

***Bad Samaritans:
Rich Nations, Poor Policies, and the Threat to the Developing World***

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Chapter 9

Lazy Japanese and Thieving Germans

- Are Some Cultures Incapable of Economic Development?

Having toured lots of factories in a developing country, an Australian management consultant told the government officials who had invited him: “My impression as to your cheap labour was soon disillusioned when I saw your people at work. No doubt they are lowly paid, but the return is equally so; to see your men at work made me feel that you are a very satisfied easy-going race who reckon time is no object. When I spoke to some managers they informed me that it was impossible to change the habits of national heritage.”

This Australian consultant was understandably worried that the workers of the country he was visiting did not have the right work ethic. In fact, he was being rather polite. He could have been blunt and just called them lazy. No wonder the country was poor – not dirt poor but with an income level that was less than a quarter of Australia’s.

For their part, the country’s managers agreed with the Australian but were smart enough to understand that the “habits of national heritage”, or culture, cannot be changed easily, if at all. As the 19th-century German economist-cum-sociologist Max Weber opined in his seminal work, *The Protestant Work Ethic and the Spirit of Capitalism*, there are some cultures like Protestantism that are simply better suited to economic development than others.

The country in question, however, was Japan in 1915.¹ It doesn’t feel quite right that someone from Australia (a nation known today for its ability

to have a good time) could call the Japanese lazy. But this is how most Westerners saw Japan a century ago.

In his 1903 book, *Evolution of the Japanese*, the American missionary Sidney Gulick observed that many Japanese “give an impression ... of being lazy and utterly indifferent to the passage of time”.² Gulick was no casual observer. He lived in Japan for 25 years (1888-1913), fully mastered the Japanese language, and taught in Japanese universities. After his return to the USA, he was known for his campaign for racial equality on behalf of Asian Americans. Nevertheless, he saw ample confirmation of the cultural stereotype of the Japanese as an “easy-going” and “emotional” people who possessed qualities like “lightness of heart, freedom from all anxiety for the future, living chiefly for the present”.³ The similarity between this observation and that of today’s Africa, in this case by an African himself – Mr. Daniel Etounga-Manguelle, a Cameroonian engineer and writer – is striking: “The African, anchored in his ancestral culture, is so convinced that the past can only repeat itself that he worries only superficially about the future. However, without a dynamic perception of the future, there is no planning, no foresight, no scenario building; in other words, no policy to affect the course of events”.⁴

After her tour of Asia in 1911-1912, Beatrice Webb, the famous leader of British Fabian socialism, described the Japanese as having “objectionable notions of leisure and a quite intolerable personal independence”⁵ She said that in Japan “there is evidently no desire to teach people to think”.⁶ She was even more scathing about my ancestors. She described the Koreans as “12 millions of dirty, degraded, sullen, lazy and religionless savages who slouch about in dirty white garments of the most inept kind and who live in filthy mudhuts”⁷. No wonder she reckoned, “[i]f anyone can raise the Koreans out of their present state of barbarism I think the Japanese will”, despite her rather low opinion of the Japanese.⁸

This was not just a Western prejudice against Eastern peoples. The British used to say similar things about the Germans. Before their economic take-off in the mid-19th century, the Germans were typically described by the British as “a dull and heavy people”⁹ “Indolence” was a word that was frequently associated with the Germanic nature.¹⁰ Mary Shelley, the author of *Frankenstein*, wrote in exasperation after a particularly frustrating altercation with her German coach-driver; “the Germans never hurry”.¹¹ It wasn’t just the British. A French manufacturer who employed German workers complained that they “work as and when they please”.¹²

The British considered the Germans also to be slow-witted. According to one John Russell, a travel-writer of the 1820s, the Germans were a “plodding, easily contented people ... endowed neither with great acuteness of perception nor quickness of feeling”. In particular, according to Russell, they were not open to new ideas; “it is long before [a German] can be brought to comprehend the bearings of what is new to him, and it is

difficult to rouse him to ardour in its pursuit.”¹³ No wonder that they were “not distinguished by enterprise or activity”, as another mid-19th century British traveller remarked.¹⁴

Germans were also deemed to be too individualistic and unable to cooperate with each other. The Germans’ inability to cooperate was, in the view of the British, most strongly manifested in the poor quality and maintenance of their public infrastructure, which was so bad that John McPherson, a Viceroy of India (and therefore quite used to treacherous road conditions), wrote, “I found the roads so bad in Germany that I directed my course to Italy”.¹⁵ Once again, compare this with a comment by the African observer that I quoted above: “African societies are like a football team in which, as a result of personal rivalries and a lack of team spirit, one player will not pass the ball to another out of fear that the latter might score a goal”.¹⁶

British travellers in the early 19th century also found the Germans dishonest – “the tradesman and the shopkeeper take advantage of you wherever they can, and to the smallest imaginable amount rather than not take advantage of you at all ... This knavery is universal”, observed Sir Arthur Brooke Faulkner, a physician serving in the British army.¹⁷

Finally, the British thought the Germans to be overly emotional. Today many British seem to think that Germans have an almost genetic emotional deficiency. Yet talking about excessive German emotion, Sir Arthur observed that “some will laugh all sorrows away and others will always indulge in melancholy”.¹⁸ Sir Arthur was an Irishman; so his calling the Germans emotional would be akin to a Finn calling the Jamaicans a gloomy lot, according to the cultural stereotypes prevailing now.

