

Institutional change and cultural roots

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Abstract: This paper discusses the inclusion of cultural factors in economic analysis on a theoretical as well as on an empirical level. Using the example of catch-up development, it is demonstrated how a cultural approach to economics can advance our understanding of economic phenomena. As culture, which we define as the interplay between formal rules and informal constraints, is learned by individuals during their socialization, the role of individuals is incorporated into the analysis. Consequently, the paper investigates how individuals make sense of economic and other phenomena using their specific mental models. Because this interpretation of institutions is dependent on the cultural background of the individual, a cultural approach to economics has to consider the specific environment. On an empirical level we argue that qualitative methods are able to capture the complex relationship between culture, institutions, and individuals in a certain context. Thus, qualitative methods can complement existing quantitative approaches. Furthermore, the figure of the cultural interpreter is introduced to broaden our understanding of the role of culture in development processes. The cultural interpreter implements and communicates institutional development reforms and enables the researcher to approach the role of culture during the process of institutional change on a theoretical level as well as in (qualitative) field studies.

1. Introduction

This paper seeks to broaden the understanding of the interplay between culture and economics. This interplay is especially relevant for questions concerning economic development. Despite increasing research in this field, it is still obscure for economists why some countries develop faster than others. Even if economic theory advanced in identifying the origins of growth, there are still many open questions how to initiate growth in developing countries (Altmann 2011: 173). We claim that for a comprehensive understanding of economic development a cultural turn is needed. Therefore, we demonstrate how a cultural approach to economics can enhance our comprehension of catch-up development and thereby complement mainstream research on development phenomena. To do so, we have to consider what culture means and how individuals, who rise up in a certain cultural environment, make sense of their world. Even if there exist many studies about the role of formal institutions and informal constraints, most of these studies regard institutions only on a general level. From our point of view, however,

institutions have to be investigated in their specific environment and should be linked to the individuals who are embedded in this context and who interpret these institutions from their unique socio-cultural perspective. By introducing these arguments, the paper also tries to contribute to the debate about how to capture economic realities empirically (cf. e.g., Piore 2006; Schlüter 2010; Starr 2011; Kruse/Lenger 2013). We propose qualitative methods as an appropriate complementary tool to quantitative methods, such as econometric analysis, since they offer insights into the complex interplay between formal institutions, informal constraints, and individual preferences in a comprehensive way.

Even in neoclassical development economics there is an increasing awareness about the delicate contexts of developing countries, which differ markedly from industrialized countries. Duflo (2006) claims that theories that hold true for developed countries cannot be applied one-on-one to developing countries, since poverty affects individuals' decision making. To investigate the lives of the poor, Banerjee and Duflo conduct extensive empirical fieldwork using randomized experiments.¹ They argue that reliable results concerning the effects of development programs can only be obtained by considering the effectiveness of the individual components of the programs. These individual data cannot be received by the sole observation of the whole 'package' (Banerjee/Duflo 2009). Based on their experimental results, they reconsider the existing models in development economics in order to devote more attentions to the living conditions of the poor and their resulting behaviour (Banerjee/Duflo 2011). Nevertheless, the approach of randomized experiments in development economics has been criticized and the classical objections have been demonstrated by Heckman (1992). There exist two crucial difficulties in this methodology: First, it is still unexplained how the environmental dependence can be included in randomized studies. It is doubtful if an experiment yields the same results in a different setting. Second, it is difficult to examine questions concerning the compliance in the experiment and the effects that result from the selection of participants and would not occur in a non-experimental setting or under laboratory conditions.

With their focus on specific contexts in developing countries and on empirical examination as main method, the studies of Duflo and Banerjee have some features in common with the approach presented in this paper. We are also convinced that only a turn to the concrete conditions of developing countries and to the individuals living there enables us to investigate institutional changes. Nevertheless, we think that a pure examination of incentives of particular programs and the identification of 'nudges' that stimulate a desired behaviour is not sufficient.

¹ Cf. Duflo et al. (2006); Banerjee et al. (2007) as examples for such studies.

Rather, we believe that we also have to find socio-scientific explanations to analyse why individuals behave differently in different contexts and how these behavioural patterns can be understood. We argue that a cultural approach to economics will be helpful to complement neoclassical research if we want to gain a comprehensive understanding of development processes. This leads us to a twofold thesis in this paper: First, culture is a constituting element of human beings. Instead of referring to simplistic rational choice assumptions of behaviour, the approach focuses on historical and cultural factors that shape the mental models of individuals. Therefore, the definition of culture applied in this paper is broad and tries to include the complexity of real world societies. Second, the acknowledgement of the complex social reality makes the application of qualitative methods indispensable. It is very likely impossible to condense all cultural and historical factors and their influence on economic phenomena in econometric models. Hence, for some questions referring to economic development qualitative methods should complement quantitative modelling.

