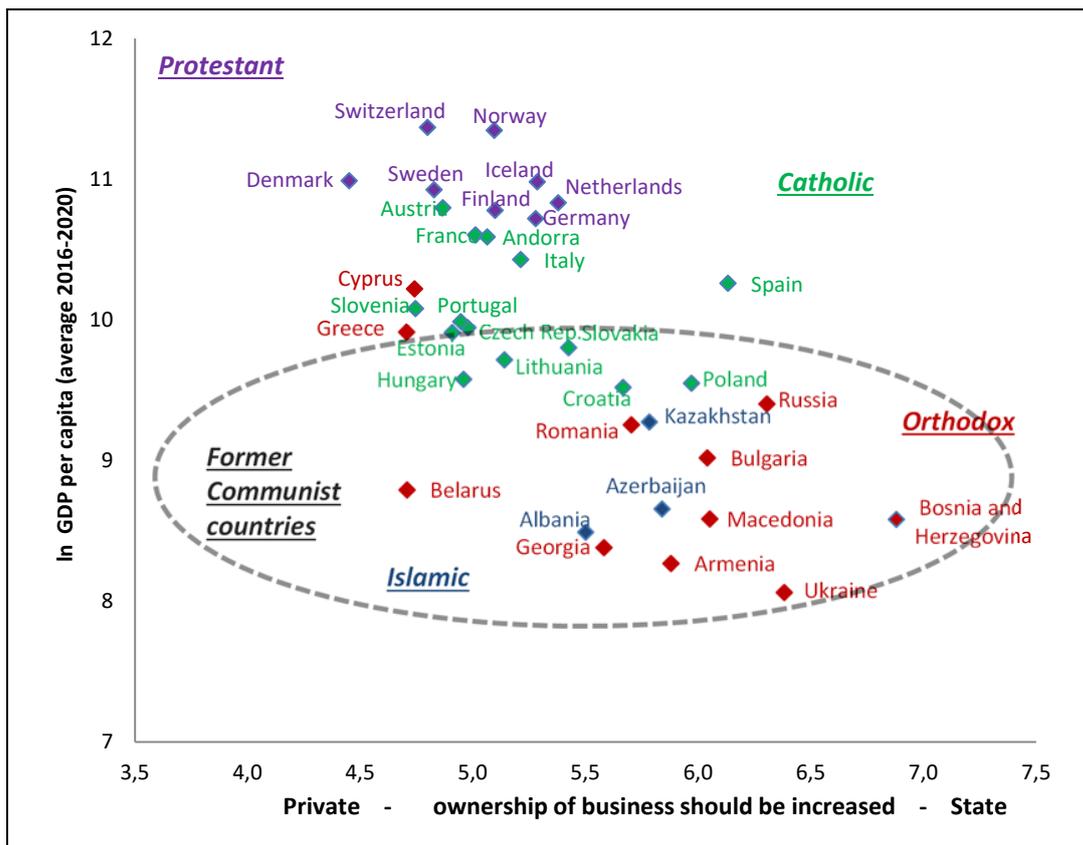


Figure 1. Distribution of values for private and public property and GDP per capita

Source: compiled by the authors according to the WVS ((Haerperfer, Inglehart, Moreno, and other, 2020) and the World Bank (GDP per capita (current US\$)) data

Table 1
Regression Statistics & ANOVA

Regression Statistics		ANOVA					
R Square	0.8729		df	SS	MS	F	Significance F
Adjusted R Square	0.861	Regression	3	26.84	8.95	73.25	0.000
Standard Error	0.3495	Residual	32	3.91	0.12		
Observations	36	Total	35	30.75			

Table 2
Regression Summary Output

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95,0%	Upper 95,0%
Intercept	13.06	0.61	21.50	0.000	11.82	14.29	11.82	14.29
Ownership val-ues	-0.31	0.12	-2.53	0.016	-0.56	-0.06	-0.56	-0.06
Religion	-0.50	0.09	-5.83	0.000	-0.68	-0.33	-0.68	-0.33
Dealing with the Communist past	-0.78	0.16	-5.00	0.000	-1.10	-0.46	-1.10	-0.46

areas of a nation's life. At the same time, some views condemn competition, considering it a form of aggression. In contrast to competition, they advocate solidarity and cooperation. In this context, attitudes toward competition in different types of societies are of interest. No significant relationship between attitudes toward competition and economic indicators has been found. There is probably an influence of

institutional and social factors, which requires additional research.

4. Economic development vs. environmental protection

Economic growth is often associated with excessive resource consumption, rising emissions and pollution. At the same time, the concept of sustainable de-

velopment obliges countries to choose the path of growth without harming the environment. Thus, economic and environmental goals are not necessarily opposed, they can be interrelated.

WVS suggests choosing the priority of economic growth or environmental protection. It is assumed that environmental attitudes are derived from economic attitudes and appear at a certain level of economic well-being. To test the hypothesis, a Granger causality test will be conducted for variables X (GDP per capita), Y (environmental values).

The hypothesis $Y = f(X)$ about the dependence of environmental values on well-being was confirmed. F-stat and p-value are statistically significant.

The test results confirm Maslow and Inglehart's theory of needs, that social values emerge after existential needs are satisfied. Consequently, countries need to achieve a certain level of economic well-being in order to develop ecological attitudes.

The analysis of environmental attitudes shows differences in development goals depending on ideology (post-communist past) and religion. The group of Protestant countries has similar indicators of economic development and preferences for growth with due regard for the environment. The group of Islamic countries in our analysis also has corresponding indicators of economic development and environmental priorities (Figure 2).

