The euro is a symbol of European unification. But it is also a symbol of a theory of social change—namely, that economic integration, such as monetary union, will promote the political and cultural integration of Europe. Whether this theory is valid has broad implications for business as well as for politicians and governments.

The notion that economic integration will bring cultural integration in its train is only partly valid. As I describe in this article, economic development does make societies less nationalistic and more tolerant, trusting, and democratic. But the broad cultural heritage of a society—Protestant, Roman Catholic, Orthodox, Confucian, or Communist—leaves a lasting imprint on values that endures despite economic development. For example, most historically Protestant societies exhibit significantly higher levels of interpersonal trust than do most historically Catholic or Communist societies, even after controlling for levels of economic development.

The force of cultural heritage is a barrier to the social cohesion of the European Union (EU), because the social integration of each of its nation-states is based on common language, history, ancestry, and geography. The development of a collective European identity would have to transcend these traditional bases of national integration. The inclusion of the EU hopefuls aggravates this problem. Their cultural heritages are quite different from those of the current EU members, and their values would be different from those of the current members even if they enjoyed similar levels of economic development. Moreover, the value systems of the current EU members and the EU hopefuls are not converging. In fact, there is a widening cultural divide that economic integration may not be able to overcome.

**Evidence of the Cultural Divide**

Evidence of the European cultural divide comes from a global study that I co-authored with political scientist Ronald Inglehart, using the three waves of the World Values Surveys (1981 through 1998). These surveys cover 65 societies, including all of the EU member states except Greece and Luxembourg, as well as 11 of the EU candidates. We document two major patterns. On the one hand, economic development tends to propel societies in the same direction, moving them away from absolute, religious, nationalistic, and traditional values toward a syndrome of increasingly rational, tolerant, trusting, and participatory values. On the other hand, the broad cultural heritage of a society also influences values, and this effect persists even when we control for real GDP per capita, the percentage of the workforce employed in the industrial sector, the percentage of the workforce in the service sector, and educational levels. In short, both economics and cultural heritage explain the values that a people holds.

This cultural map (Figure 1) arrays the 65 societies along two dimensions of cross-cultural variation: traditional versus secular-rational values, and survival versus self-expression values.
Traditional societies emphasize religion, deference to authority, family values, protectionist attitudes, social conformity, and nationalism; secular-rational societies emphasize the opposites of these traditional values. Survival-oriented societies emphasize economic and physical security above all else; they exhibit distrust, intolerance of outsiders, suspicion of foreigners, traditional gender roles, and an authoritarian outlook. Societies oriented toward self-expression exhibit the opposites, emphasizing subjective well-being, freedom, quality of life, self-expression, political activism, and environmental consciousness.

The cultural map (Figure 1) shows the contours of the world’s major cultural zones, but a society’s position on the map is a function of both economic development and cultural heritage. Cultural heritage, rather than economics, explains some of the differences in the values held by the current EU members. For example, rich societies in Protestant Europe tend to hold secular-rational and self-expression values, while equally prosperous societies in Catholic Europe tend to be more traditional and survival oriented. Consider that Danish and Swedish values about social welfare and labor policies have kept EU members Denmark and Sweden from adopting the euro, while Norwegian values have kept Norway out of the EU altogether.

The biggest gap occurs between the current EU members and the EU hopefuls. Compared with the members, the hopefuls generally tend to be more nationalistic, intolerant of outsiders, suspicious of foreigners, and distrustful; the hopefuls favor authoritarian rule, exhibit lower levels of environmental and political activism, and do not support gender equality. Consider the issue of interpersonal trust. A cultural tradition of low trust puts a society at a competitive disadvantage, as Francis Fukuyama argues, because it is difficult to build democratic institutions and large-scale organizations. Slovenia, Poland, Romania, and Turkey rank lower on interpersonal trust than even the least trusting EU members (Portugal and France). Turkey, in fact, ranks lower than all but 4 of the 65 societies we studied. But even the most trusting EU hopefuls (Bulgaria and the Czech Republic) are more distrustful than 10 of the current EU members.

