

## Chapter 1

### The Revival of Cultural Explanation

Economists agree about many things—contrary to popular opinion—but the majority agree about culture only in the sense that they no longer give it much thought. The hope that a strong relationship would be found between economic and cultural change mostly faded during the 1960s and 1970s. Those who still believe that culture is formative, whether they are “real people” or the culturally inclined minority of economists, take culture as primary and the economy as secondary, seldom considering that it could be culture which is secondary. On the other hand, the majority of economists, who are trained to expect substitution among variables, find the notion of culture as fixed for all time an arbitrary idea. They see no reason to believe that culture is primordial and impervious to economic inducements. After reviewing numerous propositions about the influence of values on Indian economic development, Das-

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gupta remarked that “no theorems follow from such intangible associations.”<sup>1</sup>

Thus, no major schools of thought in recent years locate the explanation of economic development in culture, with a couple of exceptions. The first of these consists of some institutional economists, exemplified perhaps by Anne Mayhew’s presidential address to the Annual Meeting of the Association for Evolutionary Economics in 1986. It was called “Culture: Core Concept under Attack” and opened, “I begin with the proposition that the concepts of culture and instrumental valuation are the concepts from which all the rest of institutional economics flow.”<sup>2</sup> Mayhew argued that analysis must start from the position that we are bound by our cultural patterns. All that need be said for the moment about positions of this type is that they have not been generally or even widely adopted within economics.

The second exception consists of economists in the tradition of Max Weber, who are interested in the nexus between East Asian beliefs, business practices, and economic growth. An example from this school is the historical work of Michio Morishima. Although he is a leading technical economist, his explanation of the Japanese Miracle is Weberian.<sup>3</sup> Yet even he eventually temporizes and relies on the reciprocity between culture and economics, saying on the one hand that ideologies given by Japan’s history “constrained” (directed?) economic activity but on the other that ideology can

<sup>1</sup> Ajit Dasgupta, “India’s Cultural Values and Economic Development: A Comment,” *Economic Development and Cultural Change* 13 (1964): 102.

<sup>2</sup> Anne Mayhew, “Culture: Core Concept under Attack,” *Journal of Economic Issues* 21/1 (1987): 587–603.

<sup>3</sup> Michio Morishima, *Why Has Japan “Succeeded”? Western Technology and the Japanese Ethos* (Cambridge: Cambridge University Press, 1982).

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be altered by the economy. This throws us back on a historical analysis to trace the actual direction of influence.

Most economists adopt the position I have called elsewhere “cultural nullity.”<sup>4</sup> Strictly speaking, this can take more than one form and is often adopted unconsciously. One version is vague about whether cultures really exist but assumes that, even if they do, they are so marginal to economic concerns that they may be safely ignored. Another version accepts that cultures do exist but hypothesizes that they are creatures of the economy, able to adjust so painlessly to changing incentives that in this case, too, they may be ignored. The latter position fails, however, to grapple with one of the main difficulties encountered in completely dismissing culture: the fact that markets are not self-enforcing and depend on customary rules for creating trust.

As Mark Casson has observed, the professional culture of economists prevents most of them from seeing that culture matters at all.<sup>5</sup> The topic has been left to other disciplines, together with journalists, travelers, expatriates, and business commentators, all of whom are prone to note that “in reality,” as it were, there are important local or traditional peculiarities of dress, diet, and social habits, plus influential beliefs and values. A type of nonmarket fundamentalism prevails among sociologists and anthropologists, which can be illustrated by an exchange between the philosopher Roger Scruton and the sociologist Brigitte Berger.<sup>6</sup> Speaking of Russia

<sup>4</sup> Eric L. Jones, “Culture and Its Relationship to Economic Change,” *Journal of Institutional and Theoretical Economics* 151/2 (1995): 269–85.

<sup>5</sup> Mark C. Casson, *Economics of Business Culture: Game Theory, Transaction Costs and Economic Performance* (Oxford: Clarendon Press, 1991), p. 22.

<sup>6</sup> “Symposium: The New World of the Gothic Fox: Culture and Economy in English and Spanish America,” *Partisan Review* 62/2 (1995): 179–233.

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and Eastern Europe, Scruton urged that law should be established before any attempt to introduce the market economy. Berger interjected that for law to be accepted, culture must first be transformed. The sociologist Claudio Veliz lent support to her approach by asserting that the free market is itself a cultural artifact: witness its failure to take hold in Latin America despite prolonged experimentation in the nineteenth century. This is essentially a substantivist opinion.

Those economists who are still aware of the dispute in the 1960s between formalism and substantivism assume that it was decided in favor of formalism, whereas noneconomists believe the opposite.<sup>7</sup> Formalism implies that economic theory has universal scope. A careful economist has made the point that introducing cultural difference is a form of relativism which disrupts the universal character of analysis.<sup>8</sup> The burden of substantivism is that each culture maximizes its own values and therefore cannot be analyzed by the modes of economics. These are portrayed as spuriously universal and crassly Western in their individualism and market orientation. A more reasonable position might be that, since economics is the analysis of an abstract category of behavior—choice—its techniques are culturally neutral and universal by definition. If some economists neglect to allow for the legal, religious, and social impediments to full-blown market behavior outside Western society, that is a weakness on their part, not on the part of the science.

