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CULTURE AND ITS RELATIONSHIP TO ECONOMIC CHANGE

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Abstract

A critical examination is made of the way the relationship of culture to the economy is approached in the literature of economics and neighbouring subjects. Treatments divide broadly into three streams, which are labelled here, Cultural Nullity , Cultural Fixity, and Cultural Reciprocity. They are described and analysed in terms of their explicit and implicit assumptions. Cultural Nullity, which economists typically espouse, tends either to assert that culture is simply a lagged artefact of economic circumstances or at least to assume that cultural phenomena could be explained in that way were the matter more central to the current interests of economists. The length of the supposed lag is very rarely stated. Cultural Fixity, the position adopted by anthropologists and others, tends to regard the economy as a subset of culture (and to depict culture as changing autonomously). More realism attaches to the Cultural Reciprocity stream, which can demonstrate that economics and culture affect one another: however, little work seems to be available that defines the conditions determining which will occupy the driving seat at any one time. Some trends in world cultural history and the status of cultural relativism are also mentioned.

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The purpose of this paper is to examine a number of issues concerning culture: what it is, how it changes and how it relates to economic action.[1] This is intended to throw light on the ensembles that make up whole cultures, and prepare the way for future work on whether some of them distort the pattern of economic development, as this is understood in the West, or act as a brake on it.

Most economists have been content to ignore the topic or to claim, not unaggressively, that cultures will adapt to prevailing incentive structures, in practice meaning that other cultures can be expected to Westernize as we enter a 'borderless world.' This sanguine view of the malleability of culture seems too simple and raises a number of analytical problems. The present paper considers and rejects both the a priori assumption that the economy determines culture and the contrary assumption that culture determines the course of economic life. Instead, it finds that little is understood in general about the interaction of these systems but that, over periods which are quite long in policy terms, significant cultural drag cannot be discounted.

Background

Economics may be divided into three parts. The subject consists of a core, which is to say theory, theoretical propositions and axioms; an annulus of 'normal science' where theory is applied, in practice mostly to modern developed economies; and a penumbra where interesting, though cloudier, phenomena are to be found.

In the penumbra reside such items as wars, disasters, institutions, culture, interactions with politics, the 'ghost in the machine' of economic adaptability, and other shadowy denizens. This outer zone is however not infrequently defined out of the subject. It would be reasonable to explore the area seriously, at least in the first instance. Economic historians and, one would have thought, all others interested in the disequilibria of real-world processes need to concern themselves with the penumbra, messy, obscure or irrelevant though it may seem. The sheer scale of disequilibriating world events in 1989-91 may have helped to return large processes and large topics of this kind to the agenda.[2]

As an illustration of the way economists have sometimes restricted the matters they examine, consider disasters. There is a tradition in economics that these shocks are of little account and are quickly overcome, because, as John Stuart Mill put it, they are only the equivalents of a rapid consumption of goods that would in any case have been used up or worn out.[3] Similarly, Colin Clark employed various statistical procedures in The Economics of 1960 to smooth out the effects of the Great War and the interwar depression, concluding that 'political and social upheavals, however violent, have surprisingly little effect on the long-term trend of economic events.'[4] And when 1960 was actually reached, George Stigler urged that shocks are of scant theoretical interest: war may ravage a continent or destroy a generation without posing new theoretical questions. Great events are in his view impotent to amend theory because they are 'usually routine' - perhaps, echoing Mill, merely producing transient exaggerations of everyday fluctuations in prices.[5]

This attitude towards huge perturbations exposes itself to the gibe that, 'it's all right in practice but it won't work in theory!' Imagine our surprise, then, on finding Tony Atkinson praising Amartya Sen, not just for the quality of his work, but for legitimizing the study of famine in economics.[6] What kind of subject can it be which continues to analyze incremental change, change at the margin, but conjures away mass deaths and massive price distortions, until one individual suddenly legitimizes their study?[7]

The nature of core theory, which rationalizes extruding so many interesting topics, presents a number of difficulties, one being the assumption that institutions are no more than shadows which alter their shape, apparently instantaneously and costlessly, according to changes in relative prices. Work in the Gary Becker mould does penetrate non-traditional areas, but among the areas colonized, culture, to which I wish to draw attention here, has mainly been ignored.

Culture is more like the economy than it is like economics; it is subject matter, not epistemology; it does not come bearing much by way of the gift or burden of its own theory, though there are some cultural theories like those of Max Weber. The term

'culture' is osmotic, covering all the usual artefacts and personal and social behaviors, but also alluding to values (such as trust, honesty or complex systems of religious values) and modes of organization of the kinds that are starting to attract attention as disembodied 'institutions.' Moreover, cultures are congeries, rather than systems, of innumerable behaviors, customs, tastes, and values which affect production, consumption and saving, right through to ostensibly trivial matters such as personal adornment. This great range means that it is easy to assert that a culture has or has not altered, simply by selecting certain criteria, perhaps unconsciously.

Part of culture's range is outside our present concern, for instance the performing arts, though that is the aspect dealt with by the Journal of Cultural Economics. Our purpose is to investigate those parts of the range of meanings which are nowadays treated as institutions, though for broader purposes language and religion might be added to the usual list, as constituting organic institutions.

