

CULTURE AND ECONOMIC GROWTH: EVIDENCE FROM GLOBAL DATA

This research project is submitted to the faculty of Business Administration as partial fulfillment
of Masters of Science Degree in Economics

by

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Dedication

To my family and friends.

Acknowledgement

All praise to Almighty Allah for His innumerable blessings. I am grateful to Dr. Qaiser Munir, Associate Professor at IBA, for his guidance, motivation, and supervision in writing this research project.

I am also greatly indebted to my family: my parents and siblings for their encouragement and support while writing this thesis and in life, generally. Lastly, I would also like to thank my friends for motivating me to excel.

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Abstract

This research attempts to investigate whether informal institutions, also known as culture, can play a role in explaining economic growth in countries. The hypothesis accentuates that cultural aspects of a country can influence its economic organization. To test my hypothesis, I consider various aspects of culture as identified in the literature by Tabellini (2008). Cultural aspects including but not limited to; respect, trust, control, and obedience, impact economic growth. As they evolve, these traits change an individual's attitudes towards economic dealings and consequently lead to a better economy. The paper explores the link between culture and GDP per capita, as a proxy for economic growth, in a sample of countries for the period 1981 to 2014, within the framework of an augmented Solow-swan model of economic growth. While using the system GMM technique for panel data analysis, I find that culture considerably influences the level of economic growth. To ensure robustness of my findings I include regional dummies as well as polity and income indicators in my analysis.