<sup>7</sup> The locus classicus of this dispute was the even earlier exchange between the economist Frank Knight and the anthropologist Melville Herskovits in 1941, reprinted as an appendix to M. J. Herskovits, *Economic Anthropology* (New York: W. W. Norton, 1963).

<sup>8</sup> William Oliver Coleman, *Economics and Its Enemies* (Basingstoke, U.K.: Palgrave, 2002), especially pp. 65–66, 84, and 250.

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In the substantivist canon a specific type of economy is embedded in each and every culture. The extreme holders of this view stigmatize any attempt to extend market economics beyond the West as disrupting other cultures for profit (they scarcely admit the role of profit in encouraging the taking of socially desirable risk). All cultures embody the inalienable rights of those born into them and deserve protection for that reason. Trying to integrate other cultures with the international economy (globalization) is wrong, and any hint that each culture may not be distinct is “racist,” a term which is too often used as mere abuse. This syndrome amounts to cultural relativism in holding that every culture is unique, and desirably unique.

One of the most eloquent voices raised against this position is that of a retired anthropologist, Roger Sandall, who claims that when he was a university teacher he would have been unable to publish what he has since written, so far as it contrary to the culturally relativist mood of the times.<sup>9</sup> Sandall documents how ludicrous was the indiscriminate praise for non-Western cultures, pointing instead to the horrors of corruption and even massacre that occurred in them, the absence of much contribution to world economic or scientific advance, and the ecological destruction readily wrought by primitive agriculture long before European colonists hove onto the scene.<sup>10</sup> Lest Sandall’s publication seem the work of an isolated contrarian, a wider shift in opinion is indicated by the fact that indigenous African

<sup>9</sup> Roger Sandall, *The Culture Cult: Designer Tribalism and Other Essays* (Boulder, Col.: Westview Press, 2001).

<sup>10</sup> The last point accords with my own findings. See Eric L. Jones, “The History of Natural Resource Exploitation in the Western World,” *Research in Economic History*, Suppl. 6 (1991): 235–52.

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writers have started to discard the view that the ills of their continent can be sheeted home to colonialism. Some of them may now be found criticizing what they represent as internal defects of apathy, fatalism, convivial excess, conflict avoidance, reliance on superstitious explanations, and lack of a notion of personal merit. This litany would have been unthinkable during the last third of the twentieth century and would probably still be unacceptable had it originated with non-African writers. The new self-critical approach is epitomised by Daniel Etounga-Manguelle, who recommends learning from other civilizations the way East Asia did and not hankering after an “African way.”<sup>11</sup>

Cultural relativism takes little account of its own economic implications—the costs that ensue (and fall most heavily on the poor) from insisting on cultural separateness and hence segregated markets. Cultural relativism is thus congruent with what is discussed below as “cultural fixity.” No attempt is made to face up to the reality that cultures are artifacts, created and recreated, and that most of them have borrowed from hither and yon. No anxiety is expressed that protecting cultures as they stand favors the current holders of power and suppresses other people’s freedom to choose. We can submit this to the test of revealed preference, which means asking what people do rather than what they say. Revealed preference suggests that people from all around the world are happy to adopt elements from alien cultures, especially so-called global or Western culture. Many even strive

<sup>11</sup> Daniel Etounga-Manguelle, “Does Africa Need a Cultural Adjustment Program?” in Lawrence E. Harrison and Samuel P. Huntington, eds., *Culture Matters: How Values Shape Human Progress* (New York: Basic Books, 2000), pp. 65–77.

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to migrate to the West, where they can share not only its material success but also other features such as independent law and a free press.

I

Surprisingly, many historians, who might be expected to emphasize cultural change, likewise write as though cultures are fixed and dominate other aspects of life, including economic life. One reason for this may be that historians tend to be period specialists and seldom write about the long reaches of time during which change becomes most evident. Like other people, historians also witness cultural diversity at the present day, and this may reinforce their supposition that economies are adapted to a particular repertoire of cultural preferences, abilities, and taboos rather than the other way round.

Where academics from fields other than economics are involved, claims that “culture matters” are insistent. Such assertions are not infrequently coupled with attacks on neoclassical economics. These rarely mean what they say, since few commentators distinguish between neoclassical and other branches of economics, just as they fail to distinguish between market liberalism and conservatism. This suggests that “neoclassical” is code for an antipathy toward market competition, aversion to the economist’s professional supposition that all actions have costs, and hostility toward businesses and governments supposed to be implicated in maintaining capitalism. Economists have largely responded with a disdainful silence.<sup>12</sup> Faced with all the prejudices of economists and noneconomists, it is tempting to call down

<sup>12</sup> Coleman, *Economics and Its Enemies*, p. 7.