The paper is structured in the following way. In line with the underlying hypothesis the paper consists of two parts. The first part (section 2) explores the relationship between culture and economic phenomena whereas the second part (section 3) analyses the potential of qualitative methods for this research area. Subsequent to the introduction, section 2.1 sketches the idea of a cultural approach to economics and illustrates why catch-up development and institutional transplantation are appropriate fields of application. Section 2.2 demonstrates that linking the individual and the institutional perspective can further develop our awareness of the interplay between culture and economics. The aim of this section is to develop an understanding of how individuals interpret their environment and how we can use this understanding for economic analysis. The theoretical concept of the cultural interpreter is presented in section 2.3. It constitutes a further development of existing concepts of political/cultural entrepreneurs with the purpose of linking the individual and the institutional perspective in processes of development reforms. These theoretical considerations have to be underpinned by empirical investigation, which is the topic of the second part (section 3) of the paper. Using the idea of triangulation, we argue in section 3.1 that economic research can benefit from using different research methods in explaining real world phenomena. The specific potential of qualitative methods for investigating the relationship between culture and economic phenomena is illustrated in section 3.2. Section 3.3 investigates how these qualitative methods can be used fruitfully in the field of development economics. The theoretical idea of the cultural interpreter is picked up again in section 3.4. The section tries to clarify how this concept can be surveyed

and further developed by appropriate qualitative studies using the beforehand introduced methods. Section 4 concludes with a brief summary and an outlook on further research.

2. The relationship between culture and economic phenomena

2.1 A cultural approach to economics

The influence of culture on economic phenomena is more and more recognized in recent economic research. Although economists have long time been loath to include the vague concept of culture in economic analysis (Guiso et al. 2006), there exist some current approaches that try to capture the relationship between culture and economics (e.g., Bowles 1998; Pejovich 2003, 2006; Goldschmidt 2006; Leipold 2006; Alesina/Fuchs-Schündeln 2007; Jong 2009; Beugelsdijk/Maseland 2011; Bisin/Verdier 2011; Klamer 2011). We cannot discuss the different approaches and their perception of culture here in detail. .

For our purpose, economics is understood as a “cultural science”, which means that economic phenomena have to be grasped in their cultural conditionality (Goldschmidt/Remmele 2005). We define culture as the on-going interplay between formal rules and informal constraints² that emerges in the historical development of every society and must be learned (and reflected) by every individual in the course of their socialization (Spranz et al.2012: 462). This definition highlights several factors that are important to investigate the relationship between culture and economics. First of all, investigating economic phenomena from a cultural perspective implies to analyze the *interaction* between formal rules and informal constraints. Second, the role of historical factors and path dependencies for economics are highlighted. This dimension is central for a cultural perspective because the relationship between economics and culture emerges through history (Goldschmidt/Remmele 2005). Third, even if a whole society has the historical experience in common, which is passed on from one generation to another, the learning of culture will happen on an individual level. Thus, the issue of habitus formation and microeconomic preference formation comes to the front. Or, to put it in another way, the learning of culture and the influence of a specific culture is an individual process called ‘enculturation’, which every individual passes through in the course of its ontogenesis (cf. section 2.2). We will refer to this later on.

Based on these insights, a cultural approach can be used to explore a variety of economic phenomena, but especially for processes of economic change, because the interplay between formal rules and informal constraints is at the heart of economic change. One particular example

² The terms of formal rules and informal constraints are defined according to North (1990). For a critique of this understanding cf. Hodgson (2006).

for economic change is the process of catch-up development and the implementation of institutions from developed to less developed countries. Obviously, the situation is especially tricky since the formal institutions originate in foreign countries and are introduced in the specific informal setting of the ‘rule-importing-countries’, which differ from the informal constraints of the respective ‘rule-exporting-countries’. This can cause transplant effects.

Until now, the studies dealing with these effects from a theoretical perspective (cf. Berkowitz et al. 2003; Jong et al. 2002; Couyoumdjian 2012; Seidler 2012) focus on historical and institutional factors. If one takes the above definition of culture, the role of the individual also has to be included into the analysis. The following section attempts to do so by creating a link between the individual and the institutional perspective.

2.2 Linking the institutional and the individual perspective

To explain how culture shapes societies as well as the individual members of society, one has to consider how culture evolves historically (cf. Dux 2011). Accordingly, an analysis of the impact of culture on individuals and the awareness of their environment includes the historical evolution of a specific culture. It is the achievement of recent research in evolutionary anthropology (cf. Tomasello 1999; for economic research, e.g., Witt 2004, 2010 and 2012; Cordes 2006) to indicate that the crucial difference between humans and other creatures is that humans are cultural beings because of their biological basic structure. Unlike other creatures, human beings are dependent on first learning those things during their individual development (ontogenesis) that are indispensable in the course of their later life as part of the human society. Human beings can be distinguished from primates by their ability to understand the world intentionally and causally. Becoming part of the society implies to learn from and by other humans. Consequently, human beings are dependent on a social environment. Without other human beings and the interaction with them one cannot become part of the society. The central point of this evolutionary perception of human learning is the “cumulative cultural evolution” (ratched effect). During the socialization each child learns things that have evolved in the course of several centuries of human history. At the same time of this short period of socialization, the child develops the ability to deal with the learned things individually and creatively. As an adolescent member of the society, the child gathers everything that is important as human culture within the specific cultural environment. This applies to simple handles as well as complex technical skills, to cultural rituals (e.g., shaking hands), and to linguistic abilities and interaction.