Despite a literature which is large in absolute terms, and despite frequent allusions in the course of other work, studies of economic aspects of culture are relatively few, at least outside economic anthropology. This is because economists tend to relegate culture to the status of a dependent variable, just as many cultural anthropologists and historians relegate the economy in a similar way. The paucity of work on the economics of whole cultures means that my survey will be highly preliminary.

Cultures as a whole are given distinctiveness by the way that bundles of behaviors and institutions, broadly conceived, are parcelled out geographically, or rather, since members of a culture may bear them away when they travel or are scattered, by the sense in which they are specific to historically- or ethnically-defined groups. What culture actually is, how it changes, and what influences bear on it, may be analyzed in abstract, or at any rate general, terms; but how whole cultures have been assembled, how they change, and questions about their economic influence, require more descriptive and historical approaches.

The Cultural Menu

Cultures appear to be mixtures of 'choices' from immensely long menus of behaviors, though of course in reality individuals become highly conditioned and do not perceive themselves as having free choice. Most Westerners, for example, do not think of themselves as free to wear a bone through the nose, like some stereotypical cannibal. Yet the fashion of earrings for men, and occasionally for nose-rings, unthinkable a generation ago, begins to reveal the ultimately labile nature of culture.

The term 'choice' is thus introduced because it draws attention to the essentially arbitrary nature of many elements and combinations of elements that go to make up culture. At any rate, the idea of a 'menu' is interesting because it prompts us to ask why the observed selections are made, why other items are rejected, which innovations are made incrementally and which rapidly, and what are the influences on the timing of adoptions. Is there a theory that might enable us to predict the type, order and (as part of any properly historicized model) timing of selections from available menus? Such a theory would have to be an almost total theory of the social sciences, but the questions it raises are worth keeping in mind.

Consider a recent large and influential study which sets out to trace regional cultures in the United States back to their origins in regions of seventeenth-century England.[8] Despite the elaborate case made for English origins of American features, other elements obviously entered. They included borrowings from native American (Red Indian) cultures and from mainland European colonists. Moreover, innovations arose out of adjustments to North American ecological and economic circumstances, meaning local ecosystems and relative factor supplies. A full analysis would have to account for the mix of choices.

Three Approaches

Given the gaps, overlaps and hesitations in the literature, it may be useful to classify the different, sometimes diametrically-opposed, ways in which the relationship between culture and the economy has been approached. This will help us to get a feel for what economics may be able to contribute and how far it needs to accept the independence of culture. I shall first try to tie labels on the three main approaches to the economic role of culture which appear in the literature. The works surveyed are not necessarily in economics since such a restriction would amount to blinkers. The literature of law-and-society has been described as a swamp, but then that of law-and-economics has been called a desert.[9] A more habitable biotope may emerge from combining them.

The names I propose are Cultural Nullity, Cultural Fixity, and Cultural Reciprocity. None of these has been used before, and authors vary according to whether they assert that the approach they have chosen is self-evident, argue explicitly for one and against another, or reveal only unconsciously which line they are taking. Some slip and slide among the approaches, while others write as if alternative explanations do not count or even do not exist. As Ellickson has pointed out, any taxonomy threatens to exaggerate cleavages among scattered phenomena.[10] Nevertheless, the classification seems to capture the central tendencies of each approach.

Cultural Nullity

First, then, comes Cultural Nullity. This is the position adopted by many economists, especially in the neo-classical tradition. It denies that culture has economic significance or places it outside the explanatory system, taking the phenomenon as a given to be ignored or soon forgotten, as an irrelevance that could perfectly well be explained in economic terms, were it interesting enough to make the effort. These may be different attitudes, strictly-speaking, but their practical effect in dismissing the topic is much the same.

The doctrinal assumption that all matters can and should be explained within existing theory occasionally leads to direct extrusions of culture. Rather few economists seem interested in extending the professional empire, Becker-style, by devising economic explanations of cultural practices: most seem to find cultural behavior intrinsically insignificant. This may be because for many Western economists the grosser manifestations appear to be non-Western, whereas the peculiarities of their own culture are so taken for granted that they may not even be recognized. As Casson points out, the professional culture of economists prevents them from seeing how culture matters at all.[11] Unlike anthropologists and others, when economists deal with non-Western societies, where unfamiliar practices loom large, they incline to emphasize the way in which cultural forms adapt to secular change.[12]

The assumption is thus either that the subject is of no importance or that we may safely consider culture an infinitely plastic epiphenomenon of the economy - what another intellectual tradition would have called part of the superstructure. The prevailing opinion does seem to be economistic. The main exceptions come from the vocal lobby which finds in culture the key to the rise of East Asia over the last generation.[13] The views of that school belong under cultural 'fixity.'