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a plague on both their houses. But that would be to evade the issue of culture.

Sometimes culture really does seem so routine and invariant with respect to price as to warrant a closer look by economists—though we should be careful: Alfred Marshall thought it was easy to overlook creeping changes and strikingly observed that “short-lived man has little better means of ascertaining whether custom is quietly changing, than the fly, born to-day and dead to-morrow, has of watching the growth of the plant on which it rests.”<sup>13</sup> Yet at other times behavior touching on the most intimate human concerns can change almost overnight. What accounts for the periods of stability, and what brings about the transitions?

The instincts of a leading development economist, Peter Bauer, were probably correct ones. During his career he seems largely to have avoided cultural relativism but near its close he moved toward acknowledging the importance of culture by criticizing his fellow economists for virtually failing to consider the subject at all. I take *From Subsistence to Exchange and Other Essays* to be representative of his mature views.<sup>14</sup> At various points he alludes to culture and moral ideas as deep influences on human affairs. He does so in asides which indicate that however much others may wish to ignore it, he takes the point to be obvious: indeed, he ends one essay with a quotation from George Orwell to the effect that restating the obvious has become our first duty.

<sup>13</sup> Alfred Marshall, *Principles of Economics* (London: Macmillan, 1961), p. 532.

<sup>14</sup> Peter Bauer, *From Subsistence to Exchange* (Princeton: Princeton University Press, 2000).

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Perhaps what Bauer recognized as culture's obviousness explains why he developed no explicit model of cultural change. Nevertheless, though his observations were studiedly casual, they demonstrate a refusal to be diverted from seeing the world whole. If his observations contradict other economists or are politically incorrect, bad cess to his critics, or so he implies: it is simply a fact that ethnic groups differ in their economic performance and that the original idea of material progress was the West's, and the West's alone. The decline of traditional religious belief has eroded a coherent worldview, and into the vacuum created by the consequent diminution of personal responsibility has poured collective guilt. He protests that guilt has malign consequences for policy, spawning aid programs that sap the will and are ready sources of corruption.

Bauer's sentiments were surely right on two counts. On the one hand, it was well to avoid the cultural relativists, because theirs had become an intolerant dogma, convinced a priori that market economics cannot have universal application and destructive of efforts to discern general propositions: every culture is unique. On the other hand, Bauer felt that to follow the bulk of the economics profession in ignoring or even denying the existence of cultural features capable of resisting price incentives—or, alternatively, straining to explain away every apparent anomaly in neoclassical vein—would have been doctrinaire. Defining culture away in the face of the descriptive evidence, he thought, adds nothing to understanding and *prima facie* subtracts from it. But in practice Bauer does not seem to have traveled far down the middle road that his views indicate, in search of the precise impact that culture may have. We should ourselves take the matter further. As Marc Bloch said, it is by

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criticizing their work that we keep faith with our intellectual forebears.

II

Only during the 1990s did cracks appear in the relativist facade. We may mention three of them. The first was the result of tensions over practices engaged in by some Muslim immigrants to Europe, such as the wearing of headscarves, halal modes of killing animals for meat, and female genital mutilation.<sup>15</sup> These practices placed liberals and feminists in a dilemma. They had either to defend them as the cultural rights of immigrants or swing round to condemning them as violations of the rule of the secular state, the autonomy of women, and so forth. The problem was felt most acutely in France, where immigration was large and the secular state particularly cherished. The outcome was a hardening of secularist opinion in line with the long-standing position of French intellectuals.

A second blow to relativism was struck within the non-Western world itself. This was the appearance of spokesmen for so-called Asian Values, who turned relativism back on the West by finding Western culture wanting. What they urged, especially about 1994, was that the economic miracle of East Asia had been built on neo-Confucian cultural values, notably thrift, hard work, education, and concern for the community rather than the individual.<sup>16</sup> The corollary of

<sup>15</sup> In Britain, official condemnation of the practices of slaughtering animals in halal and kosher fashion was long delayed, until a report in 2003 by a government advisory body, the Farm Animals Welfare Council (BBC Radio 4, 10 Jun).

<sup>16</sup> Eric L. Jones, "Asia's Fate: A Response to the Singapore School," *National Interest* 35 (Spring 1994): 18–28.

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Asia's value-based economic success was to be the crumbling of Western competitiveness as Westerners abandoned puritanical values in favor of self-indulgence and reliance on the welfare state.<sup>17</sup>

What was not brought out in the Asian Values debate was the historically selective, not to say anachronistic, nature of the argument. The dynamics of the situation were missed. Thrift, hard work, and so forth had characterized the Western world during and long after industrialization. They constituted the Protestant Ethic. Its values had begun to melt in the warmth of high incomes in the West and through the accompanying decline of churchgoing in Europe, though not in the United States. But by sleight of hand, Asian countries were expected to remain immune from a similar value shift, a rosy expectation that was actually being undermined by Asia's prosperity just when the Asian Values School was most loudly touting its wares.