So there you go. A century ago, the Japanese were lazy rather than hardworking; excessively independent-minded (even for a British socialist!) rather than loyal “worker ants”; emotional rather than inscrutable; light-hearted rather than serious; living for today instead of considering the future (as manifested in their sky-high savings rates). A century and half ago, the Germans were indolent rather than efficient; individualistic rather than cooperative; emotional rather than rational; stupid rather than clever; dishonest and thieving rather than law-abiding; easy-going rather than disciplined.

These characterisations are puzzling for two reasons. First, if the Japanese and the Germans had such “bad” cultures, how have they become so rich? Second, why were the Japanese and the Germans so different from their descendants today? How could they have so completely changed their “habits of national heritage”?

I will answer these questions in due course. But before I do, I need to first clear up some widespread misunderstandings about the relationship between culture and economic development.

Does Culture Influence Economic Development?

The view that cultural differences explain the variations in economic development across societies has been around for a long time. The underlying insight is obvious. Different cultures produce people with different values, which manifest themselves in different forms of behaviour. As some of these forms of behaviour are more helpful for economic development than others, those countries with a culture that produces more pro-developmental forms of behaviour will do better than others economically.

Samuel Huntington, the veteran American political scientist and author of the controversial book, *The Clash of Civilisations*, put this idea succinctly. In explaining the economic divergence between South Korea and Ghana, two countries that were at similar levels of economic development in the 1960s, he argued: “Undoubtedly, many factors played a role, but ... culture had to be a large part of the explanation. South Koreans valued thrift, investment, hard work, education, organisation, and discipline. Ghanaians had different values. In short, cultures count”.¹⁹

Few of us would dispute that people who display forms of behaviour like “thrift, investment, hard work, education, organisation, and discipline” will be economically successful. Cultural theorists, however, say more than that. They argue that these forms of behaviour are largely, or even entirely, fixed because they are determined by culture. If economic success is really determined by “habits of national heritage”, some people are destined to be more successful than others, and there is not much that can be done about it. Some poor countries will just have to stay that way.

Culture-based explanations for economic development were popular right up to the 1960s. But in the era of civil rights and de-colonisation, people began to feel that these explanations had cultural-supremacist (if not necessarily racist) overtones. They fell into disrepute as a result. Such explanations have, however, made a comeback in the past decade or so. They have come back in fashion just as the more dominant cultures (narrowly Anglo-American, more broadly European) have started to feel “threatened” by other cultures – Confucianism in the economic sphere; Islam in the realm of politics and international relations.²⁰ They also offered a very convenient excuse to the Bad Samaritans – neo-liberal policies have not worked very well, not because of some inherent problems but because the people practising them had “wrong” values that diminished their effectiveness.

In the current renaissance of such views, some cultural theorists do *not* actually talk about culture *per se*. Recognising that culture is too broad and amorphous a concept, they try to isolate only those components that they think are most closely related to economic development. For example, in his 1995 book, *Trust*, Francis Fukuyama, the neo-con American political

commentator, argues that the existence or otherwise of trust extending beyond family members critically affects economic development. He argues that the absence of such trust in the cultures of countries like China, France, Italy, and (to some extent) Korea makes it difficult for them to run large firms effectively, which are key to modern economic development. This is, according to Fukuyama, why high-trust societies such as Japan, Germany, and the USA are economically more developed.

But whether or not the word “culture” is used, the essence of the argument is the same – different cultures make people behave differently, with resulting differences in economic development across different societies. David Landes, the distinguished American economic historian and a leader in the renaissance of culturalist theories, claims that “culture makes all the difference.”²¹

Different cultures produce peoples with different attitudes towards work, saving, education, cooperation, trust, authority, and countless other things that affect a society’s economic progress. But this proposition does not get us very far. As we shall see in a moment, it is very difficult to define cultures precisely. Even if we can, it is not possible to establish clearly whether a particular culture is inherently good or bad for economic development. Let me explain.

What Is a Culture?

Many Westerners mistake me for a Chinese or Japanese. It is understandable. With “slanted” eyes, straight black hair, and prominent cheekbones, East Asians all “look the same” – at least to a Westerner who does not understand all the subtle differences in facial features, mannerisms, and dress sense among people from different East Asian countries. To Westerners who apologise for mistaking me for a Chinese or Japanese, I tell them it’s OK because most Koreans call all Westerners “Americans” – a notion that some Europeans might find disagreeable. To the uninitiated Korean, I tell them, all Westerners look the same, with their big noses, round eyes, and excessive facial hair.

This experience warns against excessively broad categorisation of people. Of course what is “excessively broad” depends on the purpose of the categorisation. If we are comparing the human brain with that of, say, the dolphin, even the over-arching category of *Homo Sapiens* may be good enough. But if we are studying how culture makes a difference to economic development, even the relatively narrow category “Korean” may be problematic. Broader categories like “Christian” or “Muslim” obscure much more than they reveal.