Based on their cultural background individuals have a certain perception of their environment, which includes a variety of formal rules, informal constraints, and the interplay between them. To state it once again, individuals interpret the same formal institutions and informal constraints in a different way because of their particular enculturation. Consequently, an understanding of different cultural backgrounds is necessary to understand how specific institutions or the change of institutions is interpreted and eventually politically implemented.

Even if the methodological status of the individual in economics is in general still insufficient (cf. Davis 2011), there exist approaches in economics that deal with the perspective of the individual in a similar way. We shortly refer to this to indicate why the potential of the existing approaches can be bunched by an “individual turn” within a cultural approach to economics. The most famous approach that explains how individuals order their environment allowing for the inclusion of cultural factors is the concept of shared mental models (cf. Denzau/North 1994). Individuals use mental models to make sense of their environment. Because mental models are influenced by the personal experience, individuals in the same cultural sphere exhibit similar mental models. As there are no individuals who share exactly the same experiences in life, mental models are distinct for every person. The concept of mental models also allows to include cultural and historical factors influencing the individual into the analysis and helps to understand individuals’ behaviour. Based on the own unique experience, and on a common cultural basis, each person has a certain way of interpreting the environment and acts according to this perception. The approach of program-based behaviour (Vanberg 2002 and 2004) and the idea of adaptive preferences (Weizsäcker 2005; Croitoru 2011) can also be interpreted in this way even if they originate from a different research agenda.

Of course, the perspective of the individual is not only shaped by historical lines of development but also by the present context. As generally known, this thought has been picked up by Granovetter in the argument of embeddedness that illustrates how the individual is intertwined with the environment. According to Granovetter, embeddedness means that “the behaviour and institutions to be analysed are so constrained by on-going social relations that to construe them as independent is a grievous misunderstanding” (1985: 482). Consequently, economic processes should be understood in the environment of social relations, which surround them.

The above explanations have demonstrated how individuals and their perception of the surrounding institutions are shaped by the context in which they are embedded. Consequently, the question arises in which way individuals themselves shape their environment i.e., if the relationship between individuals and their context is a reciprocal one. This aspect can be enlightened by the concept of path dependency.

Douglass C. North was the first who applied the concept of path dependence³ on the institutional framework.⁴ In general, path dependent processes have two central characteristics. First, the resulting outcome is influenced by the development of the process. Second, there exist several possible outcomes of the process (Ackermann 2001: 11). The concept denotes that history matters and that an investigation of institutional development is indispensable to comprehend actual decision making (North 1990). Furthermore, path dependency stresses the importance to investigate the role of contexts and their influence on policy-making (Zweynert/Goldschmidt 2006). For our purpose, we want to demonstrate that the evolution of institutions as well as individual's mental models can exhibit path dependencies and how these processes are intertwined with each other.

The path dependency of learning processes can be demonstrated by applying the two criteria of the definition of path dependency. First, if learning processes are path dependent, then the resulting outcome will be contingent on the evolution over time. The second criterion of the definition is that there are several possible outcomes of these processes which cannot be predicted in advance. Learning processes are processes that reinforce themselves because learning is based on the existing mental models. Besides, the structure of the existing mental models shapes which factors are regarded as relevant and consequently are considered in learning processes (Ackermann 2001).

As well as learning processes institutional development can exhibit path dependencies. There exists a variety of reasons that can cause a path dependent development in the institutional setting.⁵ The complementarity of institutions is one of these reasons. Newly introduced institutions have to be compatible with the existing institutional structure. This limits institutional innovation and can lead to self-reinforcing processes (David 1994). Furthermore, self-reinforcing processes can be caused on the level of individual interaction. Individuals coordinate their actions because acting in accordance to conventions helps the individuals to form expectation about the others actions (David 1994). Finally, the interplay between these two causes of path dependency can itself constitute a reason for path dependency (Ackermann 2001). In the context of our approach, this third reason is the most fruitful explanation and the central issue to understand institutional path dependence. The reciprocity between institutions

³ Originally, the idea of path dependence was introduced in the context of technological change on an organizational level by Brian Arthur (1988, 1989) and Paul David (1985).

⁴ For our purpose, the phenomena of path dependence is considered on a social level. Even if there exist some similarities to path dependent processes in organization, the latter ones are not regarded on the context of this paper.