With respect to the 'nullity' school, Tom Harrisson observed - on the basis of his very deep experience of animist peoples in Borneo - how it is always possible to persuade them that necessity overrides other considerations, such as omens and taboos.[14] He stated that going through the motions, with respect to such things, is the way animists pay lip service to them and safeguard their relationships with others. 'Many observers,' he continued, 'even highly trained anthropologists, have been more than somewhat deceived as to the [shallow] extent and depth in which this type of religious or socio-theological feeling penetrates inside the minds and real actions of the people, as compared with its superficial and of course extremely important influences in ritual, agricultural observances, long-house organization, and so on.'[15]

Since the war, whole tribes, including some unaffected by Harrisson's military

activities, 'have demonstrated the point... by abandoning the whole framework of old and supposedly deep-seated beliefs within a few years, to become Roman Catholics, Methodists and Seventh Day Adventists on a mass conversion scale over huge areas both of Sarawak and of what is now Indonesian territory.'[16] A neo-classical economist would surely have expected this: a rapid shift in supposedly adamantine cultural behavior following hard on the heels of a change in incentives, though not necessarily material incentives. It would seem almost to justify treating culture as a paper tiger, easily blown over when the wind of incentives shifts.

Among students with Harrisson's degree of field experience, veil-piercing views like his are rare. They seem too close to their material. Notice that Harrisson draws attention to the failure of anthropologists to recognize that the cultures they are observing may persist in their current form only while there is no challenge. As a warning note, however, the example refers only to a small, poor colonial society opened up to powerful Western novelties, with all the temptations which that entailed and few centralized institutions to resist them. It does not follow that major cultures would blow down as quickly when exposed to Western ways.

In small societies, part of the impression of cultural durability is definitely spurious. Many of the descriptions derive from contact-stage anthropologists, who were inclined to take the word of their informants that prevailing habits were ancient. But as Sack points out, the aim of oral history is 'to maintain the illusion of stability in the face of change.'[17] Oral testimony was not uncontaminated by the motives of the older males who mostly kept the traditions.

Alfred Marshall was doubtless right to draw attention to the incremental change in the content of customs which takes place as a response to price changes, 'imperceptibly growing and dwindling again, to meet the changing exigencies of successive generations', even in the Western, mainly English, circumstances that interested him.[18] Gradual modifications take place even in Western societies which have long since introduced the solidifying effect of black-letter law: the common law in

particular trades on reinterpretation via contests between old and new precedents. In any case, a surprising number of contracts are struck and disputes resolved without resort to the law.

In small traditional societies, a reason why customs seem especially flexible may be that these societies typically find it most worth judging individual personalities rather than particular transgressions.[19] Deviant and innovative individuals are seen as threatening group survival, but an individual may escape a penalty for offending if he or she is not expected to be a regular or wanton transgressor. Written law is more likely to exact a penalty by mandate and thus appear more rigid. Formal law gives up a measure of potential flexibility in return for greater clarity, though in the longer run its rules will also change.

An analogy may help to illustrate the apparent contradiction of seeming durability in customs and the underlying reality of incremental change. Consider a breed of cattle, the Hereford, with its distinctive 'Oxo' pattern of red and white coloration. The trademark color pattern is instantly recognizable in Europe, the Americas and Australia, and is retained even though breeders are continually engineering changes in conformation in response to shifting market demands. Similarly, the outward appearance of a culture may persist for centuries, perhaps millennia, though all the while its detailed content responds this way and that to selective pressures.

Despite ceaseless modification in the components, some cultural complexes are of long standing, remaining visibly distinct from one another like cattle breeds even while detailed alterations go on. The modifications mean that we should beware of accepting that any given practice is ancient: too many such claims are self-serving. They tend to be used to justify some current, probably politically convenient, choice out of tradition's menu, perhaps from sacred texts, which are always likely to be complex enough to permit clever revisions while seeming eternal.

We may cite an even more general shaft along Harrisson's lines to show that an

antique patina may not indicate genuine solidity. This is a remark by Richard Wilhelm about the persistence of folkways in China. 'Chinese conservatism,' Wilhelm states, 'is not a symptom of rigidity but rather the result of adaptation to conditions which remained unchanged for thousands of years.'[20] Without assenting to the historical truth of his statement that conditions did not change in China over such a stretch of time, or the presumed corollary that Chinese customs were exempt from subtle changes, Wilhelm has spotted an identification problem. This is that it is ambiguous whether cultural traits stay the same because the culture is ossified or because it has not yet been confronted by novel stimuli. The studies of culture that I have read almost never admit this uncertainty.

Admittedly, the sense of cultural permanence is often an artefact of poor historical documentation coupled with a tendency for historians to stress those prominent attributes which (in form at least) seem stable. Despite my scepticism about true long-term stability, a general path-dependence remains apparent. In their outlines the world's major ensembles may be very old indeed.

Cultural Fixity

The second approach may be called Cultural Fixity, without quite implying that all who are tarred with this brush necessarily believe that cultures never change, merely that they believe cultures encompass the economy and, insofar as they change, do so autonomously. This is the usual approach among anthropologists, especially the substantivists, and among many sociologists and historians, though the sociologists probably tend to believe that modernization will eventually win out over tradition. As Clifford Geertz, one of the most voluminous writers in this genre, says, culture is 'as observable as agriculture.'[21] Whereas Cultural Nullity denies the independence of culture and largely discourages economists from turning their spotlight on it, Cultural Fixity makes the economy a child of culture and excludes the possibility of explaining culture by economic reasoning. In the 'fixity' canon, cultures are the living things which dominate and decide; economies essentially arise from them or at least adapt to them. 'Solidly

grounded culture is only marginally vulnerable to material change,' states one sociologist.[22] Even more extreme, the economy is often assumed to be embedded within each local culture in a Polanyi-esque way. Usually little is said about how cultures themselves evolve, since the assumption is that, although each will have had some shadowy history of its own, cultures should essentially be taken as givens to which the economy adapts.

