

CULTURE AND ECONOMIC DEVELOPMENT: EMIGRATION AS EVALUATION OF LITHUANIAN CULTURAL ENVIRONMENT

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Abstract. *This article discusses the influence of culture on economic development and its historical significance. It includes the brief historical analysis of this influence, discussion of problems of its scientific evaluation and presentation of relevant theories and hypotheses. Several practical examples are given that indicate the influence of culture on economy and suggest possible solutions to countries seeking to attain economic welfare. The main issues addressed are: the scope of influence of cultural environment on economic development, the extent of its historical determination and the possibilities to modify it by innovative and consistent actions of the state. The Lithuanian cultural environment is evaluated from an emigration perspective following its comparison with several European countries and the presentation of two qualitative researches carried out by Lithuanian scientists aimed at geographical study preferences of young people.*

Keywords: *culture, economic development, welfare, quality of life, path dependence, institutions, emigration.*

1. Introduction

The influence of culture on economy is historically determined and both the state and its economic activity cannot be imagined without it. Culture is the basic reason for the global dominance of Western civilisation and its defining elements: democracy, free market, openness, scientific method and arts. Previous great civilisations (e.g., Persia, China) could not sustain and spread their power across the world because they lacked one or several of these elements.

In this article, culture is understood as an environment favourable (or unfavourable) towards economic welfare, influencing the pace and course of economic development. The cultural environment encompasses an education system, relevant institutes, bureaucracy, business ethics, moral values, social norms, etc. Culture can also be defined as an entirety of products and services of increasing economic weight. The aim of this article is to show a link between culture and economy through a review of relevant theories and hypotheses, and point out problems of its quantification. The review shall present a

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short history of thought in this research field and define the scope of influence of cultural environment on economic development. Indications of this influence are found when comparing countries of similar cultural background that took different paths of economic development. Therefore, examples of several European and Asian countries sharing a similar culture, whose economies have developed at a different pace, are presented. Data from two qualitative researches on geographical study and work preferences of young people conducted by Lithuanian scientists is used in order to evaluate Lithuania's cultural environment from an emigration perspective.

Scientists began researching culture only in the second half of the twentieth century, and in Lithuania it was taken up a decade ago. Although there are several theories and valuation models dealing with the cultural impact on economics and the development of state, so far no universal method has been created to determine the influence of culture due to its elusive nature. Traditional statistical and mathematical tools were not sufficient in defining this phenomenon. Therefore, in the middle of the twentieth century, economics began absorbing theories and hypotheses from other disciplines that could help define the influence of culture on economic development and economic welfare. Current methods to measure its influence combine researches conducted by anthropologists, political scientists, sociologists, psychologists with traditional macroeconomic indicators.

Historically, the influence of culture on economic development has been present, yet unnoticed by empirical science. Now it is a newly discovered and under-researched field that attracts the attention of an increasing number of scientists around the world. Such omnipresence allows culture to acquire a status among economists similar to that of dark energy among astrophysicists, and the important question in both cases is the quantification of their influence. It is currently believed that dark energy comprises around 70% of the universe and it took science nearly a hundred years to reach this hypothesis. It is impossible to foresee how long it will take to fully quantify the influence of culture on economy or determine that it is too evasive to measure, however it is likely to be of a similar magnitude.

A further question would be to what extent the development of cultural environment is a historically determined process pertaining to social norms and moral values established over centuries, and to what extent it can be modified. If a cultural environment is an important economic factor that can be modified by innovative and consistent actions of the state, this would suggest an additional way to stimulate economic growth and bear significance for countries such as Lithuania that have yet to attain the quality of life of Western welfare states.

2. Review of literature: historic evaluation of significance of culture

The importance of culture in the Western world has been known since the inception of European civilisation. Ancient Greece, during its mature history from the eighth to the first centuries BC, had never been an integral political unit. Poleis forged alliances with one another as often as they broke them. However, Athens, Sparta, Thebes, Corinth and other poleis had one essential trait in common: they were united by culture: politics, religion, philosophy and art (architecture, sculpture, literature, poetry, theatre) were pillars of the whole Ancient Greek civilisation. In the territories conquered by Alexander the Great, Ancient Greek culture endured for many centuries, although his empire existed for merely a few decades. When in the first century BC the Roman Empire finally established itself in the territory of Ancient Greece, it lost a major battle to Greek culture. These are the origins of the Latin sentence *Graecia victa victorem vicit*.