⁵ In the framework of this paper not all of these reasons can be discussed. For a comprehensive discussion of institutional path dependence cf. Ackermann (2001).

and individuals, which we consider as essential to understand economic development processes, is at the same time a crucial explanation for the occurrence of institutional path dependence. Here again, the idea of mental models facilitates to understand the reciprocal relationship. As has been shown above, the evolution of mental models is shaped by the personal experience as well as the cultural context of the individual. The resulting form of the mental model aggravates to deviate from habitual interpretative patterns. We denote this as “mental path dependency”. In turn, institutions “are a reflection of the evolving mental models” (Denzau/North 1994: 22). Considering the path dependency of individual learning separately would imply a divergence of mental models. Nevertheless, communication among individuals ensures a certain degree of convergence of individual’s mental models in the same society (Denzau/North 1994). Within each society individuals follow certain rules which they consider as “right” and would be sanctioned if they do not stick to these rules. Thereby, the reciprocity between individuals and institutions can lead to self-reinforcing processes by the channel of mental models (Ackermann 2001). The importance of the interplay between individuals and institutions to explain the occurrence of path dependency strengthens the relevance of the argument to consider this reciprocal relationship to improve our understanding of processes of economic development as these processes are often characterized by path dependencies.

Besides, the interplay between individuals and institutions is also influenced by the different types of rules and constraints. An attempt to explain the interplay between different types of rules and their influence on decision-making processes has been made by Bénabou and Tirole (2012). In their economic model they control for the influence of values, laws, and norms on private decision making as well as on policy making. They deal with the question how (social) norms arise out of human behaviour and how the perception of individuals about “normal” behaviour can be influenced by campaigns. The paper, which combines insights from economics, law, and psychology, also gives insights how policies shape the perception of norms. Here again, the authors acknowledge that “the coevolution of norms, law, and the social meaning of private and public actions, offers a vast and promising topic for future research” (Bénabou/Tirole 2012: 30).

Until now, a comprehensive theory linking cultural development, individual socialization and institutional change is still missing. Indeed, we are not able to present a comprehensive theory. However, we are convinced that the above presented cultural approach to economics in combination with the other mentioned approaches yields the potential to improve the understanding of the interplay between formal institutions and informal constraints and its relevance for processes of economic development. We will return to this argument in part 3.

2.3 The cultural interpreter as possible link between individuals and institutions

The above argumentation has shown that the cultural legacy, which is passed on from one generation to another, influences the individual in her process of socialization and her interpretation of the environment. Furthermore, by this interpretation of the context the person shapes the formal and informal institutions of its environment. This reciprocal influence between institutions and individuals is especially relevant in situations of change. Many institutional reforms in developing countries fail because they do not ensure compatibility among the introduced formal institutions with the existing informal constraints and the mental models of the affected persons (Altmann 2011: 243).

To illustrate why the link between individuals and institutions can enrich studies of institutional implementation processes, we introduce the concept of a *cultural interpreter*. For us, the cultural interpreter is not a mere theoretical figure but rather a concept that serves to identify specific individuals, who can become the subject of empirical studies.⁶ The concept originates in the existing research about cultural and political entrepreneurs (cf. e.g., Zweynert 2009; Kubik 2003; François 2003; Schnellenbach 2007; Wohlgemuth 2000) and is adapted to the aim of studying the relationship between individuals and institutions in processes of institutional development reforms. One could argue that a cultural interpreter is an expert in culture-dependent “argumentation fields” of institutional change.⁷ The definition of culture as the interplay between formal institutions and informal constraints implies that the cultural interpreter has to be aware of the specific cultural formation and validity conditions of these (Western) institutions when “translating” them. For this purpose, the term of the cultural interpreter is used instead of cultural entrepreneur because the central task of this person is not to invent new patterns of interpretations aiming at the enforcement of institutional innovations but simply to translate Western reform concepts for domestic people.⁸ Rather than publicizing and implementing a certain idea, the professional interest of the cultural interpreter is to convey ideas. The most suitable place to find specific persons⁹ who come close to the ideal type of the

⁶ The relevance of the cultural interpreter in the empirical research process is investigated in section 3.4. In the framework of this paper, the cultural interpreter is only investigated in the context of catch-up development and institutional transplantation.

⁷ In connection with Toumlin (1958), there exist a variety of literature on field dependency of argumentation rationality. The idea of the “argumentation fields” indicates that arguments do not pursue an universal logic. Instead, “local rationalities” are decisive for the capacity and intersubjective replicability of arguments. For an overview cf. Bouwemeester (2013).

⁸ The specification that she is a cultural interpreter does not refer to “cultural” in the sense of creative industries or arts. For an investigation of the cultural entrepreneur in the field of the creative industry cf. Swedberg (2006), Klamer (2011).

⁹ Here, we assume for convenience that the cultural interpreter is a single individual and not a whole organization. The relevance of this assumption is further investigated in section 3.4.

cultural interpreter are international development organizations where these persons pursue institutional reforms, or, more specifically, introduce formal institutions from developed countries in the process of policy making of less developed countries. Consequently, the cultural interpreter fulfils a coordinating role (cf. François 2003: 153) between development organization and population during the implementation process. A necessary prerequisite for his “gate keeping” position is the familiarity with the exporting (Western) culture as well as with the culture of the importing society. This implies that if she was mainly socialized in the importing country, she became familiar with the Western culture either by her work or by spending a certain time in Western countries. Accordingly, the cultural interpreter probably belongs to the country’s elite. Because of the familiarity with these different cultures, the cultural interpreter is able to fulfil an essential political role during the process of implementation of institutional reforms (cf. François 2003: 160). In addition, the role premises organizational skills.