In this vein, a reading of Max Weber, who has enjoyed a revival in and beyond sociology, has evoked explanations in which the modern growth of East Asia is attributed to Confucian values. This is currently the main cultural interpretation of any major economic process. Depicting Confucian-style values as substitutes for Protestantism is ironic in view of Weber's own emphasis on the unique features of the Protestant Ethic and the fact that, although Confucianism immensely predated the Protestant Reformation, it lagged enormously behind it in (supposedly) producing similar economic effects.

A moment's thought will show that the neo-Weberian interpretation will not wash, since it cannot cope with the chronological and spatial variations in growth within Confucian societies and during Confucian history. It may be a spectacular case of false parallelism and post hoc ergo propter hoc. The failure of Confucianism to promote growth over most of several millennia is dealt with by describing a modern variant, post-Confucianism, though trying to get around the problem in this way virtually admits that the relationship between culture and economic change is far from neat. The approach has in any case drawn fire from economic formalists who believe that a sufficient explanation of recent East Asian growth can be constructed from conventional variables, with no need to introduce culture.[23]

The 'fixity' position is common among journalists and other laymen, who see themselves as realists. The extent of cultural differences impresses itself on such observers and even more on participants. Clearly, it is easy to be influenced by personal experience or snapshots of cultures at particular moments. The potential fallacy lies in

taking currently-observed culture, with which many aspects of economic life certainly entwine, as fundamental, rigid and exempt from the reciprocal influence of market behavior. Cross-sectional observation tends to hide the nature, even the fact, of economically-driven cultural change. A long view is needed to recognize this fully. As Alfred Marshall said, 'in the absence of scientific history, short-lived man has little better means of ascertaining whether custom is quietly changing, than the fly, born today and dead tomorrow, has of watching the growth of the plant on which it rests.'[24] Rather more surprising is that so many historians seem to take the unhistorical view that culture is enduring.

Cultural Reciprocity

Close up, cultures which seem lasting and coherent may in truth be fragile. As Harrisson wryly commented of the rapid spread of the palang (penis bolt) in Borneo, 'it implies, as so many new ideas here do, that often the pattern everyone has grown to regard as essential, and almost immutable, is in truth readily changeable. Change can come very swiftly, even almost unseen, in the dark.'[25]

Consider Feng Shui, geomancy, which is widespread among the Chinese. This set of purportedly fixed beliefs has some real influence, particularly on where buildings are located, yet nevertheless exhibits underlying flexibility.[26] The interpretation of good and bad locations in Feng Shui is demonstrably labile. Individual practitioners are of course adamant about the advice they sell. In reality Feng Shui hedges its bets like the astrological columns in Western newspapers and is a quite loose system.

Cultural Reciprocity is the approach which opens up the most promising research agenda. It does not start by assuming, or effectively assuming, that culture and the economy exert no reciprocal influences. Culture is not a given, economics is not necessarily divorced from the cultural context, but nor is culture exempt from economic influence. Unlike the implied 'Fixity' position, culture is a process, not an end-state. This seems the proper scientific starting-point.

It is not so obvious that we should be mounted on the steed of economics from the very start. We may have to ride two horses at once. Take the task of explaining one major locus of cultural values, religion. Mapping religion onto economics seems to work as an exercise, but one is unlikely to get all the way from 'a' to 'b' using maps of this kind. The reason is probably not that the defining content of religion does not include, indeed excludes, the maximizing of material output. Zadek, for example, claims that, 'it is a confusion to judge the 'effectiveness' of Buddhism in encouraging economic growth, when the underlying tenets of Buddhism placed all (non-subsistence) forms of economic activity as instrumental to other ends.'[27] Economics as a theory of choice might affect to cope with this by admitting a spiritual maximand. In any event, economists will argue that whatever its goals Buddhism does exert a plain material influence. Many will assert that this is all they claim to appraise.

Nevertheless, such an appraisal is flawed, at least compared with explaining the choice of a transport system, for example, which can be started and finished in terms of material costs and consequences. The problem seems to be that salvation, say, cannot be directly weighed, <u>ex ante</u>. The central purpose of religion has to be assumed away in order to make economic analysis comprehensive. One can hear the notes but not the tune. Bruce has urged that economic and rational choice models depend on knowing what the choice is, which is not the case with salvation.[28] Salvation and a particular route to it acquire value only when one becomes a believer. Until then they cannot properly be entered in a calculus of choice.

There is thus some resistance to purely economic explanations of phenomena in the penumbra. The economic <u>effects</u> of such things are demonstrable but accounting for a borderland activity purely in economic terms seems a misguided exercise in translation. Few workers seem to be attempting to disentangle the evident reciprocities and there is little concern even with the influence of culture on current economic affairs. Among the exceptions are Inglehart, some of whose findings are discussed below, and the Reading group headed by Mark Casson, members of which have studied Greek, Jewish, and Indian business minorities in Britain.[29] There are few theorems as yet: too much earlier

writing has been concerned to assert, defend, or from time to time attack, either the nullity or fixity positions. Admittedly in the sprawling literatures of social science and history one comes across reports of more dynamic relationships. But there is little general commentary on why the causality runs now this way, now that.