Philosophers of Ancient Greece were the first to discuss the influence of culture on human existence and society. Ancient Greeks also noted the importance of art as an integral part of culture. Plato wanted to expel artists from his ideal state. According to him, ruling the state through politics is a serious practical activity, whereas artists create by mimicking the natural world and perceive creation as a mere game. Plato (1981) in his *Republic* proposed treating artists in such a harsh manner because he understood the significant influence of art: “by criticising artists Plato wanted to protect [the state] from dangerous forms of interaction between art and politics” (Jokubaitis, 2007: 125). Namely because of these forms of interaction and influence on human thought, artists are particularly dangerous to authoritarian and totalitarian states (e.g., Plato’s ideal state, USSR, North Korea, Cuba). Craftsmen and scientists improve the outer world, whereas artists improve the inner world. Creation stimulates an independent opinion and desire for well-being without an imposed indication of what that well-being should be.

The philosophical discussion of culture was carried on by Aristotle, Thomas Aquinas, Immanuel Kant, Friedrich Nietzsche, Martin Heidegger and other greatest Western thinkers. Adam Smith, in his book *An Inquiry into the Nature and Causes of the Wealth of Nations* originally published in 1776, emphasised the significance of culture, especially as a weapon against ignorance and stupidity. Smith (2007) pointed out that the state can non-violently overcome antisocial tendencies and superstition in two ways: through science and philosophy, and through the arts – painting, poetry, music. He also acknowledged the value of artwork and maintained that it is as stable as the value of gold and silver (ibid.). However, the concept of culture as a product or environment did not assume an objectively defined shape until the middle of the twentieth century, when social scientists began to raise questions about the influence of culture on the human condition and economic development, and look for ways to measure it. Until then, empirical science, including economics, regarded culture as an abstraction, used merely to describe the world that surrounds a civilised human being. Economics is often perceived

as a blend of mathematical modelling, statistical analysis, fiscal policy, macroeconomic indicators and other strictly defined components, which are not enough to measure the influence of culture. Yet, economics is not a natural science, however much mathematics there may be. Economics is classified as a social science, i.e., a science about society and individuals it consists of. If regarded from a semiotic point of view, the attention of economics to culture is encoded into such classification.

The interest in mathematics and objectivity can be historically justified: it was stimulated by the century of positivism which started after the Napoleonic Wars and ended with the First World War. Economic theory reached a high level of mathematical sophistication and the search for hardly measurable variables was no longer needed (Guiso, Sapienza, Zingales, 2006). Therefore, “Not only did economics lose interest in its relation with culture, but as economics became more self-confident in its own capabilities, it often sought to explain culture as a mere outcome of economic forces” (Guiso, Sapienza, Zingales, 2006: 27), and not vice versa. Guiso, Sapienza and Zingales (2006) note that the first one to suggest a cultural explanation of economic underdevelopment was the American political scientist and anthropologist Edward Banfield. In the middle of the twentieth century, Banfield (1967), after observing a South Italian community, established that the reasons of economic and political backwardness of the whole of Southern Italy lie in its culture and, specifically, the system of personal values. Banfield described his observations in a book *The Moral Basis of a Backward Society* published in 1958.

A community oriented towards personal or family gain disregards societal well-being. Members of such communities care exclusively about personal or family gain, therefore working towards the common good of the whole society is unnecessary. On the contrary, a better life of other community members is irrelevant and often seen as a threat. Consequently, Banfield (1967) termed this attitude “amoral familism”. He was one of the first scholars to use the concept of “social capital” (ibid.), which defines personal connections and qualities needed to communicate with other individuals and pursuit of the common good. The level of social capital is low in communities or groups where personal, family, clan, or class interests are more important than the common good of society or a smaller unit within it (e.g., organisation, company) and such a utilitarian attitude is regarded as a moral norm.

Dutch social psychologist Geert Hofstede (2001) was the first to scientifically measure the significance of culture on a microeconomic level. In 1968 and 1972, during his employment with IBM, he conducted a worldwide survey of the company’s employees with the aim of determining regional and societal cultural differences that influence business processes, organisations and institutions. He received more than 116,000 answered questionnaires (Hofstede, 2001). After analysing the results, Hofstede (2001) initially grouped cultural differences into four dimensions: power distance (tolerance for unequal distribution of power), uncertainty avoidance (tolerance for ambiguous future), individu-

alism vs. collectivism (emphasis on self or a collective) and masculinity vs. femininity (dominant emotional roles: assertiveness or care). Other dimensions were added to the classification later on, e.g., long-term vs. short-term orientation (tolerance for delay of material reward for efforts) or indulgence vs. restraint (level of control over impulses and desires). Hofstede created indexes for each of these dimensions that allowed him to measure cultural differences of organisations and countries and the influence of these differences on corporate and economic development. For instance, high uncertainty avoidance, which explains the absence of unconventional decisions, is characteristic of Latin American, Southern, Central and Eastern European countries, including German speaking ones, and Japan (Hofstede, 2001).