The link between reforms and the specific local argumentation fields can be created in different manners. One possible way of communicating the reform is to tie in with established patterns and thereby focus on compatible elements (cf. Zweynert 2009: 352). For example, the cultural interpreter can translate the new ideas by using argumentative patterns that sound familiar to the local population and thereby increase the appreciation of the reform. It is also possible that these argumentative patterns, which the cultural interpreter uses, contain elements of the historical past and the cultural legacy (cf. Kubik 2003: 319, 342 et seq.). During field studies on this topic, the researcher should consider that the cultural interpreter does not necessarily has the same perception of a successful reform as the development organization. Nevertheless, she has some motivation to reform and is willing to communicate the new concepts.

Linked to the motivation of the cultural interpreter is the issue of the incentives that make her act as a cultural interpreter. In opposition to the existing ideas about a cultural entrepreneur (cf. Zweynert 2009; Kubik 2003), the cultural interpreter does not necessarily exhibit entrepreneurial characteristics. This implies that the incentives driving an entrepreneur (e.g., seeking for innovations and profits in the long run) do not apply one-on-one to the cultural interpreter.¹⁰ As has been remarked above, the main incentive of the cultural interpreter is her professional interest to succeed the institutional transfer. Furthermore, the implementation of the reform possibly might enable the cultural interpreter to realize specific values. In doing so,

¹⁰ As well as the entrepreneur the cultural interpreter can be driven by monetary reasons. The difference is that the cultural interpreter receives a wage from his employer whereas the cultural entrepreneur directly gains the profit by his actions in the ‘reform-market’ of society.

conveying ideas and the communications process is at the core of this activity. The way how she implements the reform and chooses the narratives that she tells the population influences the implementation process and thus has an influence on the policy-making process (cf. Kubik 2003: 344).

We are convinced that the concept of a cultural interpreter can be linked to the overall argumentation of the paper. First, by implementing new formal institutions and being in interaction with the local population the cultural interpreter can be seen as a facilitator between individuals and institutions. Thereby, she automatically creates a link between individuals and institutions in the beforehand introduced sense. Second, a concept of a cultural interpreter is always linked to the empirical level. Each cultural interpreter operates in a unique context, which cannot be captured by a theoretical argumentation on a general level. Consequently, an empirical investigation of the cultural interpreter is necessary. But which methods are adequate to capture the role of the cultural interpreter and the cultural legacy in a specific context? To answer this question, a re-examination of social research methods is necessary.

3. The role of qualitative methods for investigating the relationship between culture and economic phenomena

As economic phenomena emerge out of human action, they are more than theoretical or mathematical constructs. They are social phenomena that obviously should not only be described by theoretical models but also have to be investigated by empirical methods. Empirical analyses of economic phenomena can help us to get a better understanding of the processes of their emergence, which are influenced by the specific environment. The quantitative methods, which are prevailing in economics, seem only partly convenient for the questions concerning a cultural perspective on economics. Understandably, they are only able to capture those factors in their studies, which can be quantified (Altmann 2011: 146). Other factors of a country's historical and social, i.e., cultural context can hardly be included comprehensively in econometric model building and regressions. One can barely imagine how to quantify the complexity of the cultural legacy (e.g., the influence of different religions during the socialisation process, the self-esteem because of clanship etc.) in numerical quantities. If we assume that cultural factors have a significant influence on economic phenomena, results of econometric models ignoring those factors will be misleading. Accordingly, the empirical orientation as strength of orthodox economics has to be used in an appropriate way to make it advantageous for a cultural approach to economics. This means that we need suitable empirical methods to make culture ascertainable in an analytically appropriate way. We are convinced

that introducing also qualitative methods in the research process fulfils the requirements of this aim.

3.1 Triangulation

In principle, there are four benefits from qualitative approaches. First, the qualitative approach is able to generate hypotheses. Applying reconstructive methods seems convenient since human behavior and opportunities of action are complex and only partially predictable (Simon 1992). Second, qualitative research allows to address problems, which occur during the research process and which are not predictable *ex ante* by the researcher (Piore 2006). Third, the openness of the approach allows to discover new, unknown issues (Bewley 2002). A fourth advantage of qualitative methods is that complete information about the *subjective* perspective of the conversational partner and *subjectively* relevant issues can be revealed because qualitative inquiry is a dynamic process in which the participants have almost no requirements concerning the course of the conversation. Consequently, a non-predetermined approach created by methods of open inquiry exhibits a high validity and a high informative content.

However, the qualitative approach is appropriate to contribute to a superior analysis of some issues employing triangulation. The main object of qualitative social research should it be to survey (construct-)valid findings. Nevertheless, construct validity cannot be raised by a single research method in social sciences. Rather a cumulative research program is needed. In their entity several survey methods are able to generate results that yield insights about the theoretical fruitfulness of different measuring tools. Especially regarding cultural factors, only the combination of different empirical tools of survey can succeed to construct a reliable understanding.