In most culturalist arguments, however, cultures are defined very loosely. We are often offered incredibly coarse categories such as East-West, which I am not even going to bother to criticise. Very often, we are offered

broad “religious” categories like Christian (which from time to time is lumped together with Judaism into Judaeo-Christian, and which is regularly divided into Catholic and Protestant), Muslim, Jewish, Buddhist, Hindu, and Confucian (this latter category particularly controversially, because it is not a religion).*

Yet think for a minute about these categories. Within the ostensibly homogeneous group “Catholic”, we have both the ultra-conservative *Opus Dei* movement, which has become well-known through Dan Brown’s bestselling novel, *Da Vinci Code*, and leftwing Liberation Theology, epitomised in the famous saying by the Brazilian archbishop of Olinda and Recife, Dom Hélder Câmara: “When I give food to the poor, they call me a saint. When I ask why the poor have no food, they call me a Communist”. These two “Catholic” sub-cultures produce people with very different attitudes towards wealth accumulation, income redistribution, and social obligations.

Or take another example. There are ultra-conservative Muslim societies that seriously limit women’s public participation. Yet more than half the professional staff at the Malaysian central bank are women – a much higher proportion than at any central bank in the supposedly more “feminist” Christian countries. And here is another example: some people believe that Japan succeeded economically because of its unique variety of Confucianism, which emphasises loyalty rather than the personal edification stressed in the Chinese and Korean varieties.²² Whether or not one agrees with this particular generalisation (more on this later), it shows that there isn’t just one kind of Confucianism.

If categories like Confucian or Muslim are too broad, how about taking countries as cultural units? Unfortunately, this does not solve the problem. As the culturalists themselves would be prepared to acknowledge, a country often contains different cultural groups, especially in large and culturally diverse ones like India and China. But even in a country like Korea, one of the most culturally homogeneous societies in the world, there are significant cultural differences between regions. In particular, people from the Southeast (*Kyungsang*) think of those from the Southwest (*Cholla*) as clever but totally untrustworthy double-dealers. Southwesterners return the compliment by regarding the Southeasterners as a crude and aggressive,

* Confucianism is named after Confucius, the Latinised name of the great Chinese political philosopher, Kong Zi, who lived in the 6th century BC. Confucianism is *not* a religion, as it does not have gods or heaven and hell. It is mainly about politics and ethics, but it also has a bearing on the organisation of family life, social ceremonies, and etiquette. Although it has had its ups and downs, Confucianism has remained the basis of Chinese culture since it became the official state ideology during the Han Dynasty (206 BC to 220 AD). It spread to other East Asian countries like Korea, Japan, and Vietnam over the next several hundred years.

albeit determined and well-organised, bunch of people. It wouldn't be too far-fetched to say that the stereotypes of these two Korean regions are similar to the stereotypes the French and the Germans have of each other. The cultural animosity between the two regions of Korea is so intense that some families won't even allow their children to marry into families from the other region. So is there a single "Korean" culture or not? And if things are as complicated as that for Korea, do we even need to talk about other countries?

I could go on, but I think I have made the point that broad categories like "Catholic" or "Chinese" are simply too crude to be analytically meaningful, and that even a country is too big a cultural unit to generalise about. The culturalists may well then retort that all we have to do is work with finer categories like Mormon or Japanese Confucian, rather than broader ones like Christian or Confucian. If only matters were that simple. There are more fundamental problems with culturalist theories, to which I turn now.

Dr. Jekyll vs. Mr. Hyde

Ever since the East Asian economic "miracle", it has become very popular to argue that it was Confucian culture that was responsible, at least partly, for the region's economic successes. Confucian culture, it was pointed out, emphasises hard work, education, frugality, cooperation, and obedience to authority. It seemed obvious that a culture that encourages the accumulation of human capital (with its emphasis on education) and physical capital (its emphasis on thrift), while encouraging cooperation and discipline must be good for economic development.

But, before the East Asian economic "miracle", people used to blame Confucianism for the region's underdevelopment. And they were right. For Confucianism does have a lot of aspects that are inimical to economic development. Let me mention the most important ones.

Confucianism discourages people from taking up professions like business and engineering that are necessary for economic development. At the pinnacle of the traditional Confucian social system were scholar-bureaucrats. They formed the ruling class together with the professional soldiers, who were second-class rulers. This ruling class presides over a hierarchy of commoners made up of peasants, artisans, and merchants, in that order (below them were slaves). But there was a fundamental divide between the peasantry and the other subordinate classes. At least in theory, individual peasants could gain entry into the ruling class if they passed the competitive civil service examination (and they occasionally did). Artisans and merchants, however, were not even allowed to sit for the examination.

To make matters worse, the civil service examination only tested people for their scholastic knowledge of the Confucian classics, which made

the ruling class scornful of practical knowledge. In the 18th century, Korean Confucian politicians slaughtered rival factions in a row over how long the King should wear mourning following his mother's death (one year or three years?). Scholar-bureaucrats were supposed to live in "clean poverty" (although the practice was often different) and thus they actively looked down upon money-making. In the modern setting, Confucian culture encourages talented people to study law or economics in order to become bureaucrats, rather than engineers (artisans) or businessmen (merchants) – occupations that contribute much more directly to economic development.