We do not know the sensitivity of culture with respect to price changes, which should be a matter of interest to economic anthropologists. Moreover, if we turn right away from the task of explaining cultural change, we are unlikely to learn in turn how sensitive the economy is with respect to alterations in cultural behavior. Even where interactions are recognized, there is seldom decisiveness about another important matter: the lags, the length of time before culture adjusts to economic 'reality' or vice versa. Much writing on the subject contains hidden assumptions about what would be rapid or slow adjustment. Although in the long run everything in social affairs will alter, which is not particularly helpful to know, in the short run everything may appear equally unhelpfully frozen. Viewing cultures only at one moment or over one short period risks masking the fact of malleability, the direction of influence, the length of lag, and in addition the <u>relative</u> variability of the constituents. Only an historical approach will be able to identify sequences of change, rather like spectral analysis in which different wave-lengths are separated.

Even guesses at the length of lags are rare, though with respect to demography Julian Simon hazarded that, 'in the context of <u>long-run</u> analysis, culture and values do <u>not</u> have independent lives... (but) serve as intermediate variables between economic conditions and fertility, <u>serving only to transmit the effect of income</u> onto fertility behavior...'[30] The lag before values respond to economic change is, he thinks, about 25 or 30 years. It is certainly possible to point to forces that may impede instantaneous adjustment, for instance cohort effects. Yet Simon is being very bold in assuming unidirectional causality, let alone the length of time before the effect takes hold. Admittedly some others take a parallel line, for instance Stiglitz assumes that institutions are endogenous, changing in response to changes in the environment, though he does not announce the length of the lag.[31] On the contrary, culture does sometimes influence

economic activity. Sowell demonstrates the persistence of cultural traits by showing how characteristic behavior of the Irish, Germans and Jews has carried over in more than one other country to which they have gone as migrants.[32] The work of the Reading group also suggests that differences from certain commercial norms of the host culture may last for at least two or three generations.

In more recent work Sowell has criticized the view that Jews immigrating into the United States during the nineteenth century were merely lucky because they entered a society of such opportunity.[33] Rather, they carried special cultural values. However some unpublished Reading work suggests that Jews with the same Eastern European origin were more successful economically in New York than in London. We should surely expect a demand as well as a supply side to immigration: immigrants entering two countries from a third may be behaviorally similar but those countries will not present them with the same opportunities. The formal and informal cultures within different host countries will refract the behavior of comparable immigrants. This may be seen from the almost stereotypical divergence in the public personalities of members of the same families who have migrated from Britain or Europe to the United States and Australia. They often change their attitudes to risk-taking, entrepreneurship and government intervention, becoming different from their kin who have gone elsewhere.

As one example of cultural innovation paving the way for material and technical innovation, Wolfgang Kasper cites the introduction of Buddhism into China.[34] The work of Jerry Bentley has shown how trade did indeed follow that particular flag: 'as their numbers swelled, Buddhists themselves stimulated a sizeable portion of the long-distance trade that supported their communities: incense, ivory, statues, gems, and paraphernalia of religious significance flowed into China because of their role in Buddhist ritual and the desire of the faithful to provide fitting decoration for their temples and monasteries.'[35] It would be impossible to view this trade as a pure outcome of economic stimulus; these goods would never have entered Tang China had it not been for the spread of Buddhism. Here the economy was responding to cultural change, the opposite of Simon's causal sequence. What will ultimately be needed is an integration of the two forces, assigning

each its role, much as has now been offered in demography with respect to Malthusian and Boseruppian theory, including by Simon himself.

The most comprehensive work on reciprocity is by Inglehart. Although he is partly concerned to demonstrate that cultural conditioning in pre-adult years persists through economic fluctuations and more generally that cultural explanations are superior to those of rational choice, he does allow explicitly for the reverse effect. Inglehart's interpretation implies a form of 'channelling' in which, when economic conditions alter, there is a rise in the probability that societies will change in specified directions. Societies cannot become rich merely by espousing or proclaiming appropriate beliefs but the 'right' kind of beliefs will increase that likelihood. Espouse less favorable beliefs and, although a society may not become absolutely poorer, its rate of growth may well decline. In an example, Inglehart reports that the level of economic development at one date predicted the proportions of people expressing materialist or post-materialist views thirty years later better than did the actual level of income at the latter date.[36] 'The long-term result is that high growth rates eventually lead to lower growth rates. Prosperity engenders a cultural shift toward Postmaterialist values, which eventually leads to a less intense emphasis on economic growth.'[37] Crudely put, the values of hard times, which originally encouraged economic growth, do not catch on among younger age groups growing up in easier times; their relative casualness leads to a slowing of growth rates.

