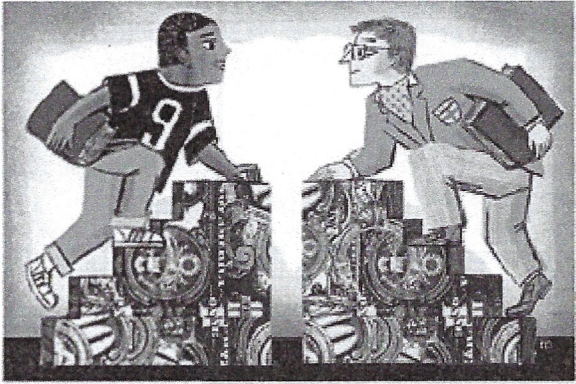


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*People from cultures that emphasize productive habits tend to advance. The reverse is also true.*



ROBERT NEUBECKER

The Economics of Culture

By Roland Fryer

Culture is one of the most underrated ideas in economics. For decades, economists avoided invoking culture—the shared values, norms, beliefs, preferences and behaviors of a group—as an explanation for economic outcomes. It seemed too intangible to measure, too messy to model.

Thomas Sowell, whose legacy was celebrated recently at Stanford's Hoover Institution, changed that. He was among the first economists to treat culture as an important economic variable. Mr. Sowell has argued that both human capital and culture drive mobility—more so, in his view, than discrimination or external barriers. Groups that develop productivity-enhancing traits such as skills, an orientation toward education and work, and thriftiness tend to advance. Those whose cultures don't emphasize these things tend to fall behind. In Mr. Sowell's view, culture is a form of capital, an accumulation of habits and know-how that powerfully influences a group's progress.

How does culture relate to economic inequality? Does culture cause economic fortunes, as Mr. Sowell has argued, or does it mostly reflect them? If culture drives prosperity or poverty, then changing culture is central to reducing inequality. If, on the other hand, cultural differences are largely responses to inequality—if marginalized groups develop distinct cultural expressions out of necessity or lack of opportunity—then improving structural conditions may do more to close gaps than exhortations to change culture. Untangling these forces is difficult, because culture and economics are woven tightly together.

A growing body of research now takes seriously culture as an economic force. Economists define it as the bundle of beliefs and values that ethnic, religious and social groups pass down from generation to generation. Scholars such as Alberto Bisin, Thierry Verdier and Roland Bénabou have modeled how shared beliefs and identity shape behavior. The takeaway is simple: Culture operates like capital, potentially influencing the productivity and progress of groups. But hard questions remain: To help a struggling group succeed, does it make sense to try to remake culture, down to clothing and music? Or should we instead focus on human capital, addressing cultural issues only insofar as they get in the way?

When I arrived at Harvard in 2003, these issues weren't abstract. They were personal. Stepping onto campus felt like landing on the moon. A few years earlier I'd been working the drive-through at McDonald's, now I was surrounded by people who had been to finishing school.

I'd been chosen as a junior fellow in the Harvard Society of Fellows, where a handful of postdoctoral scholars from different disciplines are given three years to think, write and collaborate. Only about a dozen economists had been



selected in the previous 70 years.

It was the biggest culture shock of my life. Back home, my nickname was Ju-Ju. At Harvard, I was suddenly surrounded by people named things like Theodore Frickenshaw Farnsworth III. I showed up in faded jeans and NFL jerseys; they wore corduroy and ascots.

Yet over long dinners and too much wine and cheese, we found common ground. We'd stay up late debating string theory, behavioral economics, even the origins of satire. It made me question, as economists have for generations, whether and how culture shapes human behavior.

Cultural differences across racial and ethnic groups are unmistakable. They appear in everything from music and speech to food and fashion. "Seinfeld," one of the most beloved sitcoms in American history, never captured a large black audience. A 2017 USA Today analysis found that the top show for white audiences, "NCIS," didn't even make the top five for black, Hispanic or Asian viewers. Meanwhile, the mostwatched show among African-Americans, "Empire," ranked in fifth place for Hispanics and didn't make the top five for whites.

But cultural differences aren't always as trivial as entertainment preferences. As Mr. Sowell argued in his 1994 book "Race and Culture: A World View," culture can sometimes discourage behaviors that lead to progress—devaluing education, stigmatizing work or glorifying reckless behavior. That idea echoes the long-debated "culture of poverty" theory, which holds that poverty can perpetuate itself through self-defeating norms and expectations. Even subtle cultural differences could have real consequences, shaping opportunity, inviting misunderstanding or fueling discrimination.

For social scientists, the hardest part of studying culture is trying to find a way to measure it. In the early to mid 2000s, Steven Levitt and I tried to answer that question by focusing on one small but revealing expression of culture: the names parents give their children.

Using data on every child born in California over four decades, we uncovered a striking pattern. In the 1960s, naming differences between black and white parents were modest. Even in segregated neighborhoods, black families chose names similar to those of whites. But in the early 1970s, a profound shift swept through black America, especially in racially isolated areas. In the 1960s, the median black girl living in a segregated black neighborhood received a name that was only twice as common among black girls as among white girls. In the 1970s, that number rose to 20 times. A quarter of black families, mostly those in integrated neighborhoods, moved in the opposite direction, choosing names more similar to whites' names. These patterns aligned with the rise of the Black Power movement and its influence on cultural expression.

Armed with millions of naming records, we then asked whether these cultural markers predicted life outcomes. We found no compelling evidence that having a distinctively black name harmed a child's prospects once background factors were taken into account. A unique name reflected the neighborhood one was born into, not a destiny.

Still, culture may matter in more subtle ways. It shapes the formation of human capital—the skills, aspirations and habits that drive success. Mr. Sowell emphasized this repeatedly: The same innate ability can produce different outcomes depending on the norms that surround it.

Perhaps the clearest experimental evidence of an interaction effect between culture and human capital comes from a 2015 study by Leonardo Bursztny and Robert Jensen, who tested how peer norms influence students' willingness to invest in education. Working with more than 800 Los Angeles high-schoolers, they offered free SAT-prep courses. On some sign-up forms, they promised to keep students' decisions completely private; on others, they said the rest of the class would know who signed up. In nonhonors classes, students were 11 percentage points less likely to sign up for SAT prep if their classmates would know. For students taking both honors and non-honors courses, their reaction depended on which set of peers would find out; visibility increased sign-ups in honors classes but decreased it in other classes.

The experiment revealed a "social tax" on learning: Culture didn't change the real payoff to education, but it changed students' willingness to claim it.



Note  
After three years with the ascot aficionados, I realized that the cultural gulf between us wasn't a cause of inequality; it was a symptom of it. Our differences didn't hold us back; they made us interesting. By the end of our fellowship, they listened to more hip-hop while I learned to love gourmet cheese. Culture matters, but its highest purpose is to augment human potential. We should celebrate what makes groups distinct—so long as none of it gets in the way of learning, working and thriving.

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