Confucianism also discourages creativity and entrepreneurship. It has a rigid social hierarchy and, as I have noted, prevents certain segments of society (artisans, merchants) from moving upward. This rigid hierarchy is sustained by an emphasis on loyalty to superiors and deference to authority, which in turn breeds conformism and stifles creativity. The cultural stereotype of East Asians being good at mechanical things that do not need much creativity has a basis in this aspect of Confucianism.

Confucianism, it can also be argued, hampers the "rule of law". Many people, particularly neo-liberals, believe that the rule of law is crucial for economic development, because it is the ultimate guarantor against arbitrary expropriation of property by rulers. Without the rule of law, it is said, there can be no security of property rights, which in turn will make people reluctant to invest and create wealth. Confucianism may *not* encourage arbitrary rule, but it is true that it does not like the rule of law, which it regards as ineffectual, as seen in the following famous passage from Confucius: "If the people be led by laws, and uniformity sought to be given them by punishments, they will try to avoid the punishment, but have no sense of shame. If they be led by virtue, and uniformity sought to be given them by the rules of propriety, they will have the sense of shame, and moreover will become good." I agree. With strict legal sanctions, people will abide by the law out of fear of punishment. But too much emphasis on law can make them feel that they are not trusted as moral actors. Without that trust, people will not go that extra mile that makes their behaviour moral and not just law-abiding. Having said all this, however, it cannot be denied that Confucian denigration of the rule of law makes the system vulnerable to arbitrary rule – for what do you do when your ruler is not virtuous?

So which is an accurate portrait of Confucianism? A culture that values "thrift, investment, hard work, education, organisation, and discipline", as Huntington put it in relation to South Korea, or a culture that disparages practical pursuits, discourages entrepreneurship, and retards the rule of law?

Both are right, except that the first singles out only those elements that are good for economic development and the second only the bad. In fact, creating a one-sided view of Confucianism does not even have to involve selecting different elements. The same cultural element can be

interpreted as having positive or negative implications, depending on the result you seek. The best example is loyalty. As I mentioned above, some people think that the emphasis on loyalty is what makes the Japanese variety of Confucianism more suited to economic development than other varieties. Other people judge the emphasis on loyalty to be exactly what is wrong with Confucianism since it stifles independent thinking and thus innovation.

It is not just Confucianism, however, that has a split personality like the protagonist in Robert Louis Stevenson's *Dr. Jekyll and Mr. Hyde*. We can perform the same exercise with any culture's belief system. Take the case of Islam.

Muslim culture is today considered by many to hold back economic development. Its intolerance of diversity discourages entrepreneurship and creativity. Its fixation on the afterlife makes believers less interested in worldly things like wealth accumulation and productivity growth.²³ The limits on what women are allowed to do not only wastes the talents of half the population but also lowers the likely quality of the future labour force; poorly-educated mothers provide poor nutrition and little educational help to their children, thereby diminishing their achievements at school. The "militaristic" tendency (exemplified by the concept of *Jihad*, or holy war, against the infidels) glorifies making war, not money. In short, a perfect Mr. Hyde.

Alternatively, we could say that, unlike many other cultures, Muslim culture does *not* have a fixed social hierarchy (which is why many low caste Hindus have converted to Islam in South Asia). Therefore, people who work hard and creatively are rewarded. Moreover, unlike in the Confucian hierarchy, there is no disdain for industrial or business activities. Muhammad, the Prophet, was a merchant himself. And being a merchant's religion, Islam has a highly developed sense of contracts – even at wedding ceremonies, marriage contracts are signed. This orientation encourages the rule of law and justice²⁴ – Muslim countries had trained judges hundreds of years before the Christian countries. There is also an emphasis on rational thinking and learning – the Prophet famously said that "the ink of the scholar is more sacred than the blood of the martyr". This is one of the reasons why the Arab world led the world in mathematics, science, and medicine around the 10th century. What is more, although there are conflicting interpretations of the Koran, there is no question that in practice most pre-modern Muslim societies were far more tolerant than Christian societies – after all, this is why many Iberian Jews escaped to the Ottoman Empire after the Christian *reconquista* of Spain in 1492.

Such are the roots of the Dr. Jekyll picture of Muslim culture; it encourages social mobility and entrepreneurship, respects commerce, has a contractual frame of mind, emphasises rational thinking, and is tolerant of diversity and thus creativity.

This Jekyll-and-Hyde exercise of ours shows that there is no culture that is either unequivocally good or bad for economic development. Everything depends on what people do with the “raw material” of their cultures. Positive elements may predominate, or negative ones. Two societies at different points in time or located in different geographical locations, and working with the same raw material (Islam, Confucianism, or Christianity), can produce, and have produced, markedly different behavioural patterns.