An unconventional explanation of economic underdevelopment through cultural environment was suggested by the American economic theorist Paul A. David in 1985. His article “Clio and the Economics of QWERTY” offered the historical analysis of the standard keyboard and raised a hypothesis of path dependence (David, 1985). This hypothesis is based on ergodic theory used in physics (nonholonomic systems introduced by Heinrich Hertz in the nineteenth century) and mathematics: path dependence emerges when economic processes and their outcomes are predominantly influenced not by systemic forces but rather by remote events and stochastic, i.e., accidental, processes (ibid.). Respectively, processes that are non-ergodic, i.e., non-accidental and unable to shake off historic influence, however irrational it may be, are considered as path dependent (ibid.). This hypothesis triggered a quest for a means to overcome path dependence in the economy, which lasts to the present day.

The path dependence problem was closely examined by Douglass C. North, another renowned American economist, who argues (North, 2004, 2005) that path dependence can be caused and overcome by culture. Russian economist Alexander Auzan, Dean of the Faculty of Economics of Moscow State University, also agrees that, in the case of economic development, path dependence is caused by the institutes and culture (Auzan, 2014). Consequently, culture can help overcome path dependence.

Ronald F. Inglehart, an American political scientist, suggested another qualitative instrument to measure the level of countries’ welfare called the index of subjective well-being (SWB). Since 1981, Inglehart’s World Values Survey (WVS) has been publishing the world map charting SWB based on data gathered from surveys in nearly 100 countries where nearly 400,000 people are interviewed regularly (World Values Survey, 2016). Based on the information available on WVS website, the surveys reach nearly 90% of the world’s population and their findings are internationally used by various scientists and international organisations. The assessment is based on such criteria as freedom of self-expression, support for democracy, psychological and physical security, citizens’ influence, identity, tolerance, environment, happiness, life satisfaction. The survey results are compared with countries’ GDP per capita to see how subjective well-

being correlates with macroeconomic data. Only in some cases (e.g., Latin American countries) such correlation is clearly negative.

The concept of culture as a major influence on economic development continued to permeate economic theory through works of other notable American economists, such as Herbert Simon, Barry R. Weingast, Joseph Stiglitz and Milton Friedman. This common nationality is not accidental as the United States is leading the fields of technological and theoretical innovation, and the main cause for this leadership is the cultural environment favourable to scientific and creative activity and innovation. Therefore, the majority of scientific researches aimed at proving and measuring the influence of culture on economic prosperity are performed in the United States.

In 2008, the government of France initiated the Commission on the Measurement of Economic Performance and Social Progress (CMEPSP) with Stiglitz appointed as the chairman. The Stiglitz Commission (2008) rejected GDP as the principal instrument to measure economic welfare and came up with the quality of life index (QoL), consisting of both quantitative and qualitative criteria. Such criteria as public health, education, personal activity (work and leisure), political representation, social relations, natural environment, personal and economic security were measured and put into consideration (Stiglitz, Sen, Fitoussi, 2008).

The European Union (EU) is currently expanding the initiative called “Beyond GDP” whose aim is to develop “indicators that are as clear and appealing as GDP, but more inclusive of environmental and social aspects of progress” (European Commission, “Beyond GDP” initiative). Furthermore, in 2007 the EU announced its first Agenda for Culture. The 2015-2018 Work Plan for Culture is the current initiative consisting of over 20 relevant actions which includes such cultural and creative sectors as creative economy and innovation. (European Agenda for Culture, 2016).

It is also worth noting the increasing economic weight of culture as an entirety of products and services, especially in prosperous economies, and a new perception of creativity. British scientist John Howkins (2001), in his book *The Creative Economy*, points out that the notion of work as well as the outcome (products) have changed by the end of the twentieth century. He gives the following example from the US economy: “in 1997 America produced \$414 billion worth of books, films, music, TV and other copyright products. Copyright became its number one export, outselling clothes, chemicals, cars, computers and planes” (Howkins, 2001: 7). Based on these figures, Howkins (2001) concludes that the creative economy will be the dominating form of economic activity in the twenty-first century. American economist and professor of the University of Toronto Richard Florida (2002) came up with the concept of the “creative class”. In his 2002 book *The Rise of the Creative Class*, Florida argues that in the USA alone 38 million people belong to the creative class, which consists of scientists, engineers, programmers, educators, researchers, artists, designers, media professionals, doctors, lawyers, etc. It comprises 30% of the total

US workforce; therefore, the creative class has and will continue to have a huge impact on society (Florida, 2002). He is convinced that creativity is the driving force of economic growth and “only by understanding the rise of this new class and its values can we begin to understand the sweeping and seemingly disjointed changes in our society and begin to shape our future more intelligently” (Florida, 2002: xxi).