The sheer speed of economic growth in East Asia accordingly meant that its version of cultural relativism was soon seen to be inadequate. Ironically, Singapore, some of whose top people had been most vociferous and gloating about Western decline, was the first to lament the spread of "affluenza" that threatened the work ethic among its own newly prosperous young people. In a double irony, affluenza outlasted the Asian Crisis of 1997, yet the shock of the crisis did curb excessive enthusiasm for Asian Values. At the time of the Enron and other American business scandals, there was a brief revival of gloating, which only discloses the antago-

<sup>17</sup> Deepak Lal, *Unintended Consequences: The Impact of Factor Endowments, Culture, and Politics on Long-Run Economic Performance* (Cambridge, Mass.: MIT Press, 1998).

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nism toward the West behind what had been passed off as serious analysis. The revival does not seem to have lasted.

A third blow to relativism was that the study of development economics had been languishing. Economic growth had taken place successfully in many less-developed countries, and this expelled some of the motivational steam from the field. Furthermore the mechanistic nostrums offered by development economists had seldom succeeded in curing poverty on a wide scale. There was an embarrassing gap between the market-related successes of East Asia and the failure of the interventionist policies recommended to unfortunate regions like sub-Saharan Africa. This began to turn certain economists back toward thinking that culture might after all provide deeper clues to growth than the engineering variables of technology, investment, and so forth. Whether culture was a sufficient explanation remained to be seen; acknowledging that it may have been at least a necessary component of the explanation was the intellectual volte-face of the 1990s.

### III

A bold, symbolic announcement that cultural relativism really could be dispensed with came first in the field of international relations, with the publication by the political scientist Samuel Huntington of an article entitled, “The Clash of Civilizations” (*Foreign Affairs* 1993). Foreign policy, at any rate American foreign policy, had by then ceased to pay attention to culture or religion.<sup>18</sup> The story is told that when Hillary Clinton was to visit Pakistan, her advisors were in-

<sup>18</sup> This was noted from time to time, e.g., in James Finn, ed., *Global Economics and Religion* (New Brunswick, N.J.: Transaction Books, 1982), but

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formed that the president's wife would be in purdah. "How far away is that?" one of them asked, getting the sardonic answer, "about four centuries." Besides being no way to make friends or influence people, this anecdote points up the cultural isolation in which some of the American elite lived, at a time when one-third of the members of Congress did not, it is said, hold a valid passport.

One might not expect religion to have been discounted in this way, given that the United States is more wedded to moralistic religion than other developed regions, like Europe or Japan. Yet social scientists in the United States, and indeed the West generally, embraced secularization theory and ignored religion as a form of fading, irrelevant superstition. Predominantly atheistic or agnostic television executives in the United States "mirror-imaged" and behaved as though audiences shared their own attitudes. They failed to acknowledge the significance that religion has for a majority of their own compatriots, let alone for many foreigners. They were like Stalin asking contemptuously how many divisions the pope has. There can be little doubt that this pervasive inattention to the role of religion helped to disarm decision makers when it came to understanding, to cite the most obvious example, the Islamic world.

Religious values are intrinsic to culture: they are far more important than matters of dress and deportment. The gap between the cultural relativist view that culture does not merely matter but is fundamental and the dominance of secularization theory is therefore paradoxical. We might have

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became more widely remarked on in the 1990s; see, for example, Douglas Johnston and Cynthia Sampson, eds., *Religion, the Missing Dimension of Statecraft* (New York: Oxford University Press, 1994).

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anticipated that religion would be seen as part of culture, with great influence attributed to it. Instead, during the second half of the twentieth century, conventional thought about the social world became compartmentalized: religion was regarded as of negligible and declining significance, whereas cultures as a whole, or at any rate certain ill-defined aspects of them, were taken as determining economic differences around the world. In the political rather than the economic sphere, nation-state politics and the interaction of states on the world stage were assumed to be what mattered, and both cultural and religious issues were sidelined.

Huntington therefore upset standard “realist” political analysis when he predicted that future conflicts would be between groups of states united by their supposedly indelible cultures rather than groups united only by opportunistic political alliances. He described political groupings of that type as shallower and less stable than civilizations. The idea seemed to presage ethnic or racial war, but his typology of civilizations was really based on religious adherence (or in the case of the Sinitic world on the moralistic philosophy of Confucianism). Huntington’s thesis was bitterly resisted, not least because he toppled the nation-state from the throne of international politics, threatening a whole generation of political scientists who had invested their careers in the study of the state.

As a result of the dispute stirred up by Huntington, it was beginning to dawn on policymakers even before 11 September 2001 that the goals of some Islamic regimes might not be readily aligned with those of American democracy. When in 1996 Huntington elaborated his ideas, in a book called *The Clash of Civilizations and the Remaking of World Order*, dissent continued, but by then a debate in his terms

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had become, though hardly acceptable in all quarters, at least somewhat routine.<sup>19</sup> Events, however, conspired, if not to validate his interpretation, at least to lend it support. The prominence of this very public and only partly academic debate helped to prepare economists as well as political scientists and foreign affairs personnel for a swing back toward cultural explanations.

