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Symbolic values, occupational choice, and economic development

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ABSTRACT

Channeling human resources into occupations with high social productivity has historically been a key to economic prosperity. Occupational choices are not only driven by the material rewards associated with the various occupations, but also driven by the esteem that they confer. We propose a model of endogenous growth in which occupations carry a symbolic value that makes them more or less attractive; the evolution of symbolic values is endogenously determined by purposive transmission of value systems within families. The model sheds light on the interaction between cultural and economic development and identifies circumstances under which value systems matter for long-run growth. It shows the possibility of culturally determined poverty traps and offers a framework for thinking about the transition from traditional to modern values.

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1. Introduction

Economic take-offs are often accompanied by pervasive changes in the values endorsed by people. For example, in western Europe the transition from a feudal to a capitalistic mode of production was accompanied by a transition from traditional to modern values; whereas the former emphasize land possession, religion, and combat skill, the latter praise work, education, and economic achievement. Also in the decades after World War II, considerable changes in values have been documented in rapidly growing economies such as the US, Japan, and western Europe.¹

The concomitance of value change and economic development raises a fundamental question of causation. Scholarly views range from the culturalist one, according to which values are the engine of economic growth, to the materialistic one, which confers that role to technology and interprets value change as a mechanical adjustment. Far from being merely academic, the issue of the interplay of culture and economic performance has profound policy implications. In some areas of the world, mass poverty goes hand in hand with values and norms that are hostile to entrepreneurship and technical progress. Culture may or may not be a crucial factor behind the failure of development policies in countries caught in a poverty trap. If values do cause development, assessing their “malleability” could make an important contribution to the design of successful policies.²

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¹ See Inglehart and Baker (2000) for a quantitative assessment.

² See Stern et al. (2005, Chapter 9).

The current paper offers a tractable model of the interplay of economic development and value change, with a focus on the value attached to economic activities or occupations. We introduce the concept of “symbolic value” to account for the observation that some personal characteristics, e.g. one’s professional activity, seem to be invested with value by human beings. The value associated with those characteristics determines the self-esteem of individuals as well as the esteem that they receive from other individuals. Values are symbolic in the sense of being immaterial: They affect the well-being of individuals without altering their consumption of material goods.

Formally, we shall define a value system as a function that maps from a set of judgeable characteristics into a set of index numbers. Each “judgeable type” is thus associated with a scalar that represents its value. Value systems are individual-specific and determine how much esteem individuals allocate to themselves and others. In turn, self-esteem and the esteem received from others are arguments of an individual’s utility function.

While we assume that the utility function is fixed, e.g. as the outcome of genetic selection that occurred in a very distant past, value systems are assumed to evolve through a process of cultural transmission.³ Specifically, we focus on the benchmark case of intergenerational transmission within families, where parents choose the value system of their children so as to maximize their children’s welfare. The set from which parents can choose is defined so as to capture the fact that it is easier to teach the values one endorses rather than the values one has not internalized.

We embed this modeling of values and value formation into a standard endogenous growth model in order to highlight the dynamic interaction between culture and economic development. We address the following questions: Can values affect growth in the long run? How does economic development affect values?

The link between values and economic performance on which we concentrate is occupational choice. We posit that occupations carry a symbolic value that makes them more or less attractive. This assumption is corroborated by various kinds of evidence. First, it is consistent with the finding of psychologists that occupation is a central category for defining one’s identity. Second, it echoes historians’ accounts of social life in medieval towns, where one’s association with a given craft, often organized in a guild, was a distinct source of pride. Third, it is corroborated by econometric investigations of occupational and career choice. In an empirical analysis of the occupational choices of a cohort of U.K. graduates, [Dolton et al. \(1989\)](#) found that the social status attached to occupations is a major determinant of choice, explaining why some occupations are chosen by high-ability individuals despite relatively low earnings. A similar role for non-pecuniary factors is found in career choice. [Arcidiacono \(2004\)](#) found that the sorting of U.S. students into different college majors is explained by differences in preferences for majors rather than differential monetary returns to ability. [Humlum et al. \(2009\)](#) especially focused on identity-related payoffs; using a combination of the Danish part of the international PISA study and register data, they found that identity-related attitudes are pivotal in shaping the educational plans of the Danish youth. These papers suggest that the monetary equivalent of the symbolic value carried by occupations is not negligible.

Furthermore, we posit that occupations diverge in terms of their spillovers on the productivity of other occupations. For instance, as documented by [Murphy et al. \(1991\)](#), engineers and lawyers may contribute in quite different amounts to technological progress. Because of those externalities, occupational choice can have an enduring effect on the rate of economic growth.

Our model generates equilibria consistent with either the culturalist view, in which values have a long-run impact on prosperity, or the materialistic one, in which values do not matter. Our main finding relates to the circumstances under which each type of pattern arises as an equilibrium outcome. The culturalist view of development is more likely to be right if the elasticity of the marginal utility of consumption is large in absolute value, predictability of the economic environment is high, and concerns for social esteem are strong.

The elasticity of the marginal utility of consumption determines how, in a growing economy, occupational choices respond to wage differentials across occupations as compared to esteem differentials. If that elasticity is smaller than one, income differences across occupations eventually weigh so much in terms of utility that material payoffs dominate career choices. Conversely, if the elasticity is larger than unity, symbolic values eventually dominate occupational choice even if pay differences across occupations become arbitrarily large. In such a case, small initial differences in terms of value systems can produce large and persistent differences in terms of growth rates.

Uncertainty about the income opportunities of the various occupations enters the picture in combination with risk aversion. If uncertainty is large enough, parents strive to diversify their children’s values in order to insure the children’s self-esteem. As time goes by, generations become more agnostic about the intrinsic worth of the various activities, so that esteem concerns asymptotically evaporate. Then, long-run growth is entirely determined by technology.

A concern for social esteem fosters conformism in the choice of economic activity and can generate multiple value-led equilibria. It can exacerbate the effect of initial values on long-run growth whenever the elasticity of the marginal utility of consumption is larger than one.

If the elasticity of the marginal utility of consumption is large, predictability of the economic environment is high, and concerns for social ostracism are large, culturally determined poverty traps can arise. While economic growth could be fast under a different value system, “wrong” values may have such an adverse effect on the allocation of human resources that

³ This dualistic approach goes back to [Pugh \(1978\)](#). [Fershtman and Weiss \(1998\)](#) showed how caring about esteem could get wired into human beings as the outcome of evolutionary selection.

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