Moreover, the cultural gap between current and hopeful EU members is widening, as shown in this map of value change (Figure 2). Among current members, for example, the value systems of Sweden, Belgium, and Germany are moving toward the secular-rational and self-expression poles, while the value systems of the Netherlands, Spain, Italy, and France are moving toward the self-expression pole. In contrast, six of the eight EU candidates for which we have time-series data are moving in the opposite directions, indicating growing distrust, nationalism, and suspicion of outsiders. (The exceptions are Poland, which is becoming more secular-rational, and Slovenia, which is moving in the self-expression direction.) Thus, the main pattern is a growing cultural gap. This gap may be the biggest barrier to European integration once the EU candidates are admitted.

Will economic prosperity close the gap? That is a hope of European economic integration. The European Commission expects the economies of the EU candidates to grow and inflation to fall, but these economic improvements cannot erase the effects of cultural heritage. The nation remains a key unit of shared experience and collective identity. The main conclusion of our global study is that cultural differences persist despite economic development; economic convergence does not lead to political and social convergence.
One Currency, Multiple Monies

Money is not neutral or colorless; it is more than a medium of exchange, a means of payment, and a unit of account. The “meaning” of money varies across cultures. People use their values to make economic choices about money: what to buy, where to invest, how much to save, and so on. Similarly, the economic priorities and policies of national governments reflect the cultural values of their citizens; those who fail to do so lose legitimacy and political support. The sovereignty of nation-states is not only political but cultural as well.

As a result, even with a single European currency, there will always be “multiple monies” inside the EMU, reflecting the cultural variation of its member states. The meaning of the euro in Brussels is not the same as the meaning of the euro in Paris or Madrid or Dublin. As the hopefuls are admitted to the EU and join the monetary union, the variation in the interpretation of the euro will widen. Certainly, the meaning of the euro in Brussels will not be the same as in Prague or Ljubljana or Ankara.

One implication of cultural variation is that different peoples have different goals and priorities. With their survival orientation, the EU hopefuls emphasize physical and economic security over quality of life and self-expression. Thus, for example, environmental protection is less important to the EU hopefuls than it is to the current members. A strong defense is more important to the hopefuls than it is to the current members—witness Germany’s recently announced plans to cut defense spending. The EU members themselves already disagree about goals; goal conflicts will surely intensify in proportion to the rate at which the hopefuls join.

Another implication of cultural variation is that different peoples interpret and implement policies differently. So, a uniform monetary policy administered by Brussels will not be interpreted and implemented uniformly by EMU member states, causing unintended and unanticipated consequences. For example, an European Central Bank (ECB) policy designed to stimulate investment may lead to more investment by citizens of high-trust nations than by citizens of low-trust nations, net of other factors. Or, an ECB policy to curb inflation would be applied differently in a society with a high tolerance for inflation than in one with a low tolerance for inflation. Thus, European monetary policy is a blunt instrument of economic change.

By the same token, companies doing business in the EU should not confuse the euro as a symbol of European unification with the homogenization of tastes and preferences across the member states. This point may seem obvious, but the marketing strategies of many global companies are still hampered by the allure of global brands and a one-size-fits-all marketing approach. For example, only recently did Coca-Cola acknowledge that everyone in the world does not prefer Coke and that it must decentralize worldwide decision making to stem its record of falling profits and declining stock prices. Now, Coca-Cola will cater to local tastes and focus on local brands and flavors. Coca-Cola’s example tells us that companies must live with and adapt to the persistence of cultural variations rather than hope for a time when they will disappear.
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Figure 1. Locations of 65 Societies on two dimensions of cross-cultural variation: World Values Surveys, 1990-1991 and 1995-1998

Source: "Modernization, Cultural Change, and The Persistence of Traditional Values" by Ronald Inglehart and Wayne E. Baker; American Sociological Review, 2000, Vol. 65 (February:19-51)
Figure 2. Change over time in Location on Two Dimensions of Cross Cultural Variation for 38 Societies.