The aforementioned facts indicate that economists and governments unanimously agree on the importance of culture and the fact that GDP and other macroeconomic indicators ceased to be the principal criteria for measuring economic development. Now, the main objective for scientists examining the influence of culture on economy is to find a universal way to scientifically measure this influence. Currently, the most popular method is a combination of qualitative surveys, macroeconomic indicators and historical analysis. Raquel Fernandez, a professor of New York University researching the influence of culture on economy, notes that “modern neoclassical economics has, until recently, ignored the potential role of culture in explaining variation in economic outcomes, largely because of the difficulty in rigorously separating the effects of culture from those of institutions and traditional economic variables” (Fernandez, 2008: 1). When it became clearer how to separate these effects, the next task is to gather scientific evidence. Fernandez (2008) suggests a method of combining sociological research results and historical case analysis. A similar set of objective indicators and subjective criteria have been proposed by other influential economists, such as Paul Krugman and Nouriel Roubini.

In Lithuania, the first index for measuring the quality of life was introduced in 2006. It was created by V. Milaševičiūtė, V. Pukelienė and E. Vilkas based on a combination of macroeconomic indicators and sociological survey results. Besides the statistical data (GDP, unemployment rate, etc.), this index included such subjective cultural dimensions as political stability, personal security, social life and political freedom (Milaševičiūtė, Pukelienė, Vilkas, 2006). Another team of Lithuanian scientists, O. G. Rakauskienė ir V. Servetkienė (2015), also suggest a blend of objective (statistical data) and subjective (survey results) indicators that measure (1) personal health, spiritual well-being and demographic situation; (2) economic-social environment and material well-being; and (3) cultural environment, social values, moral norms and social ties.

The evolution of scientific thought demonstrates that the influence of cultural environment on economy is significant enough to merit further investigation, yet the scope of this influence is still the object of scientific discussion. The effectiveness of combined research methods depends on the optimal set of criteria, and variety of such combinations indicates that currently there is no universally accepted solution. Therefore, measuring the influence of culture on economic development remains an open and scientifically attractive problem.

3. Can cultural environment be modified to stimulate economic development?

Cultural environment is historically determined. However, certain examples of economic development indicate that it can be changed. North (1993) states that individuals interpret the surrounding world based on their mental models formed under cultural influence – by transferring knowledge, values and norms. Such historical and cultural context is characteristic of a particular environment inhabited by a particular ethnic group or society, and namely this context determines economic differences between countries and regions of the world. Unavoidable difficulties emerge after the economic superiority of a particular system of cultural values becomes obvious and attempts are made to apply this superior system in environments where different mental models prevail (North, 1993). These attempts are justifiable but it is evident from the number of prosperous countries that economic welfare is an exception and not the rule (*ibid.*) and hence, considering the absence of institutes that safeguard the system of cultural values, they are fraught with difficulties.

The historical and cultural contexts are responsible for both creating path dependence and finding ways to resist it as “the language and mental models formed the informal constraints that defined the institutional framework of the tribe and were passed down intergenerationally as customs, taboos, myths that provided the continuity that we call culture and forms part of the key to path dependence” (North, 1993: 4). Whether cultural influence is positive or negative depends on a historical path. If the institutional framework ensures that organisations receive the highest pay-offs from piracy, then their aim is to become better pirates because their success and survival in general depends on such skills (North, 1993). In such cases, economic prosperity is neither a necessity nor a prerequisite for the successful functioning of the state. If “on the other hand productivity raising activities had the highest pay-off then the economy would grow” (North, 1993: 4). The institutional path chosen under the influence of historically and culturally predetermined mentality will inevitably influence the future course – either towards the state of “creators” (USA, Canada, UK, Germany, Scandinavian countries, Japan, South Korea, Singapore) or towards the state of “pirates” (Russia, Belarus, Kazakhstan, Saudi Arabia, Nigeria, Venezuela, Cuba). This influence manifests itself through factors that are vital to organisational activity: informal contacts, family ties, tendency towards corruption and selfish exploitation of power (North, 1993).