Not being able to see this, culture-based explanations for economic development have usually been little more than *ex post facto* justifications based on a 20/20 hindsight vision. So in the early days of capitalism when most economically successful countries happened to be Protestant Christian, many people argued that Protestantism was uniquely suited to economic development. When Catholic France, Italy, Austria, and Southern Germany developed rapidly, particularly after the Second World War, Christianity, rather than Protestantism, became the magic culture. Until Japan became rich, many people thought East Asia had not develop because of Confucianism. But when Japan succeeded, this thesis was revised to say that Japan was developing so fast because its unique form of Confucianism emphasised cooperation over individual edification, which the Chinese and Korean versions allegedly valued more highly. And then Hong Kong, Singapore, Taiwan, and Korea also started doing well, so this judgment about the different varieties of Confucianism was forgotten. Indeed Confucianism as a whole suddenly became the best culture for development because it emphasised hard work, saving, education, and submission to authority. Today, when we now see Muslim Malaysia and Indonesia, Buddhist Thailand, and even Hindu India doing economically well, we can soon expect to encounter new theories that will trumpet how uniquely all these cultures are suited for economic development (and how their authors have known about it all along).

Lazy Japanese and Thieving Germans

So far, I have shown how difficult it is to define cultures and to understand their complexities, let alone finding some kind of ideal culture for economic development. But if defining culture is difficult, trying to explain something else (say, economic development) in terms of it seems to be an exercise fraught with even greater problems.

All this is not to deny that how people behave makes a difference to economic development. But the point is that people’s behaviour is not determined by culture. Moreover, cultures change; so it is wrong to treat culture as destiny, as many culturalists are wont to do. To understand this, let’s go back for a moment to those puzzles of the lazy Japanese and the thieving Germans.

One reason why Japanese or German culture in the past looked so bad for economic development is that observers from richer countries tended to be prejudiced against foreigners (especially poor foreigners). But there was also an element of genuine “misinterpretation” due to the fact that rich countries are very differently organised to poor countries.

Take laziness – the most frequently cited “cultural” trait of people in poor countries. People from rich countries routinely believe that poor countries are poor because their people are lazy. But many people in poor countries actually work long hours in backbreaking conditions. What makes them *appear* lazy is often their lack of an “industrial” sense of time. When you work with basic tools or simple machinery, you don’t have to keep time strictly. If you are working in an automated factory, it’s essential. People from rich countries often interpret this difference in sense of time as laziness.

Of course, it was not *all* prejudice or misinterpretation. Early-19th century Germans and early-20th century Japanese *were* on average not as organised, rational, disciplined, etc. as the citizens of the successful countries of the time or, for that matter, as people are in today’s Germany or Japan. But the question is whether we can really describe the origins of those “negative” forms of behaviour as “cultural” in the sense that they are rooted in beliefs, values, and outlooks that have been passed on through generations and are therefore very difficult, if not necessarily impossible, to change.

My short answer is no. Let us consider “laziness” again. It *is* true that there are a lot more people “lazing around” in poor countries. But is it because those people culturally prefer lounging about to working hard? Usually not. It is mainly because poor countries have a lot of people who are unemployed or underemployed (i.e., people may have jobs but do not have enough work to occupy them fully). This is the result of economic conditions rather than culture. The fact that immigrants from poor countries with “lazy” cultures work much harder than do the locals when they move to rich countries makes the point.

As for the once much-vaunted “dishonesty” of the Germans in the past, when a country is poor, people often resort to unethical, or even illegal, means to make a living. Poverty also means weak law enforcement, which lets people get away with illegal behaviour, and makes breaking the law more “culturally” acceptable.

How about the “excessive emotions” of the Japanese and the Germans? Rational thinking, whose absence is often manifested as excessive emotion, develops largely as a result of economic development. Modern economies require a rational organisation of activity, which then changes people’s understanding of the world.

“Living for today” or being “easy-going” – words that many people associate with Africa and Latin America nowadays – are also the

consequences of economic conditions. In a slowly-changing economy, there is not much need to plan for the future; people plan for the future only when they anticipate new opportunities (e.g., new careers) or unexpected shocks (e.g., a sudden inflow of new imports). Moreover, poor economies offer few devices with which people can plan for the future (e.g., credit, insurance, contracts).

In other words, many of the “negative” forms of behaviour of the Japanese and Germans in the past were largely the outcomes of economic conditions common to all economically-underdeveloped countries, rather than of their specific cultures. This is why the Germans and the Japanese in the past were “culturally” far more similar to people in today’s developing countries than to the Germans and the Japanese of today.

Many of these apparently unchangeable “habits of national heritage” can be, and have been, transformed quite quickly by changes in economic conditions. This is what some observers actually witnessed in late-19th century Germany and early-20th century Japan. Sidney Gulick, the American missionary whom I cited above, observed that “the Japanese give the double impression of being industrious and diligent on the one hand and, on the other, of being lazy and utterly indifferent to the passage of time”.²⁵ If you looked at the workers in the new factories, they looked very industrious. But if you looked at under-employed farmers and carpenters, they looked “lazy”. With economic development, people would also develop an “industrial” sense of time very quickly. My country Korea offers an interesting example in this regard. Twenty, maybe even fifteen, years ago, we used to have the expression, “Korean time” It described the widespread practice whereby people could be an hour or two late for an appointment and not even feel sorry about it. Nowadays, with the pace of life far more organised and faster, such behaviour has almost disappeared, and with it the expression itself.