A seal of respectability was bestowed on the reversal by the MIT economist Peter Temin, in his presidential address to the Economic History Association, published in 1997 under the teasing title, “Is It Kosher to Talk about Culture?”<sup>20</sup> Temin’s answer to his own question was in the affirmative. He argued that while so-called Anglo-Saxon culture was important for the start and spread of industrialism, it is not the wave of the future. That, he thought, is Japan’s collective culture, which will have the economic edge in coming years despite its current difficulties. Temin was aware that many analysts traced the dynamism of America’s knowledge-based industries to the diversity and individualism of American culture. He chose to think, nevertheless, that problems in producing software would come to resemble those of manufacturing production and would be solved better after the Japanese fashion, not by implicit contracts with individualistic employees but by stock options that aligned their interests with those of the company. The degree to which Temin’s discussion is really about institutions, and therefore about political or power-based choices, rather than about culture

<sup>19</sup> Samuel Huntington, *The Clash of Civilizations and the Remaking of World Order* (New York: Simon & Schuster, 1996).

<sup>20</sup> Peter Temin, “Is It Kosher to Talk about Culture?” *Journal of Economic History* 57/2 (1997): 267–87.

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in the sense of inherited and slower-moving patterns, is moot. That distinction will need to be discussed.

A much larger audience was reached by David Landes in a 1998 book called *The Wealth and Poverty of Nations*, a scholarly work that, like Huntington's, entered the public arena.<sup>21</sup> Landes went so far as to say that the postwar economic success of only one in each of two pairs of countries, South Korea and Turkey, Indonesia and Nigeria, could have been predicted from their respective cultures. He is extensively cited as claiming that culture "makes all the difference." The number of academics who began to reiterate this suggests that they were already nursing similar views but had been engaging in preference falsification and only in the late 1990s felt emboldened to come out of the closet. It became reputable, one might say fashionable, for leading American social scientists to urge culture's role. The 180-degree turn was confirmed by a work jointly edited in 2000 by Lawrence Harrison and Samuel Huntington, based on a Harvard symposium and unashamedly entitled *Culture Matters: How Values Shape Human Progress*.<sup>22</sup>

A few younger economists and economic historians had already begun to take culture seriously. I will list five whose analytical contributions have been outstanding. Gregory Clark contributed an article on culture to a symposium in *Historical Methods* as early as 1988.<sup>23</sup> Clark's interest in the Western world's rise in per capita output led him to

<sup>21</sup> David Landes, *The Wealth and Poverty of Nations* (New York: W. W. Norton, 1998).

<sup>22</sup> Lawrence Harrison and Samuel Huntington, eds., *Culture Matters: How Values Shape Human Progress* (New York: Basic Books, 2000).

<sup>23</sup> Gregory Clark, "Economists in Search of Culture: The Unspeakable in Pursuit of the Inedible?" *Historical Methods* 21 (Fall 1988): 161–64.

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consider conventional economic variables only to eliminate them as explanations, obliging him to conclude, “albeit reluctantly” (p. 161), that culture must have been playing a part. He pointed out, as Frederick Amasa Walker had done, that economists believe that anything, meaning nothing, can be explained by postulating different preferences or values among different populations. They assume instead uniform preferences. Yet Clark’s findings included the discovery that people do not necessarily work harder where material conditions are poor, implying that cultural norms reverse the usual expectations of the economic calculus. At least, they reverse them in the workers’ home territories—the low-productivity norms did not travel with them when workers migrated to areas of higher productivity.

Clark admitted that if people really did work harder in some societies than in others, regardless of material incentives, economists were going to find it hard to accommodate what he called “such a startling fact” (p. 163). Startling to economists, that is—whether the fact was really startling is another matter: men have always been willing to respond to nonmaterial incentives, witness the way they sacrifice themselves for their religious beliefs or in war. Recall that Clark was writing in 1988, and, as might have been expected at that date, his work was not much taken up. He supposed that other economists thought the anomaly would not so much be explained as (some day, somehow) explained away.

Nevertheless, at much the same time others were coming to the conclusion that “culture matters,” but they did not use this label and did not seek a wide public audience for their work. One was Avner Greif, whose work dealt chiefly with the differential effect of institutions, though he extended it to differences in the actual beliefs of collectivist

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and individualist societies around the medieval Mediterranean.<sup>24</sup> Greif brought a game-theoretic approach to the topic. Another writer was Timur Kuran, a specialist on Islamic economics.<sup>25</sup> Kuran considered the explanations proposed for the poverty of Muslim countries over many centuries, including the illegitimate use of Islam to prop up the worldviews of power holders, religious obstacles to innovation, and communalist norms that reduced the incentives to create capitalist institutions. None of these sufficed, he said, to account for the failure of out-groups to bring about major reform, since they would have had so much to gain by this. His solution was a cultural one: the role of stylized public discourse in keeping individuals from questioning, or even noticing, chronic social inefficiencies.