Western and Eastern Europe after the Second World War could serve as a proper example to illustrate the influence of different cultural environments on economic development. Germany was divided into occupation zones of Western allies and the Soviet Union, and the two parts took different political and economic paths. Germany was reunited in 1990 but the economic gap between its western and eastern lands still remains. The same tendency is noticeable when comparing the old Western European

democracies to Eastern European countries that were occupied by or left in the sphere of influence of the Soviet Union after the Second World War. Similar examples in Asia are South and North Korea after the Korean War, as well as Taiwan and China after the Chinese Revolution.

When describing the Russian power elite, Auzan (2014) concludes that “they lack one important quality – they are afraid of the future”. According to him, a similar “closed door complex” is observed in Venezuela, Turkey or France. This tendency indicates a high level of uncertainty avoidance in Hofstede’s dimensional classification. Based on Hofstede’s cultural indexes, Inglehart’s value theory and historical data showing economic differences of countries gathered by the British statistical economist Angus Maddison, Auzan (2014) notes that, during the last 200 years, the leading countries remained exactly the same but the difference between the first and last ones during this period has increased from four to a hundred times. Only five countries have managed to change their economic path in the twentieth century: Japan, South Korea, Taiwan, Hong Kong and Singapore. Another group of countries, including China, India, Malaysia, Thailand, Indonesia, have yet to choose the direction. One of the main prerequisites for this lies in the quality of social and public institutes which are influenced by the culture of a given society because namely “the institutes, along with standards, determine the choice of trajectory, and culture turns it into a path” (Auzan, 2014).

In approval of North’s “paradox of the West” (1993, 2), Auzan states that only 25 countries have managed to steer into a path of economic prosperity, whereas the remaining 175 are moving in another trajectory. Different trajectories of economic development do not mean different phases of development but rather different paths influenced by history, social order and institutions, and, consequently, it takes at least 50 years to pull away from this path dependence (North, Wallis, Weingast, 2009). A slightly more optimistic outlook by Auzan (2014) is that 10 to 20 years of effective and consistent education (especially higher education) policy can produce certain positive changes: a required set of formal rules, informal good practices, value systems and moral norms. Auzan concludes that these hypotheses and theories still do not prove that a change in value system is the cause, and economic welfare is the effect. However, they allow the assumption that the link between culture and economic welfare exists. Therefore, the main task for countries that have fallen behind is to seek ways of using this link in favour of economic development. The state can influence the cultural environment by innovative and consistent cultural and education policy and thus modify it to stimulate economic development.

4. The Lithuanian cultural environment and emigration

The fact that a favourable cultural environment is formed and sustained by the education and cultural policy explains the attention to culture in the USA where in 2016 expenditures on education amounted to \$1.0085 trillion, which makes up 15% of the federal budget and 7% of the GDP (USA Budget and Government Spending, 2016). Expenditures for recreation, including culture, make \$43.8 billion or 0.14% of the budget, but the United States has a rich tradition of private sponsorship of culture, which is encouraged by the government through tax exemptions. For comparison, US military expenditures in 2016 were \$830.9 billion, or 12% of the budget.

Based on the Eurostat data base (Eurostat, 2016), in 2014, the average expenditure on education in the EU was 4.9% of the GDP, or 10.2% of the general government expenditure. The Lithuanian expenditure on education was respectively 5.4% and 15.5%, Latvian – 5.9% and 15.8%, Estonian – 5.6% and 15.7%. The figures of Lithuania are slightly lower of the three Baltic States, however, all exceeded the EU average. Culture, recreation and religion within the EU received on average 1% of the GDP or 2.1% of the general government expenditure. Lithuanian expenditure on culture was respectively 0.9% and 2.6%, Latvian – 1.7% and 4.5%, Estonian – 2% and 5.2%. In this instance, Lithuania was a little below the EU average, whereas Latvia was significantly higher and Estonia twice as high. One important aspect should be considered here: old EU member states that are among the 25 economic exceptions do not need to alter the path of cultural and educational development (although their expenditures are significantly lower than in the USA). For them it is sufficient to sustain the cultural environment and make necessary corrections. Meanwhile, the support of culture and education in relatively new market economies that aim to step on the path towards economic welfare is more important.

Based on the index of subjective well being, which WVS publishes every four years (World Values Survey, 2016), in 2008, Lithuania ranked third to last and surpassed only two other EU members: Bulgaria and Romania. Latvia ranked slightly higher and Estonia was the highest of the Baltic States (Figure 1).

