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## Individual Values, Entrepreneurship, and Innovation

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**ABSTRACT** This chapter investigates the causal link between economic culture and economic performance. Using data from the World Values Survey (WVS) for 1990–1993, we design an index of modernism and an index of traditionalism, which summarize in a simple way most of the beliefs, attitudes, and social norms about economic life in a society. Our results show that the index of modernism is positively correlated with total factor productivity (TFP) growth and indigenous and imported innovation, while the index of traditionalism is not. To address concerns about endogeneity and reversed causation, we consider a proxy for our index of modernism. Using data from the General Social Survey (GSS), we uncover the impact of the country of origin of one’s ancestors on the probability that a first-, second-, third-, or fourth-generation American becomes a successful entrepreneur. We treat the estimated country effects as our proxy for inherited modernism. The results show that the country effects are positively related to both the index of modernism and our measures of economic performance, TFP growth, indigenous innovation, and imported innovation.

### Introduction

Recent research in economics has found a strong causal relation between aggregate levels of social trust and gross domestic product growth (see, for