An important corollary is that among their many characteristics cultures are period-specific: 'it would be misleading to speak of the characteristics of any given cultural zone, such as Protestant Europe or the Confucian cultural area, unless one makes it clear that one is speaking of its attributes at a specific point in its history.'[38] Sowell quotes a Japanese scholar to the effect that if one wants to see Meiji Japan, look at the Japanese in the United States, whereas if one wants to see Taisho [ultra-nationalist] Japan, look at those who went to Brazil at a later period.[39] Clearly he thinks that the cultures of given periods persist and are to some extent fossilised within detached communities of nationals overseas. This is a common observation about the ultimate conservatism of migrant groups, despite their display of initiative in migrating in

the first place. However, since periods do differ and cultures do change over time, the effects must wash out; we have little idea what general statements may be made about the length of lags.[40] Since cultures conspicuously differ over time it is important to note which reference period a scholar has in mind, whether or not he or she is thinking of it consciously. Inglehart forecasts that the rise of post-materialist values among age groups growing up in prosperity will undermine not merely rates of growth but the narrowly economic explanations which are still being drawn from the West's experience of growth.

Inglehart is inclined to talk about enduring cultural values even while he demonstrates that fresh economic circumstances can recreate systems of values. (What should really be compared are values and endeavors rather than values and outcomes, since other factors may affect outcomes). His is nevertheless a process view, culture consisting of learned behavior reflecting socialization and persisting after the events that gave rise to it. Thus West German and Japanese culture changed fast after 1945 but younger people changed their views far more than older ones.[41]

Most of the constituent behaviors of cultures are in principle available to the whole of humanity but in practice the bundles differ from culture to culture. After all, it may be dangerous to adopt the habits of neighboring or enemy groups. To do so may be seen as threatening group identity and be proscribed as treasonable: think of those Germans who danced behind the shutters to Ambrose's Orchestra from London in the Berlin of 1940.[42] Yet traits are sometimes exchanged even among peoples at war. The English author, John Moore, wrote of 'that gay and lilting air which was one of the fruits of our desert victory, that piece of insubstantial booty which we took from Rommel's men, the tune of Lilli Marlen.[43] Why that song, any song? A trivial example, the result of chance? Does chance, then, really provide the (non-)explanation for the ingredients of the cultural brew, the list of those omitted, the order the selection is mixed in, and the times at which items are added?

With culture as with nationalism: we simply do not know why some individuals will be willing to change allegiance nor why they can do so with relative ease when most

of their fellows give permanent loyalty to their first culture, religion, language, accent, or nationality. Probably our model of society should take team-forming propensities as given. Experiments have shown how boys, sorted randomly into groups, invest those groups with meaning and remain loyal to them. Both individuals and groups are actors in the play of human behaviour. But we do not have a model with which to predict the groupings that will arise in the real world nor who will stick to his first group and who will not - in the words used about brand loyalty, who will fight and who will switch.

Obviously, choices are constrained. They are held together in linkages. The great traditions remain distinguishable; they alter, modifying their previous selves; they may borrow from one another but do not trade places. Each culture consists of a melange of items, of greater or lesser significance for the realms of production, consumption and exchange, but the collections as a whole are not interchangeable. They are not arbitrary in the sense of being formless or free from path-dependence.

Over time, each local complex will be reinforced, partly in order to keep each 'club tie', so to speak, distinct from the next. Psychologists are aware that not only can individuals be pressured into conformity but they may actively seek it. The experience of immigrant societies like the United States and Australia reveals how situational culture can be, with incoming children picking up local ways and abandoning some of the old-country customs still enjoined on them by their parents. Older forms decay with the passage of time. This seems at odds with the findings of Sowell and the Reading group which suggest that immigrant groups retain many cultural practices of business significance, until one realizes that this is a case where the choice of indicators deeply affects the conclusion. There are differences in patterns and rates of assimilation which partly, but not entirely, reflect the size and coherence of an immigrant group able to support old ways in alien lands, marrying-in for example. Contradictory processes are at work, emphasizing that it is easy to make seemingly wholesale claims about cultures on the basis of parts of their repertoire, and easy to neglect to specify what may or may not be 'a long time' for traits to persist.

The current map of exclusiveness derives from the way human societies have expanded from multiple small beginnings through long periods when communications were poor. Once markets are joined, the basis of any continued exclusiveness probably lies in rent-seeking. Other forms of discrimination are presumably to be explained in a similar fashion, as Roback has argued with respect to racism.[44] However, this returns us to the kind of unclear boundary that exists with respect to economic explanations of phenomena like religion: since not everyone in authority enslaves his or her fellows, only the most deterministic scholar will insist that the patterns of slavery and emancipation, say, are fully explained by land-labour ratios, allowing nothing to the autonomous history of ideas. Culture may often mask material interests but it does not follow that it always does so.

Throughout the millennia when farming increasingly came to oust hunter-gatherer societies, the world was organized as two main groupings: a zone of isolated, tribal societies; and a zone of large, populous empires in Eurasia (and an outlying area of Meso-America), each with a dominant culture, the result of expansion, conquests, syncretism, and intermittent trade contacts.[45] Overlapping the larger political groupings were the even larger Great Traditions, mostly religious in essence. Notoriously, there seems to have been a very long-term convergence without anything approaching total fusion. Culture still consists of a variety of geographical and ethnic complexes. Anthropologically the variety is enormous. Even now there are some 6,000 languages in the world but, other than linguistically, the stylistic differences among small tribal cultures seem arbitrary, if not downright trivial. The early range of adornments and folkways probably <u>was</u> arbitrary, the result of rummaging among an infinite number of natural materials and phenomena, with a little patterning introduced by underlying ecological localisms. The basic ecosystems produced a measure of 'channelling', but the potential range was so great that this imposed only a weak ordering.