As mentioned above, in the twentieth century, several countries managed to take an efficient path of economic development. This is illustrated by graphic charts of their economic development next to the Baltic States and Ireland in Figure 2. The economic situation in South and North Korea after the Korean War was comparatively similar. However, South Korea managed to turn its cultural traits (e.g., agrarian economy based on family clans) into economic prosperity and now is widely known for its electronic industry and technological innovations. Ireland, which is culturally closer to the Baltic States, suffered from a massive emigration in the 1980s. When Ireland joined the EU in 1973, its GDP per capita was significantly lower than the EU average. In 2000, based on OECD data, Ireland, comparable to Lithuania by size and population, was the world's 6th country by GDP per capita, and later became one of the most attractive destinations for immigrants from Eastern Europe. The cause of these achievements was economic

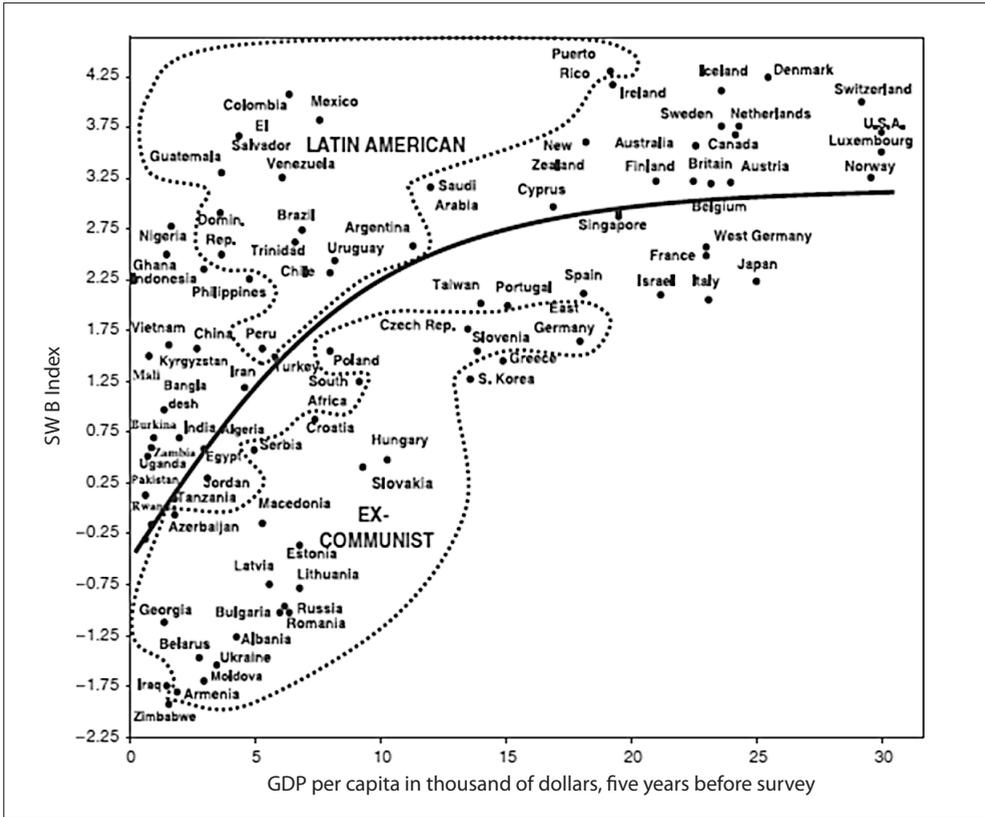


FIGURE 1. 2008 SWB map.

Source: World Values Survey.

farsightedness and courage for innovative reforms enabling the shift from an agrarian to a knowledge-based economy.

The major economic transitions require more than mimicking the free market institutes because “transferring the formal political and economic rules of successful Western market economies to third world and eastern European economies is not a sufficient condition for good economic performance” (North, 1993: 7). Figure 3 shows the economic development of Lithuania, Latvia, and Estonia from 1995 to 2014, i.e., over a comparable period of time it took Ireland to achieve economic prosperity. All three countries started in similar positions after the collapse of the Soviet Union, although Lithuania’s situation was somewhat better due to a bigger market, more diversified economy and better developed infrastructure. Therefore the reasons of this gap could be explained by changes in the cultural environment. In 2000, the economic situation in all three Baltic States was similar, but several years later Estonia surpassed Lithuania and Latvia, whereas Lithuania was the last of the Baltic States to recover from the financial crisis of 2008 and join the Eurozone, and will be the last one to join the exclusive club of OECD.