A fourth contributor to the new discussion of cultural influences on economic life was Ekkehart Schlicht, author of *On Custom in the Economy* (1998).<sup>26</sup> Custom is very like, if not exactly like, what is usually meant by culture. This is the most profound work I have read on the subject and the one most deeply concerned with methodological issues. Schlicht shows that market processes depend on and are affected by custom, and that while custom probably adapts to economic change in the covert way noted by Marshall, psychological rigidities always act as some restriction on the

<sup>24</sup> Avner Greif, "Cultural Beliefs and the Organization of Society: A Historical and Theoretical Reflection on Collectivist and Individualist Societies," *Journal of Political Economy* 102/5 (1994): 912–50.

<sup>25</sup> See especially Timur Kuran, "Islam and Underdevelopment: An Old Puzzle Revisited," *Journal of Institutional and Theoretical Economics* 153/1 (1997): 41–79.

<sup>26</sup> Ekkehart Schlicht, *On Custom in the Economy* (Oxford: Clarendon Press, 1998).

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scope of economic activities. Despite the prolonged failure of the economics profession to take these matters fully into account, it is not difficult to suppose that a mixture of individual conditioning and network incentives and restraints, describable altogether as culture, might resist economic forces such as changing price incentives in the short- or even the medium run.

A final example is a thorough, cautious, empirical book by Andrew Godley on Jewish entrepreneurship in late nineteenth- and early twentieth-century London and New York.<sup>27</sup> In both cities Jewish immigrants from Russia came to dominate the segment of the textile industry halfway between mass production and bespoke production. Godley saw that the experience of two such closely matched groups offered a controlled experiment capable of revealing how far the larger culture of each city affected the level of entrepreneurship. To carry out the experiment, he undertook laborious data collection on the occupational structures of London and found that entrepreneurship was weaker there than in New York. His explanation was that the craft culture of London was stronger than New York's and impeded the full emergence of individual entrepreneurs.

The work of scholars like Clark, Greif, Kuran, Schlicht, and Godley indicates the stage recently attained in the investigation of culture. It inclines one to take culture as a determinant of economic life seriously, despite the objections that have been mentioned and despite the somewhat off-putting rhetoric of the better-known revivalists. These five scholars have not solved every problem. They do not work

<sup>27</sup> Andrew Godley, *Jewish Immigrant Entrepreneurship in New York and London 1880–1914: Enterprise and Culture* (Basingstoke, U.K.: Palgrave, 2001).

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to a single definition, though it is evident what each is trying to explain; they wander a little between discussing values and institutions, though again it is clear which category each of them has under review at any given moment; and they do not fully elucidate the mechanics of cultural change. But they and some others who started to enter the fray in the early years of the twenty-first century have begun to cast light on what is an undeniably murky area.

## IV

There are several possibilities for interpreting the relationship between culture and economy. Among these are that culture is primary, the interpretation that I have termed “cultural fixity”; another is that it does not exist or does not matter (“cultural nullity”). These may be found in the literature, though it may be necessary to hunt around to find any view stated clearly and frankly. The “nullity” position was, however, openly adopted by the economist and demographer Julian Simon, always a bold reasoner. He asserted the following strong proposition: “in the context of long-run analysis, culture and values do not have independent lives . . . [but] serve as intermediate variables between economic conditions and fertility, serving only to transmit the effect of income onto fertility behavior.”<sup>28</sup> The causality runs only one way. Simon went further and stated that the lag before values respond to fresh economic circumstances is about twenty-five or thirty years.

The catch in this is the implicit admission that culture does exist after all, if only for a generation at a time. Simon is

<sup>28</sup> Julian Simon, *The Effects of Income on Fertility* (Chapel Hill, N. C.: Carolina Population Center, 1974), p. 105.

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so determined to conceive culture as an epiphenomenon of the economy that he does not recognize the anomaly, but it is impossible to get away from the fact that he is acknowledging the persistence for two or three decades of values different from those appropriate to economic conditions. On the basis of his assertion, culture and the economy are probably always out of step. Just when values catch up with the economic situation, circumstances alter again. Values—say, the desired size of a family—are once more left wallowing in their wake. This is a game of tag in which no one is ever caught.

Accordingly, culture is a creature of the economy but a creature of the economic life of a former generation rather than of the present one. It does have independent meaning, but this is always detached from prevailing economic conditions. Simon lets in by the back door what he is eager to push out at the front. Stated abstractly, at the start of each period of analysis relative prices are already distorted, and it may take a generation to amend the distortion, requiring values to be readjusted, perhaps through cognitive dissonance. No one can seriously believe that values are instantaneously bid away or that they have no effect on economic behavior, any more than, say, do other historical legacies or the initial endowment of natural resources. The economy does not start as a featureless *tabula rasa*. It has a prior topography.