Hence, a cultural theory of economics relies on the combination of different quantitative and qualitative research methods to derive valid propositions about cultural determinants from the existing empirical material. Besides the research agenda of quantitative methods, there exist a variety of techniques and methods in qualitative research to survey and analyze empirical data to reach this aim: personal, written, and telephone interviews, qualitative inquiry, systematic observations, case studies, content analysis of texts, sampling procedures, measuring attitudes and scales, randomized-response-technique and nonreactive procedures, experimental and quasi-experimental longitudinal- and cross-sectional-studies, laboratory experiments, econometric methods and much more (see, e.g., Bryman 2008).

Without any doubt, not every qualitative or quantitative method is similarly suitable to answer a specific research question and yield relevant empirical data. Rather it is necessary to select

different empirical methods or a combination of them in line with the underlying research question and the aim of the study. This is called *triangulation*. Initially, triangulation indicated a conjunction of different methods and data sources. Nowadays, the term usually declares a combination of qualitative and quantitative methods. Consequently, the aim is to take different positions for answering research questions. Thereby, triangulation facilitates the acquisition of knowledge, i.e., the acquisition of knowledge on different levels which would not have been possible by applying only one approach (Flick 2004).

A comprehensive justification of triangulation has been presented by Norman Denzin (1970, 1978). According to Denzin, the combination of different methods facilitates to methodologically overcome the limits of single methods and to improve the quality of empirical results. The idea is based on the consideration that the application of different empirical methods on the same object of study increases validity, objectivity, and reliability of the results as well as the verification of the quality of research (Webb et al. 1966: 35). Apparently, a theoretical assertion that has been tested by several complementary methods reaches a higher degree of validity than an assertion which has only been confronted with one empirical evidence. Besides the cumulative validation of research results, triangulation contributes to a comprehensive understanding of the object of study by considering one phenomena from different perspectives. Flick (2009: 230) states that “triangulation is less a strategy for validating results and procedures than an alternative to validation (...) which increases scope, depth and consistency in methodological proceedings.” Consequently, a triangular combination of methods is an appropriate strategy for the present study to attain a more profound understanding of cultural conditions.

In sum, the triangular analysis of empirical findings mainly fulfills three functions. First, this kind of analysis enables the reciprocal assessment of methods, i.e., to identify and correct validation problems and survey errors by means of alternative empirical findings. Thus, the combination of methods serves to validate theories, data, and findings. Second, the combination of methods can serve the reciprocal addition of research results. This means that by applying approaches from a research area social phenomena can be investigated which cannot sufficiently be captured by the methods of other research areas. Consequently, the joint results of triangular research yield a more adequate pattern of the object of study. Third, a triangular meta-analysis enables a good way of interdisciplinary analysis. The connection of theoretical considerations to empirical results from different research areas increases the opportunities that relevant considerations are also accepted in other disciplines.

3.2 Qualitative methods in economics

Qualitative or reconstructive methods¹¹ play only a subordinate role in economic mainstream research (Piore 2006; Schlüter 2010). Usually, economists understand qualitative research methods as data that do not exist numerically but only verbally and cannot be analyzed by econometric methods but have to be investigated by other research methods (cf. Starr 2011). Applying triangulation within economic research intends to demonstrate the potential of qualitative methods with respect to economic research questions.

Qualitative methods have certain characteristics that make them suitable to study the relationship between culture and economic phenomena. First and foremost, qualitative methods are appropriate to study the social reality and how it is constructed since it explores the individual perspective on this social reality, i.e., how individuals make sense of it (Denzin/Lincoln 2005: 10 et seqq.) and that there is an “socially constructed nature of reality” (ibid.: 10; cf. Berger/Luckmann 1966) that takes place again and again in the ontogenesis of every individual.

The goal of qualitative research designs is not a statistical representativity but a phenomenological, i.e., comprehensive representation of the complex social reality, which is hermeneutically reconstructed and broadly depicted as pattern. Concerning the similarities and differences of the investigated social phenomena, these patterns constitute consistencies that structure meanings. To reach this phenomenological representation on the level of the investigated entity of the case, a specific selection of the cases is necessary. The basic principle of qualitative samples is the contrasting or comparative selection of cases. With regard to qualitative samples, the dimension of contrast can be divergent. Thereby, the aim is to incorporate the heterogeneity of the field. Nevertheless, this is not reached by statistical methods of sampling but by sensitive selection of cases. This selection is based on the “theoretical sampling” according to Glaser and Strauss (1967/2008), which operates corresponding to the principle of maximal/minimal structural variation. Likewise, the sampling follows the principles of reconstructive research, i.e., the *principle of maximal structural variation*.¹²

¹¹ Hereafter, qualitative methods are understood as reconstructive approaches. They are based, for example, on guided interviews, group discussion, or participant observations. Qualitative research looks for an interpreting approach to the interactively “constructed” social reality that is represented in linguistic and non-linguistic symbols. Thereby, qualitative research seeks to produce a detailed and comprehensive picture of the aspects of reality in question (Kardorff 1995).