Given the paucity of historical evidence about pre-literate societies, as opposed to the sepia snapshots of the contact period, past alterations in cultural markers, like changing fashions of adornment, will be hard to detect. The tendency to follow fashions seems widespread, if not universal. During the most oppressive days in Mao's China, the

smallest distinctions were sought amidst the uniformity. As Jung Chang says, 'because the range was so narrow, people were always looking out for the tiniest variations.'[46] Personal adornment and folkways are likely to have reinforced group membership in ways important for social and economic organization, but are not otherwise of the first importance. In tribal societies there was what has been called a 'survival of mediocrity.'[47] Why have so many languages persisted?[48] Think of the effect on transactions' costs, in the sense of running costs.

The reason seems to lie in the prolonged segregation of small markets by poor transport and communications, and hence in limited competition. Historians are prone to attribute cultural survivals to the strength of tradition without realizing that strength is relative to the degree of competition. As a single illustration, Keegan claims that the Japanese samurai were preserved by the strength of Tokugawa cultural tradition. He disregards the monopolistic circumstances and the swamping change immediately Japan was opened to the West.[49] Admittedly, when cultures collide and markets are merged the process may actually reinforce differences for a time. Large societies and cultures generate the best defence mechanisms, partly because they can co-opt political power. Nowadays their cultural producers and ethnic politicians make emotive and even violent appeals against cultural uniformity, often meaning the spread of Western culture and dominance of the English language. Although Westernization has made inroads in most places, self-conscious resistance has risen.

A global economy using only one language and with a universal form of enforceable contracts might be held to minimize transactions' costs. Resistance to unification raises these costs: there are innumerable examples, but consider for instance the defence of French culture in Quebec or the uneasy relations between Islam and Christendom. The costs of cultural exclusiveness are so high, conducing to international instability and spilling over into trade war, if not open warfare, as to threaten to transcend economics. This is not contradicted by Sowell's case for cultural diversity, which is actually an argument in favor of open exchanges among <u>existing</u> cultures.[50] He shows that exchanges have been an engine of economic and social development

throughout history. This is probably the best that can be expected. Hopes for the full internationalization of culture are unrealistic and, if they were not, would risk reducing fruitful as well as destructive forms of competition. Kuran makes an interesting point when he says that modern information technology will not necessarily abolish exclusiveness because people are already unable to process all they hear and read - they suffer from processing overload.[51] A single global market and a single global community are both chimeras. Kuran thinks that the world may come to rely more than now on local 'social proofs' rather than the universalist abstractions which many Westerners believe clinch the superiority of their own social mores.

Cultural Relativism

There is a political element in cultural choices where some choices are in the interest of dominant groups and can be molded by those in power. The ability of political leaders to ride roughshod over ostensibly binding cultural norms is evident, for example, in the number of intra-Christian and intra-Islamic wars. Support for these, insofar as it is voluntary (as it substantially was in 1914), is enhanced by appealing selectively to elements in the culture, to particular myths and legends waiting, as it were, in the wings. As an example, notice the appeal to students by the Rectors of the Bavarian universities in 1914 explicitly to rekindle the furor teutonicus.[52]

Efforts to remake cultures wholesale are less successful, being impeded by other norms and the willingness of many to die at the stake rather than renounce beliefs acquired during their early conditioning. Remolding is particularly difficult where a new internationalist culture would have to override national independence. 'Soviet Man', for instance, proved a poor export product to Eastern Europe. Nevertheless Eastern Europeans, socialized in the new way, eventually began to shift away from their society's earlier norms, as with respect to attitudes to work. East Germany is the best-known case. Elsewhere, notoriously in the former Yugoslavia, old ethnic hatreds outlasted forty-five years of unification and indoctrination. Throughout world history cultures have repeatedly secured what seems to be permanent cultural domination over others, as in the

expansion of the world religions. Yet the victories were seldom total since earlier beliefs and practices continued to modify the incoming systems: pagan sites and rituals in Dark Age Europe affected Christianity; Islam in Java was much altered by localisms; and, in an astonishing volte-face, Christian monogamy is now being reformulated in East Africa to permit multiple wives. These examples raise doubts about the universality of Simon's 25-30 year and Inglehart's 30-year lags.

The literature contains so many claims of the spiritual superiority of non-Western cultures that we should briefly notice the matter. The claims often prove to be romanticized or politically-motivated. Alexander comments on the opinion of Malawi's President, Dr. Hastings Banda, that African law relies on what is known about a defendant by those close to him, not on the hair-splitting logic of lawyers. There is some common sense in this, Alexander agrees, but also 'unattractive implications,' such as Banda just 'knowing' that someone is guilty and will hang.[53] As she also says of the extended family in Malawi, 'kinship responsibilities are often taken by Europeans as indicative of the more humane and caring nature of traditional African culture, but in practice they can foster attitudes as vicious and self-regarding as any in the West.'[54] As Hirschman has shown, the extended family firm does have more commercial merit than early (Western) development economists understood.[55] But ironically this may be a side-effect of cultural deficiencies; it may have arisen because trust could be safely reposed only in the family. The advantages which Hirschman notes, such as low costs of monitoring labor, may be the incidental benefits of a distinctly second-best solution.