A case against cultural explanation has been made in terms of income inequality. The argument is that poor young men engage in competitive risk taking or lethal violence because they have little to lose. This is held to be superior to traditional explanations of lethal violence as the product of unexplained cultural differences.<sup>29</sup> But surely it would pay

<sup>29</sup> Report of a workshop presentation by Martin Daly and Margo Wilson

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people whose human capital constitutes almost all their resources to husband it? Moreover, a universalist explanation merely in terms of income distribution cannot account for regional, temporal, and group variations in levels of risk taking and lethal violence. For instance, young male farm workers in nineteenth-century England played very high-risk sports. Nevertheless, their backswording and shin-kicking did finally die out, and in any event a proportion of such people, equally poor, shunned such sports and became Primitive Methodists or, later on, members of the far-from-martial Salvation Army.<sup>30</sup> Low incomes cannot be held to explain both great risk taking and extremely cautious lifestyles. By the nineteenth century, violent crime was lower than it had been in earlier times, and despite worsening rural poverty it was still decreasing. A generalized interpretation cannot account for these variations. And the fact that pertinent cultural differences may not yet have been identified does not warrant emptying out the analysis by denying in advance that they can have mattered.

Let me give another example where the existence of a long-standing culture is taken by anthropologically minded Western scholars as sufficient to account for the observed behavior: the business behavior of the Chinese and the special structure of their firms. A considerable literature describes the “Chinese characteristics” of Overseas Chinese businesses,

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at the Wissenschaftskolleg zu Berlin, May 2002, in Alex Kacelnik, “The Sciences of Risk,” *Wissenschaftskolleg zu Berlin Jahrbuch*, 2001/2002, pp. 363–64.

<sup>30</sup> Compare the opposite reactions to poaching of the game-dealing blacksmith and the “Ranter” shepherd in Richard Jefferies, *The Amateur Poacher* (Oxford: Oxford University Press, 1978), p. 194.

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meaning such features as an extreme dispersal of family members and assets among industries and countries, reliance on personal contacts rather than open markets, and a deliberate opacity with respect to deals and accounts. Mainstream economists will retort that these are adjustments to risk, as in terms of function they are. Others will disagree, citing the extreme nature of the behavior and its tendency to persist even in developed countries where the ambient risk level is much lower than in Southeast Asia.

In reality, Chinese business behavior is not a timeless phenomenon. Functioning courts and customary law were quite widespread in Qing times. Business actually retreated from using them because of the uncertainties and depredations of the state toward the end of the Qing dynasty, again under the Republic, and once more under wartime Japanese occupation.<sup>31</sup> Shareholder power was sidelined, and corporations became personal fiefdoms. At each stage, entrepreneurs intensified their use of practices considered inherently “Chinese” in attempts to evade untrustworthy and intrusive governments, despite the obvious disadvantage of relinquishing the ability to raise capital from the market. Businessmen who fled China in 1949 carried the element of secrecy with them. They brought it back to the emergent private sector under Deng Xiao-ping in the 1970s. Hence, there is no need to depend on ageless culture as an explanation of Chinese business methods. The phenomenon can be adequately explained in historical and economic terms.

The foregoing examples show how perilous is the tightrope that we have to walk and how it continues to sway

<sup>31</sup> Parks M. Coble, *Chinese Capitalists in Japan's New Order: The Occupied Lower Yangzi, 1937–1945* (Berkeley: University of California Press, 2003).

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dizzily from side to side. Culture does not explain everything, nor does economics. Cultural practices may be explicable in economic terms, yet they also persist as a residue that is not explained by *current* forces. Ways of behaving are capable of being transmitted from one age cohort to another, learned early, and replicated in inappropriate circumstances. To that extent, culture resembles neurosis. To suppose otherwise is to think that selection environments are always severe enough to “correct” behavior and bring it instantly into line with fresh circumstances.

## V

What about demonstrations that culture makes a difference in fact? Every society has its superstitions: my son lived on a street in Melbourne that had no number 13, and in Illinois I found the buyers of my house exceedingly reluctant to accept the thirteenth of the month as the date for closing the transaction. A skeptic might argue that this is nugatory and few resources are expended as a result of superstitions, which often differ (and cancel out) among societies. Beliefs about, say, black cats or magpies hold them lucky or unlucky according to country or locality. Proverbs often contradict one another, perhaps because they are hangovers from random connections asserted in different places when there was no large and unified market in which ideas could be tested.