¹² The method traces back to John Stuart Mill (1843/2002), who worked out that data can be analyzed according to the principle of concordance or of difference, i.e., by regarding preferably different or similar cases.

The crucial advantage of this method is that it is not necessary to conduct extensive quantitative inquiry but that a careful analysis of few cases facilitates practical statements. Quantitative methods seek to illustrate behaviour in form of models, correlations, and numerical characteristics as exactly as possible with the aim to test hypotheses and to forecast the further development of the object of study whereas qualitative methods are characterized by a higher degree of openness and flexibility during the research process. These characteristics constitute an additional value for economics in general and especially for a cultural theory of economics. The disadvantages of qualitative-reconstructive methods are the cost-intensive and time-consuming period of survey and analysis that puts high requirements on the interviewer and the analyst. Furthermore, it constitutes a difficulty that qualitative data allow only to deduct representative patterns but not for the deduction of generalizable statements which implies a certain limitation of the research. Finally, the preselection opens up the possibility of misjudgments.

Consequently, the logic of qualitative research assumes another *attitude* towards reality and cognitive processes than the quantitative approach. Whereas the latter focuses on an *objectivistic basic understanding*, qualitative research is based on an *interactionistic construction of reality* (Garfinkel 1967). Because the social construction of reality is primarily a *linguistic-communicative* construction of reality, it applies that the medium of this construction can never be completely objective. Unlike the standardized research process, the aim of the qualitative research process is not to start data collection with a beforehand elaborated concept and to investigate this with respect to distribution and statistical coherence. Because how can the researcher be sure that the elaborated concept is identical with the object of study? Accordingly, the logic and aim of qualitative research processes is to analytically reconstruct genuine concepts by surveying (economic) subjects. To state it differently, qualitative research processes are open research processes which are as far as possible not based on settlements during the survey to generate empirically reconstructed concepts.

3.3 Applying qualitative methods in development economics

Qualitative research methods are able to acquire practical insights about the behavior and preferences of economic subjects (Hill/Meagher 1999: 10) as well as to investigate the role of culture in economic processes. Therefore, it is necessary to specify which methods from the range of qualitative methods are appropriate to study the interplay between formal institutions and informal constraints in processes of catch-up development and institutional transplantation. We cannot discuss this in detail but besides the method of participant observation we suggest

qualitative interviews. Qualitative interviews are appropriate because the researcher can gain a more precise understanding of the behaviour she/he observes or she/he can ask question about unobservable issues (Gideon/Moskos 2012: 110). The main aim of interviewing people is to gather information about the daily life of interviewees and the contexts they live in (Crang/Cook 2007: 60) and that makes use of the interaction between interviewer and interviewee (Gideon/Moskos 2011: 110). This interaction in a specific context leads to a process in which interviewer and interviewee construct the meaning of questions and answers (Schwandt 2001: 136), which is crucial when culture becomes the subject on an interview.

In our view there are especially four points that support an increased usage of qualitative methods in the field of developments economics independently of the concrete approach: (1) the existence of uncertainty, risk, and incertitude in the process of institutional change; (2) the relevance of multiple rationalities in cultural contexts; (3) the changeability of preferences in the process of institutional change, and (4) the role of mental models in these processes.

(1) First, qualitative methods yield promising opportunities to consider problems of information and existing uncertainties in economic analysis. Especially for processes of institutional change but also for modern economic research in general uncertainties, risk, and insecurities play a central role. Limited information and uncertainties constitute a lack of knowledge about the concrete occurrence of variables in econometric models. Either the exact value of the variable is unknown or the variable is complemented by a probabilistic random element so that the occurrence cannot be definitely determined. The variable of interest is often determined *ex ante* by considerations of model theory and not deducted from real observations. Consequently, qualitative methods can be understood as tool to detect and describe subjective interpretive patterns of economic subjects. The crucial advantage is that every answer, no matter if “right” or “wrong”, reveals structures of meaning that eventually could not have been unveiled by quantitative methods.

(2) A second potential benefit of reconstructive methods is to explain the behavior in concrete situations in different cultural fields. As we have investigated in the first part of the paper, humans follow different behavioral patterns in different contexts (cf. also Etzioni 1988; Ostrom 2005: 69; Vatn 2005: 127). Which action pattern humans use in certain situations is a question that can be mainly answered qualitatively since it concerns subjective contexts of meaning. In addition, the heuristics of behavior mostly take place hidden, unconsciously, and emotionally. A reconstructive-analytical approach can reveal hidden behavioral patterns and integrate them fruitfully in economic analysis. Because reconstructive methods try to investigate expressions behind existing structures of meaning, these methods are usually better able to examine if the

behavior is deliberately-rational or incorporated/enculturated than quantitative methods are able to do.

(3) The reconstruction of subjective patterns of representation facilitates empirical findings concerning the formation of preferences. Many quantitative studies refute the assumption that preferences are fixed and unchangeable (“De gustibus non est disputandum”) even if this assumption is applied in economic mainstream analyses. Newly publications demonstrate that the process of socialization (Bisin/Verdier 2011), markets and economic institutions (Bowles 1998) as well as political institutions (Alesina/Fuchs-Schündeln 2007) influence the formation of preferences. In this regard, qualitative inquiry constitutes an appropriate method to document and analytically specify the change of preferences. Consequently, qualitative methods yield a high potential when investigating changes of preferences in the context of institutional change.