Cultural relativism denies as a Western fallacy the existence of moral universals by which all cultures may be judged, a position convenient to authoritarian leaders and now being vigorously advanced by the so-called 'Singapore School' led by Lee Kuan Yew. To argue that this is self-serving, morally wrong, and actually likely to interfere with the sustaining of economic growth would take us too far from our present topic.[56]

We may however note that if Inglehart is correct in saying that modal cultural values are lastingly affected by early conditioning, there will be in any given culture

'population differences' (in the statistical sense) in values between one period and the next. This of course supposes that public circumstances do some of the conditioning for whole age groups. When a cohort is marked by unfortunate experiences, it is branded: we do not know that the response will be the embracing of good or of evil, nor can we say that this removes moral responsibility from the individual, but that cohorts do differ seems to be the case. Cultures are not, on this calculus, inherently or permanently good or bad; values are situational. Where circumstances do not change radically, a rising generation may learn old bitternesses from its parents. If circumstances do change, the youngsters may embrace quite different attitudes. In the parallel example of nationalism there is some sign that experience dominates the transmission effect: peace breeds internationalism, violence breeds more violence.[57] This is approximately what might be expected by analogy with Inglehart's work. As he says, one can describe a culture only at a specific period in its history. That any one cohort may contain a disproportionate number of morally-damaged individuals does not mean that their offspring will be the same, despite probable indoctrination within the family. But nor does it mean that cultures should not be judged against absolute moral standards.

The major non-Western cultures may well survive and contest with Western democratic culture for the moral and material universe. On the other hand, many aspects of smaller cultures are being abandoned with the eager connivance of their members, who exhibit tastes not only for Western lifestyles but for Western-style democracy and human rights. These things are probably universal human desires, though they have been suppressed repeatedly throughout history by the exercise of political power and diverted by the contrary traditions which unchecked power helps to encourage. By and large, Western history has been gentler in these respects than the history of most of the world. Only the noble savage myth or an ignorance of history could make many small Third World cultures seem equally palatable.[58] Despite the oppressions of early colonialism, it is easy to see why a species of 'Westernization' would be preferred by anyone with access to information and freedom to choose.

As a source of an alternative tradition, take China, which is already the third

largest economy in the world (Japan, only superficially Westernized, is the second). Despite evident convergence in the material sphere, there are autonomous developments unaffected by Western 'world' culture. Events of great demographic significance are taking place not simply because of ancient beliefs that it is better to be born under some signs of the Zodiac than others but also because of newly-minted beliefs. For instance there was a great slump in births in Japan as recently as 1964, because girls born under the sign for that year were thought disposed to kill their future husbands, and there are totally new practices affecting year-on-year birth rates among the overseas Chinese. These invented traditions, if they spread to the mainland, may cause huge fluctuations in the size of annual birth cohorts.[59] Recently the fear has been expressed that the opening of China, where impersonal standards of honesty do not apply and cannot be enforced, will habituate Western companies to bribery and thus 'contaminate worldwide standards of business integrity.'[60] There is perhaps no solid basis for this anxiety as yet; what is interesting is that the suggestion alters the expected source of cultural uniformity. The West's dominance may not be inevitable.

China has always operated on a basis of guanxi (connections). Traditionally, native place associations operated as the privileged loci of guanxi, making business dealings possible without making them system-wide. The costs in China of the combination of inadequate state institutions and limited trust raised transactions' costs. Where no impersonal law existed, diminishing returns eventually set in.[61] Insecurity gave employment to the shroff in assessing the value of coins and required agreement about the number of inferior coins (small ones hidden by larger ones) on the string offered for every retail payment.[62] Compared with the West, Chinese society is family-centered and lacks traditions of impersonal philanthropy or public-spirited resistance to wrong-doing. East Asian societies are weak in terms of black-letter law and rely on less specific contracts, a great cultural difference from the Western world.[63] Contrary to the current Western 'maximum bullish' mood with respect to China, and Lee Kuan Yew's endorsement of the value of guanxi, the resultant uncertainty for investors and traders may bring diminishing returns once again.

The West's advantage is that it has been best at reducing the costs of the extreme division of labor which develops when big societies become commercial and industrial. The rise of the West seems to have stemmed from its emerging balance between widespread, impersonal, anonymous market rules, including increasingly accepted standards of measurement, and state intervention: that is to say, its recipe has been the elevation of market norms, which in some measure discipline the untrustworthy, backed however by formal legal institutions which can enforce the norms at the margin. As Casson has declared, 'the success of an economy depends on the quality of its culture.'[64]

ENDNOTES

1. I am happy to acknowledge the support of CES (Center for Economic Studies), Ludwig-Maximillians University, Munich, in the preparation of this paper. John Anderson and Tony Waters made helpful comments on a draft.
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39. Sowell, loc. cit. 1991, p. 52.
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55. Albert O. Hirschman, A Bias for Hope: Essays on Development and Latin America (Boulder, Co.: Westview Encore Edition, 1985).
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