In other words, culture changes with economic development.[†] That is why the Japanese and the German cultures of today are so different from those of their ancestors. Culture is the *result*, as well as the cause, of economic development. It would be far more accurate to say that countries become “hardworking” and “disciplined” (and acquire other “good” cultural traits) because of economic development, rather than the other way around.

[†] Of course, culture, with economic stagnation, can also change for the worse (at least from the point of view of economic development). The Muslim world used to be rational and tolerant; but following centuries of economic stagnation, many Muslim countries have turned ultra-religious and intolerant. These “negative” elements have become stronger because of economic stagnation and lack of future prospects. The fact that such forms of behaviour are not an inevitable manifestation of Muslim culture is proven by the rational thinking and tolerance prevalent in many prosperous Muslim empires in the past. It is also corroborated by contemporary examples like Malaysia, whose economic prosperity has made its Islam tolerant and rational, as all those female central bankers I talked about earlier will tell you.

Many culturalists accept, in theory, that cultures change. But in practice most of them treat culture as pretty immutable. This is why, despite endless contemporary accounts to the contrary, culturalists today describe the Japanese on the cusp of economic development in the most flattering light. David Landes, a leading proponent of the cultural theory of economic development, says: “The Japanese went about modernisation with characteristic intensity and system. They were ready for it by virtue of a tradition (recollection) of effective government, by their high levels of literacy, by their tight family structure, by their work ethic and self-discipline, by their sense of national intensity and inherent superiority”.²⁶ Despite the frequent contemporary observation that the Japanese were lazy, Fukuyama claims in his book, *Trust*, that there was “the Japanese counterpart to the Protestant work ethic, formulated at around the same time”.²⁷ When he classifies Germany as an inherently “high-trust” society, he is also oblivious to the fact that, before they became rich, many foreigners thought the Germans were cheating others all the time and unable to cooperate with one another.

A good cultural argument should be able to admit that the Germans and the Japanese *were* a pretty hopeless bunch in the past and *still* be able to explain how they developed their economies. But most culturalists, blinded by their conviction that only countries with the “right” value systems can develop, re-interpret German or Japanese histories so as to “explain” their subsequent economic success.

The fact that culture changes far more quickly than the culturalists assume should give us hope. Negative behavioural traits like laziness or lack of creativity do hamper economic development. If these traits are fully, or even predominantly, culturally determined, we would need a “cultural revolution” in order to get rid of them and start economic development.²⁸ If we need a cultural revolution before we can develop the economy, economic development would be next to impossible, since cultural revolutions rarely, if ever, succeed. The failure of the Chinese Cultural Revolution, albeit launched for different reasons than economic development, should serve as a salutary warning.

Fortunately, we do *not* need a cultural revolution before economic development can happen. A lot of behavioural traits that are meant to be good for economic development will follow from, rather than being prerequisites for, economic development. Countries can get development going through means other than a cultural revolution, as I explained in the preceding chapters in this book. Once economic development gets going, it will change people’s behaviour and even the beliefs underlying it (namely, culture) in ways that help economic development. A “virtuous circle” between economic development and cultural values can be created.

This is essentially what happened in Japan and Germany. And it is what will happen in all future economic success stories. Given India’s recent

economic success, I am sure we will soon see books that say how Hindu culture – once considered the source of sluggish growth in India (recall the once-popular expression, “Hindu rate of growth”²⁹) – is helping India grow. If my Mozambique fantasy in the Prologue comes true in the 2060s, we will then be reading books discussing how Mozambique has had a culture uniquely suited to economic development all along.

Changing Culture

So far, I have argued that culture is not immutable and changes as a result of economic development. However, this is not to say that we can change culture only through changing the underlying economic conditions. Culture can be changed deliberately through persuasion. This is a point rightly emphasised by those culturalists who are not fatalists (for the fatalists, culture is almost impossible to change, so it is destiny).

The problem is that those culturalists tend to believe that cultural changes require only “activities that promote progressive values and attitudes”, in the words of Lawrence Harrison, the author of *Underdevelopment is a State of Mind*.³⁰ But there is a limit to changes that can be made through ideological exhortation alone. In a society without enough jobs, preaching hard work will not be very effective in changing people’s work habits. In a society with little industry, telling people that disparaging the engineering profession is wrong will not make many young people choose to pursue it as a career. In societies where workers are treated badly, appealing for cooperation will fall upon deaf, if not cynical, ears. Changes in attitudes need to be supported by real changes – in economic activities, institutions, and policies.

Take the fabled Japanese culture of company loyalty. Many observers believe it is the manifestation of an ingrained cultural trait rooted in the Japanese variety of Confucianism emphasising loyalty. Now, if true, such an attitude should have been more pronounced as we go back further in time. Yet a century ago Beatrice Webb remarked that the Japanese have a “quite intolerable personal independence”.³¹ Indeed the Japanese workers used to be a pretty militant bunch until fairly recently. Between 1955 and 1964, Japan lost more days per worker in strikes than Britain or France, countries which were not exactly famous for cooperative industrial relations at the time.³² Cooperation and loyalty came about only because Japanese workers were given institutions such as lifetime employment and company welfare schemes. Ideological campaigns (and government bashing of militant Communist trade unions) did play a role, but they would not have been enough on their own.