(4) Fourth, it is sufficiently proofed that individual and social preferences, economic behavior, and attitudes in regard to welfare policies of individuals differ from each other dependent on the social situation and cultural influences. Moreover, international comparative studies demonstrate that the membership to a particular cultural sphere has a significant influence on the perception of justice of the individuals living in this environment (Kluegel/Mason/Wegener 1995a, 1995b).

Summarizing, one can state that qualitative methods are a useful tool to specify cultural patterns, which shape individuals actors, and to integrate these patterns into economic analysis. Furthermore, even orthodox economic analyses increasingly consider cultural and institutional contexts (Henrich 2000). Appropriately, Knight (1997: 696) states that “to the extent that we accept the arguments that cognitive activity is dependent in a fundamental way on the cultural and institutional context, research on cognition must move beyond the walls of experimentation and pay greater attention to the mechanisms of everyday cognition in social life“. With regard to this, qualitative methods can be used to specify the cultural patterns of the actor and to integrate it in the analysis.

To conclude the argumentation of this paper, we want to show how qualitative methods and their potentials can be used to integrate the concept of the cultural interpreter into fieldwork and, thereby, approach the interplay between culture and economics on an empirical level.

3.4 The role of the cultural interpreter in field research

As has been demonstrated above, the aim of qualitative studies is a comprehensive representation of the complex social reality. For the field of development economics, this implies that central actors, as we have identified in the figure of the cultural interpreter, have to

be used for sampling. As the main task of the cultural interpreter is to facilitate the interplay between newly introduced formal institutions with pre-existing informal constraints, a context specific analysis is relevant as informal constraints differ from one context to another (cf. section 2.1).¹³

The previous sections have demonstrated that qualitative methods are able to analyse the concrete practices of the cultural interpreter. Especially they are able to empirically capture the different forms of “translations” pursued by the cultural interpreter. Besides the validation of the different behavioral patterns, qualitative methods should capture the incentives driving the performance of the cultural interpreter. Accordingly, qualitative methods can help the researcher to get an improved understanding of the process of understanding which form the base of her actions. This implies that one aim of the qualitative study is to explain the specific mental model of the cultural interpreter. The cultural interpreter’s subjective understanding of the interplay between formal institutions and informal constraints can be analyzed as well as her perception of the difficulties for the members of society when interpreting this interplay. The reason why the empirical analysis with the cultural interpreter can be fruitful is that she has a double role. On the one hand she acts as a translator between the population and the development organization. We are convinced that documenting these actions and to analyse them with regard to processes of institutional change yields the potential to improve the existing understanding of this process of change. On the other hand the cultural interpreter is herself a person with a unique mental model and the resulting perspective on institutions. Thus, the examinations of the cultural interpreter’s view on the interplay between the newly introduced formal institutions with the existing informal constraints can further develop our understanding of the influence of culture on economic phenomena.¹⁴

4. Conclusion

The aim of this paper was to strengthen the role of culture in economic analysis using a cultural approach to economics as starting point. Therefore, we discussed the relationship between individuals and institutions with regard to culture and tried to show that qualitative methods are an additional and appropriate feature to empirically study the role of culture on economic phenomena. On a methodological level, findings from heterodox economics as well as from

¹³ That the formation of the (cultural) legacy should be studied in its specific environment has also been claimed by Kubik (2003: 340).

¹⁴ The ability to see the cultural interpreter not only as facilitator but also as an individual with a unique perception of institutions makes it convenient to understand the cultural interpreter as an individual and not as an institution like a development organization (cf. footnote 9).

sociology and ethnography can be used to further develop a cultural approach to economics. In addition, the concept of a cultural interpreter was introduced. As has been demonstrated at the beginning of the paper, the empirical examination of development processes is one of the strengths of neoclassical development economics. Duflo, Banerjee, and other development economists are right in their assertion that we have to interact with the people in developing countries to understand their behaviour and to tackle the causes of poverty. An empirical exploration is not only necessary since less developed countries differ markedly from developed ones but also because economic phenomena are real world phenomena. Econometric model building as tool for an empirical analysis is relevant for certain fields of economics but not always sufficient to capture the complex social reality in all of its dimensions (cf. Kruse/Lenger 2013). We are convinced that a cultural approach to economics, added by qualitative research, has the potential to complement neoclassical (development) economics. The contextual nature of cultural factors makes it necessary that the result of such case studies cannot be transferred to other contexts in general but can yield policy recommendations for development practitioners in the specific context. Nevertheless, the results can yield highly relevant insights for the practice of development cooperation in the specific context. Starting from the results of this paper, we are aware that the real task is to conduct concrete empirical studies and to prove the potential of the presented approach in practice.¹⁵

¹⁵ We have demonstrated this basically for the case of Indonesia (Spranz et al. 2012).

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