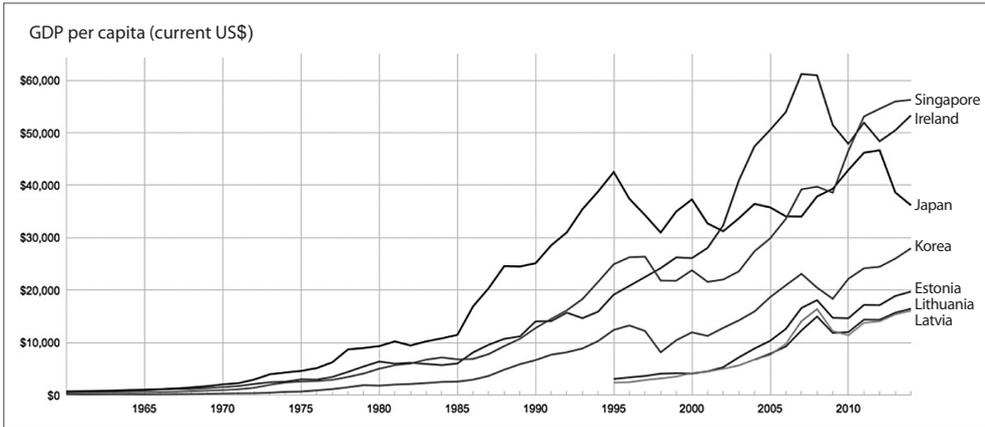


Figure 2. GDP per capita of Lithuania, Latvia, Estonia, Ireland, Japan, South Korea and Singapore.

Source: World Bank Data.

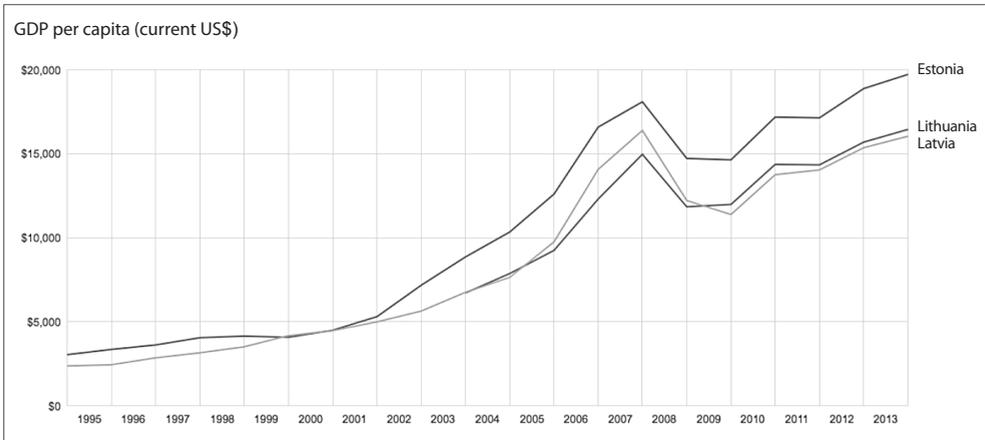


FIGURE 3. GDP per capita of Lithuania, Latvia and Estonia

Source: World Bank Data

In the case of Estonia, several institutional trends indicate that the society managed to modify social values and moral norms. The Estonian Reform Party (liberals) has been in power since 1994, with the exception of only three years. Liberal politicians adhered to innovative reforms and continuously supported institutional changes that yielded economic results. Estonia has been an avid promoter of e-government and was one of the first countries in the world to introduce electronic general elections. Digital signature was introduced in 2002, and since 2003 Estonia has had an e-law system that allows every citizen to monitor the entire process of law-making. Such system guarantees maximum transparency by practically eliminating the possibility of corruption and encourages citizens to follow legislative procedures (e-Estonia, 2016). In 2007, the taxation

system was heavily simplified and a flat tax was introduced. As a consequence, submission of tax returns became simple and now takes 10 to 15 minutes on average (Cato Institute, 2016). Due to such innovations, the power distance decreased significantly, which in turn increased public confidence and strengthened civil society. Furthermore, Estonia was one of a few European countries whose economy quickly recovered from the 2008 economic crisis and in 2010 grew by 3.1% (ibid.). A recent innovative decision was the introduction of free public transport in Tallinn in 2013. These practical examples illustrate that Estonia managed to change its cultural environment by innovative and consistent actions and consequently pulled away from path dependence and turned towards economic prosperity.

Meanwhile Lithuania, the largest of the three economies, is still somewhere between North's (1993) "creators" and "pirates". Though membership in the EU created a favourable cultural environment and ensured institutional changes, Lithuanian society still has not shaken off the influence of mentality, social values and moral norms that were formed during the years under the reactionist Russian tsarism and then, after the Second World War, the Communist regime. According to the data of the European Migration Network, around 840,000 people emigrated from Lithuania since the country regained its independence in 1990. Lithuania has the highest emigration rate in the EU and over 50% of emigrants are people under 35. The alarmingly high and steady emigration rates (38,800 in 2013, 36,600 in 2014, 44,500 in 2015) could be viewed as an outcome of an unfavourable cultural trend. Therefore, the following two surveys involving young and prospective Lithuanians were chosen to illustrate the perception of the Lithuanian cultural environment.