Similarly, despite its current reputation for peaceful industrial relations, Sweden used to have a terrible labour problem. In the 1920s, it lost more man-hours per worker due to strikes than any other country. But

after the “corporatist” compromise of the 1930s (the 1938 Saltjobaden Agreement), it all changed. In return for workers restraining their wage demands and strike activities, the country’s capitalists delivered a generous welfare state combined with good re-training programmes. Ideological exhortation alone would not have been convincing.

When Korea started its industrialisation drive in the 1960s, the government tried to persuade people to abandon the traditional Confucian disdain for industrial professions. The country needed more engineers and scientists. But with few decent engineering jobs, not many bright young people wanted to become engineers. So the government increased funding and the number of places in university for engineering and science departments, while doing the reverse in humanities departments. In the 1960s there were only 0.6 engineering and science graduates for every humanities graduate, but the ratio became one-to-one by the early 1980s.³³ Of course, the policy worked ultimately because the economy was industrialising fast and as a result there were more and more well-paying jobs for engineers and scientists. It was thanks to the combination of ideological exhortation, educational policy, and industrialisation – and not just promotion of “progressive values and attitudes” – that Korea has come to boast one of the best-trained armies of engineers in the world.

The above examples show that ideological persuasion is important but not enough in changing culture. It has to be accompanied by changes in policies and institutions that can sustain the desired forms of behaviour over an extended period of time so that they turn into “cultural” traits.

Re-inventing Culture

Culture influences a country’s economic performance. At a given point in time, a particular culture may produce people with particular behavioural traits that are more conducive to achieving certain social goals, including economic development, than other cultures. At this abstract level, the proposition seems uncontroversial.

But when we try to apply this general principle to actual cases, it proves illusive. It is very difficult to define what the culture of a nation is. Things are complicated further by the fact that very different cultural traditions may co-exist in a single country, even in allegedly “homogeneous” ones like Korea. All cultures have multiple characteristics, some positive and others negative for economic development. Given all this, it is not possible, nor useful, to “explain” a country’s economic success or failure in terms of its culture, as some Bad Samaritans have tried to do.

More importantly, even though having people with certain behavioural traits may be better for economic development, a country does not need a “cultural revolution” before it can develop. Though culture and economic development influence each other, the causality is far stronger

from the latter to the former; economic development to a large extent creates a culture that it needs. Changes in economic structure changes the way people live and interact with one another, which in turn changes the way they understand the world and behave. As I have shown with the cases of Japan, Germany, and Korea, many of the behavioural traits that are supposed to “explain” economic development (e.g., hard work, time-keeping, frugality) are actually its consequences, rather than its causes.

Saying that culture changes largely as a result of economic development is not to say that culture cannot be changed by ideological persuasion. Actually this is what some optimistic culturalists believe. “Underdevelopment is a state of mind”, they declare. For them, therefore, the obvious solution to underdevelopment is to change the way people think through ideological exhortation. I don’t deny that such an exercise may be helpful, or even important in certain cases, for changing culture. But a “cultural revolution” will not take root unless there are complementary changes in the underlying economic structures and institutions.

So, in order to promote behavioural traits that are helpful for economic development, we need a combination of ideological exhortation, policy measures to promote economic development, and the institutional changes that foster the desired cultural changes. It is not an easy job to get this mix right, but once you do, culture can be changed much more quickly than is normally assumed. Very often what seemed like an eternal national character can change within a couple of decades, if there are sufficient supporting changes in the underlying economic structure and institutions. The rather rapid disappearance of the Japanese “national heritage” of laziness since the 1920s, the quick development of cooperative industrial relations in Sweden since the 1930s, and the end of the “Korean Time” in the 1990s are some prominent examples.

The fact that culture can be deliberately changed – through economic policies, institution building, and ideological campaigns – gives us hope. No country is condemned to underdevelopment because of its culture. But at the same time we must not forget that culture cannot be re-invented at will. The failure to create the “new man” under Communism is a good proof of that. The cultural “reformer” still has to work with existing cultural attitudes and symbols.

We need to understand the role of culture in economic development in its true complexity and importance. Culture is complex and difficult to define. It does affect economic development, but economic development affects it more than the other way around. Culture is not immutable. It can be changed through: a mutually-reinforcing interaction with economic development; ideological persuasion; and complementary policies and institutions that encourage certain forms of behaviour, which overtime turn into cultural traits. Only then can we free our imagination from both the unwarranted pessimism of those who believe culture is destiny and from the

naïve optimism of those who believe they can persuade people think differently and bring about economic development that way.

