

Description for the general public

From an economic perspective, long-run economic growth and development are the result of innovation and investment into different forms of capital. Both innovation and investment can be explained by choices and behaviour of individuals and firms, which involve risk-taking, entrepreneurship and cooperation. While older approaches in neoclassical growth theory focus on direct factors of economic growth, such as the accumulation of physical and human capital and technological progress (Solow, 1956), more recent approaches investigate the fundamental drivers of growth that explain the differences in the direct factors. In addition to geography, climate, religion, culture and institutions have been identified as crucial (e.g. Acemoglu et al., 2001, 2005; Rodrik et al., 2004; Lloyd and Lee, 2016; Leite et al., 2014).

Currently there are two recent economic approaches that aim at explaining differences in the economic performance/development of nations. (1) Institutional(ist) approaches focus on formal institutions and keep preferences and constraints as central building blocks of their explanations. (2) Cultural(ist) approaches focus on informal institutions (culture) and consider values, norms and beliefs as central, instead. In addition, other social sciences, most importantly social psychology (cross-cultural differences of psychology) and sociology (social capital theory), have their own theoretical frameworks to explain those differences.

We acknowledge this multidisciplinary research on economic development and performance in different fields of the social sciences by combining these different approaches in a single formal corpus. Accordingly, we take a complexity economics perspective. In particular, we choose the methodology of agent-based modelling to express our theory, which allows representing individuals as heterogeneous agents and naturally stresses the importance of interaction through networks, which is a basic tenant of our approach.

The proposed project aims at better understanding the intricate relation between culture, institutions and economic performance, and its dynamics over time. In particular, the proposed model can be used to:

- analyse qualitatively the effects of economic and institutional integration as it occurred in Europe in the past three decades.
- provide scenarios for future economic and institutional integration.
- conduct the comparative analysis of institutional and economic development assuming different value distribution among groups of agents (countries or regions) and different patterns of the value diffusion dynamics or their salience (i.e., social norms).
- assess the consequences of different interventions that influence the diffusion of values or their salience, i.e. their relevance for decisions.