There are, however, reports in the demographic literature of traditional behavior in Asia that surely does have economic significance. The most striking cases relate to son preference and markedly skewed sex ratios in China, India, and elsewhere.<sup>32</sup> Other cases involve the timing of concep-

<sup>32</sup> Amartya Sen, “More Than 100 Million Women Are Missing,” *New*

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tions to accord with zodiacal criteria.<sup>33</sup> As to further effects, I need refer only to Charles Horioka's survey of the high personal savings rate of the Japanese, in which he canvasses many purported explanations, including "tradition," which is akin to conventional notions of culture. The most rigorous test that Horioka reports is a 1986 study which found the savings rate among ethnic Japanese in the United States to be five percentage points higher than for other ethnic groups. Since the institutional setting was the same for all groups, he suggests that culture is one explanation.<sup>34</sup> Another study, this time of savings behavior in Japanese prefectures defined as traditional or nontraditional according to their consumption of traditional foods, also suggested that "tradition is one explanation (albeit a secondary one) of Japan's high household saving rate" (p. 272). Leaving aside the question of the rather small size of the effect, these studies seem to confirm a minimalist position that culture does exert an influence on economic behavior.

We also know that culture can change—think of the adaptation of many (though not all) immigrants to the mores

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*York Review of Books*, 20 Dec 1990. Nicholas Eberhart ("Some Strategic Implications of Asian/Eurasian Demographic Trends," [Harvard Center for Population and Development Studies Working Paper 14 # 8, Nov 2004]) considers unbalanced sex ratios at birth a serious threat to China's future stability.

<sup>33</sup> Daniel M. Goodkind, "Creating New Traditions in Modern Chinese Populations: Aiming for Birth in the Year of the Dragon," *Population & Development Review* 17/4 (1991): 663–86.

<sup>34</sup> Charles Yuji Horioka, "Why Is Japan's Household Saving Rate So High?" *Journal of the Japanese and International Economies* 4 (1990): 49–92, reprinted in H. Smith, ed., *The Economic Development of Northeast Asia* (Cheltenham, U.K.: Edward Elgar, 2002), pp. 265–308.

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of new societies. Let us assume that individuals internalize the culture surrounding them in their home countries when they are young and ask under what circumstances they may change. Immigrants may find that a new host culture is alien to their upbringing but simply cannot avoid adjusting their behavior to it. Adopting its unfamiliar habits will produce cognitive dissonance that can best be quelled by adjusting their personal values to suit. Whole societies may change as a result of the totality of such responses. On the other hand, some minorities may hold out and preserve old norms within societies that they perceive as alien. Why most people adapt while other groups and individuals cling to their original ways, uncomfortable though these may be in the new situation, is not so obvious and presumably requires fine-grained analysis of their circumstances or psychology.

Young people find it easier to change than old ones, who have had longer to internalize some prior set of values. On the other hand, there may be an early imprinting period, and young people subject to propaganda may find themselves trapped by allegiance to norms inculcated early in their lives. German prisoners of war who had been teenagers when Hitler came to power were hard for the Allies to decondition; older men could be returned more easily to their former beliefs.<sup>35</sup> This complicates the issue by introducing the possibility that cultural values may be subject to age-cohort effects and be contingent on events at the time when imprinting actually took place. Generalizations about group mores may therefore be risky, unless they are qualified to allow for variations induced by the group's composition and

<sup>35</sup> Henry Faulk, *Group Captives: The Re-Education of German Prisoners-of-War in Britain, 1945–48* (London: Chatto & Windus, 1977).

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history. National stereotyping is particularly called into doubt, because nations are far from uniform.

All told, we may consider an evolutionary mechanism. When there is no strong incentive to change, or rather no strong disincentive against sticking with established habits, change is likely to be slow. Older immigrant women confined to the house may change little, whereas their children may alter with astonishing speed at school, though switching back at home to manners their parents find acceptable. Truly ancient cultural features may survive as relics when there is no special reason to dispense with them: dialects, for example, illustrate the persistence of sluggishly changing forms when markets for modes of speech remain isolated. On the other hand, the young and upwardly mobile make plastic adaptations to their speech. Even very young immigrant children may act as translators for their parents in the doctor's surgery and, with embarrassment, while their mothers try to haggle in the supermarket. Another example of the paradox of change and stasis is the suggestion that traditional Chinese culture did not persist through the innate conservatism of the Chinese peasant, whatever "innate conservatism" may mean, but was a sign that over long periods there was little change in incentives.<sup>36</sup> There is no doubt that when circumstances permit the Chinese people can change their behavior astonishingly fast. The sensational shift from Maoism to Dengism during the late 1970s is hard to overlook.

More often, cultural change hides from view. Marshall's caution about the problems we have in detecting slow,

<sup>36</sup> Richard Wilhelm, *Chinese Economic Psychology* (New York: Garland, 1982), p. 45.

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creeping development should always be borne in mind. Participants may delude themselves that it is not happening, having no more sense of change than the fly on the wall. Forms of behavior present at the same time may in truth be out of phase. Practices are likely to persist if there is no reason to change them, but the outward appearance of survivals may be masking real changes. Old names outlive the functions for which they were invented; labeling errors, translation errors, and poor recording can all disguise change. One reason why the economics profession neglected cultural change for so long was the difficulty of observing it.