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- ¹ The quote is from *Japan Times*, 18 August, 1915.
- ² S. Gulick (1903), *Evolution of the Japanese* (Fleming H. Revell, New York), p. 117.
- ³ Gulick (1903), p. 82.
- ⁴ D. Etounga-Manguelle (2000), Does Africa Need a Cultural Adjustment Program? in L. Harrison & S. Huntington (eds.), *Culture Matters – How Values Shape Human Progress* (Basic Books, New York), p. 69.
- ⁵ B. Webb (1984), *The Diary of Beatrice Webb: The Power to Alter Things*, vol. 3, edited by N. MacKenzie and J. MacKenzie (Virago/LSE, London), p. 160.
- ⁶ Webb (1984), p. 166.
- ⁷ S. Webb & B. Webb (1978), *The Letters of Sidney and Beatrice Webb*, edited by N. MacKenzie and J. MacKenzie (Cambridge University Press, Cambridge), p. 375.
- ⁸ Webb & Webb (1978), p. 375. When Webb visited Korea, it had been just annexed by Japan in 1910.
- ⁹ T. Hodgskin (1820), *Travels in the North of Germany: describing the present state of the social and political institutions, the agriculture, manufactures, commerce, education, arts and manners in that country, particularly in the kingdom of Hannover*, vol. I (Archbald, Edinburgh), p.50, n. 2.
- ¹⁰ For example, Hodgskin (1820) has a section entitled ‘the causes of German indolence’ in p.59.
- ¹¹ M. Shelly (1843), *Rambles in Germany and Italy*, vol. 1 (Edward Monkton, London), p. 276.
- ¹² D. Landes (1998), *The Wealth and Poverty of Nations* (Abacus, London), p. 281.
- ¹³ John Russell (1828), *A Tour in Germany*, vol. 1 (Archibald Constable & Co, Edinburgh), p. 394.
- ¹⁴ John Buckingham (1841), *Belgium, the Rhine, Switzerland and Holland: The Autumnal Tour*, vol. I (Peter Jackson, London), p. 290.
- ¹⁵ Whitman (1898), p. 39, no. 20, quoting John McPherson.
- ¹⁶ Etounga-Manguelle (2000), p. 75.
- ¹⁷ Sir Aurthur Brooke Faulkner (1833), *Visit to Germany and the Low Countries*, vol. 2 (Richard Bentley, London), p. 57.
- ¹⁸ Faulkner (1833), p. 155.
- ¹⁹ S. Huntington (2000), Foreword: Cultures Count in L. Harrison & S. Huntington (eds.), *Culture Matters – How Values Shape Human Progress* (Basic Books, New York), p. xi. In fact, Korea’s per capita income in the early 1960s was less than half that of Ghana, as I point out in the Prologue.
- ²⁰ Representative works include the following. F. Fukuyama (1995), *Trust: The Social Virtues and the Creation of Prosperity* (Hamish Hamilton, London); Landes (1998); L. Harrison & S. Huntington (eds.) (2000), *Culture Matters – How Values Shape Human Progress* (Basic Books, New York); the articles in the Symposium on “Cultural Economics”, *Journal of Economic Perspectives*, Spring 2006, vol. 20, no. 2.
- ²¹ Landes (1998), p. 516.
- ²² M. Morishima (1982), *Why Has Japan Succeeded? – Western Technology and the Japanese Ethos* (Cambridge University Press, Cambridge). This argument has been popularised by F. Fukuyama (1995), *Trust: The Social Virtues and the Creation of Prosperity* (Hamish Hamilton, London).
- ²³ Based on their analysis of the World Value Survey data, Rachel McCleary and Robert Barro argue that Muslims (together with “other Christians”, that is, Christians that do not belong to the Catholic, the Orthodox, or the mainstream Protestant

churches) have exceptionally strong beliefs in hell and after life. See their article, Religion and Economy, *Journal of Economic Perspectives*, Spring 2006, vol. 20, no. 2

²⁴ It is said that, of the nine names of Allah, two means the “just one”. I thank Elias Khalil for relaying this point to me.

²⁵ Gulick (1903), p. 117.

²⁶ Landes (2000), Culture Makes Almost All the Difference in L. Harrison & S. Huntington (2000), p. 8.

²⁷ Fukuyama (1995), p. 183.

²⁸ This is the position taken by a number of authors in Harrison & Huntington (2000), especially the concluding chapters by Fairbanks, Lindsay, and Harrison.

²⁹ This term refers to the fact that the Indian economic growth rate was stuck at a relatively low 3.5% (around 1% in per capita terms) during 1950-80. It is supposed to have been coined by the Indian economist, Raj Krishna, and was popularised by Robert McNamara, the former President of the World Bank.

³⁰ L. Harrison, Promoting Progressive Cultural Change in L. Harrison & S. Huntington (eds.) (2000), p. 303.

³¹ Authorities on Japan like the American political scientist Chalmers Johnson and the British sociologist Ronald Dore also provide evidence showing that the Japanese were much more individualistic and “independent-minded” than they are today. See C. Johnson (1982), *The MITI and the Japanese Miracle* (Stanford University Press, Stanford) and R. Dore (1987), *Taking Japan Seriously* (Athlone Press, London).

³² K. Koike (1987), Human Resource Development in K. Yamamura & Y. Tasuba (eds.), *The Political Economy of Japan*, vol. 1 (Stanford University Press, Stanford).

³³ J. You & H-J. Chang (1993), The Myth of Free Labour Market in Korea, *Contributions to Political Economy*, vol. 12.