In 2008, the Ministry of Education and Science commissioned the Situation Analysis of Participants of Lithuanian and International Olympiads. During the survey, 396 participants were interviewed: 54% of them studied universities, 32% attended high schools and 14% secondary schools. The majority (67%) indicated that they intend to go abroad to work or study. 22% were undecided and 11% were resolved not to go abroad for work or study. Considering the large degree of constant emigration, it is very unlikely that this trend among young and bright Lithuanians has considerably weakened over the last years.

The analysis also includes statements of respondents that reflect their attitude towards the cultural environment abroad (Western countries) and in Lithuania. The following statements describe a typical attitude towards the Western cultural environment: "students have better conditions, more motivated lecturers; less paperwork, more attention to a person and his work, his abilities; better living conditions, better mentality; level of studies is incomparably higher; more interesting study programmes" (2008). In comparison, the Lithuanian cultural environment is described as follows: "[an absence of] innovations at universities to fix the education system so that there would be less disorder and corruption; young people should know that a university is interested in having them

as students and as a part of a(n) [academic] community; a student has to be respected; [a lack of] competent, engaged, educated abroad, young lecturers; [a lack of] motivation, optimism that it is possible not only to work but also to earn a living in Lithuania; [a lack of] guarantees for work placement, stable economic situation and social welfare” (2008).

In 2010, M. Didžgalvytė and V. Pukelienė, scientists from Vytautas Magnus University, conducted a research aimed at the analysis and evaluation of remigration during which they interviewed 204 young people (22 to 35 years old) who studied in Lithuania and continued their master or doctoral studies abroad. The majority of respondents indicated that the general academic, social and quality of life standards abroad (predominantly in Western Europe) are higher or much higher compared to those in Lithuania (2010). 71% of respondents indicated that academic standards abroad are higher or much higher, 67.5% had the same opinion on social standards, and 85% on the quality of life standards. 9% of respondents already studying abroad indicated that they will return to Lithuania immediately after the conclusion of their studies, meanwhile, when interviewed before studying abroad, 49% expressed a wish to return (2010). These results show that the Lithuanian cultural environment becomes considerably less attractive after its comparison with the cultural environment of welfare economies.

It is likely that traditional (tribal, family, religious) values have greater influence on Lithuanian society than rational (secular, societal, institutional) values. Based on Hofstede’s classification, it could be explained by a quite high power distance and a quite low tolerance for uncertainty. Therefore, there is a lack of a generally accepted notion of collective good and will to pursue mutually favourable results. The outcomes of such tendencies include rather high (32nd place) corruption perception (Transparency International, 2016), influence of personal contacts and informal agreements to business, distrust of power (especially political parties and legislation), indifference towards social and political processes, disregard of rational criteria (expert opinion), absence of long-term social goals, lack of quality public discussions and high rates of emigration.

Current Lithuanian cultural environment does not prompt a critical mass of innovative solutions that can help the state to withstand path dependence and move towards economic welfare. Lithuanians tend to choose emigration to a more favourable cultural environment after realising that their individual influence on the choice of their country’s path is rather insignificant. Presently, there is an observable disposition to emphasise cultural rather than economic reasons of emigration: the gap between power and citizens, the absence of state vision, psychological insecurity, bureaucratic shortsightedness, lack of freedom of self-expression. In order to establish concrete reasons for emigration to a better cultural environment instead of creating it in Lithuania, purposive qualitative research is required. The results of such research might offer ways to improve cultural environment and eliminate the reasons for emigration.

5. Conclusions

The review of scientific thought and presented theories and hypotheses show that the link between culture and economy exists but there is no universal method to measure the influence of cultural environment on economic development. This leaves room for further research and social scientists should seek optimal ways to formalise the influence of culture.

The reasons for economic development can be found in culture and a favourable cultural environment can help to achieve economic welfare. The formation of a cultural environment is a historically predetermined process, however it is possible to influence it by innovative and consistent actions of the state that would create an environment suitable for the path towards economic welfare.

Given the high emigration among bright young people and high overall emigration rates as well as the fact that the reasons for emigration are increasingly cultural, Lithuania is at a crossroads where it shall either take the path of a sluggish economic development (Bulgaria, Romania) or turn towards a new institutional and cultural quality by introducing innovative measures (Ireland, Estonia).

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