The cluster of Catholic countries is heterogeneous. Countries with comparable GDP per capita (e.g., Lithuania, Poland, Croatia, Hungary) show significant differences in environmental protection priorities. It is assumed that institutional factors also influence environmental attitudes.

The contradictions between economic growth and environmental protection can be reconciled through

effective public policies and transparent rules to control emissions or waste. Compliance with these rules by private and public organizations and industrial enterprises lies in the culture of the country, and this can contribute to environmentally sustainable development.

Sometimes environmental projects can ensure economic growth through innovation: non-polluting technology, green energy. Thus, it is possible not to choose a compromise between economic growth and environmental protection, but to achieve both goals.

5. Conclusions

Regression analysis reveals a high (0.86) rate of dependence on economic values of ideology and religion. This confirms the idea of the interaction of values, culture and economic achievements, each of these elements complements the others, creates an interdependent system of social organization. Communities create a formal organization in the form of the state to regulate economic and social processes. Governments regulate economic and social relations, exercise the rule of law, create conditions for the resolution of conflicts of interest and the distribution of public goods.

The analysis of values proves the dependence of economic and ecological attitudes on religion. Protestant and Catholic cultures have a higher perception of private property. While Orthodox countries, especially post-communist ones, still have a higher priority for state-owned enterprises.

It is confirmed that environmental values develop in middle-income countries after basic economic needs are met. Post-communist countries have a lower priority of environmental values than other countries.

Table 3

Bivariate Granger Causality [7]

Granger Causality Test: $Y = f(X)$				
Model	Res.DF	Diff. DF	F	p-value
Complete model	32			
Reduced model	33	-1	18.4718537020084	0.000150627219975574
Granger Causality Test: $X = f(Y)$				
Model	Res.DF	Diff. DF	F	p-value
Complete model	32			
Reduced model	33	-1	0.109081433595186	0.743344975367971

Source: calculated by the authors according to the WVS ((Haerpfner, Inglehart, Moreno, and other, 2020) and the World Bank (GDP per capita (current US\$)) data

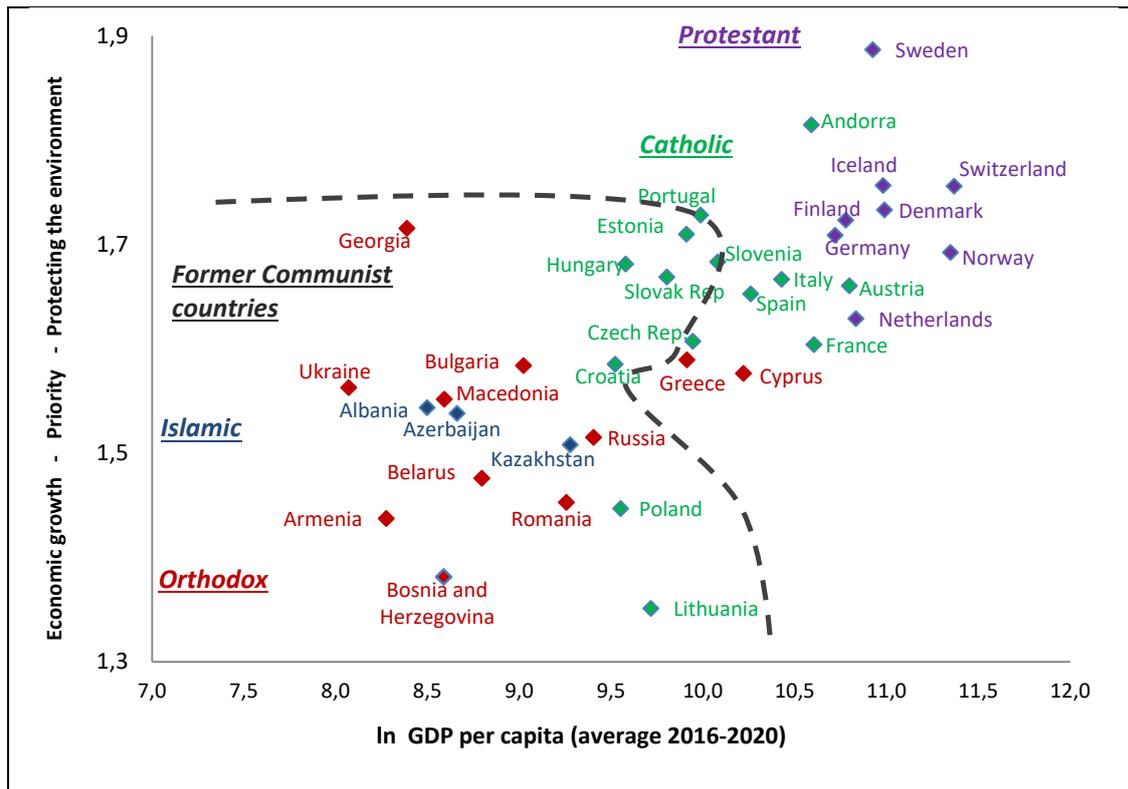


Figure 2. Distribution of values for private and public property and GDP per capita

Source: compiled by the authors according to the WVS (Haerperfer, Inglehart, Moreno, and other, 2020) and the World Bank (GDP per capita (current US\$)) data

Therefore, it was concluded that economic values are a significant factor in economic growth. They influence political and ideological attitudes regarding economic policy: private or public ownership,

competition, environmental protection. Values shape the standards of individual behavior and become the basis of economic transactions between agents.

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