

# A World Economic Order Based on Cultural Comparative Advantage

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*The remarks below followed an introduction by Professor Paul Williams of the Operational Research Program, London School of Economics.*

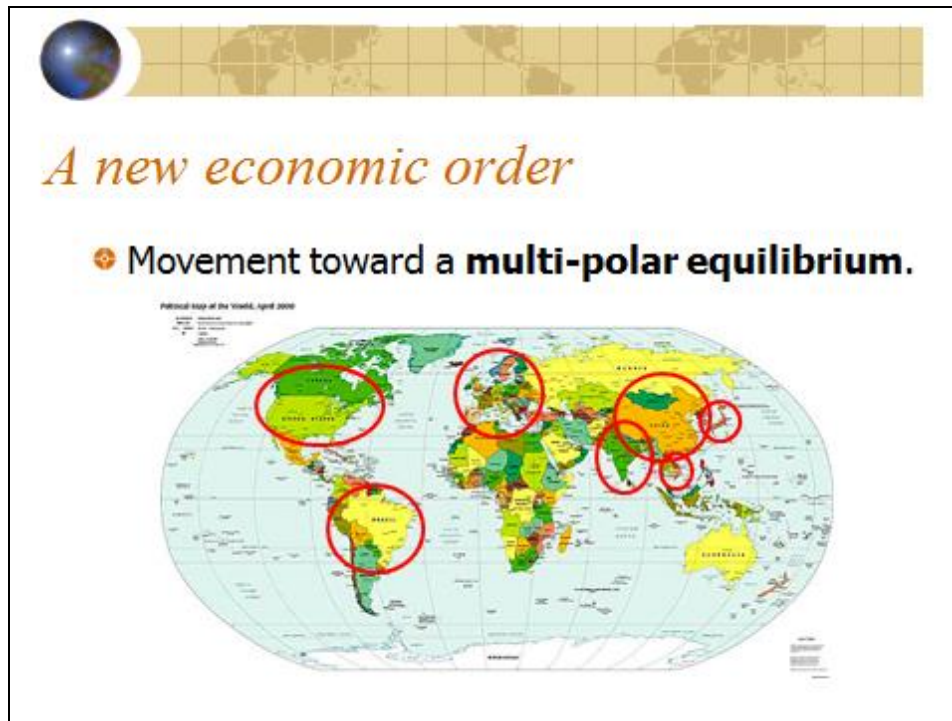
## Introduction

I am here to say something about what is happening in the world economically from a cultural point of view. This is something on which I teach courses, and I've written a book about it. I think it's a point of view that we too often don't have. So I would like to take a different slant than perhaps you are accustomed to taking.

This is the outline I would like to use. I'm going to begin by suggesting that we are seeing an evolution toward a multi-polar economic order based on *cultural comparative advantage*. I will try to back up this claim by giving a few examples. As a result of this evolution, I think we are beginning to see a deglobalization process, as opposed to the opposite, at least from a cultural point of view. And then I will try to explain to you the roots of these cultural differences, what is going on now, and what it may mean for the future.

Now when I give a talk on cultural issues, I always issue a caveat, and that is that nothing I say is meant to imply that one culture is superior to another. I have no opinion on which cultures are superior, and I don't know which ones are superior. I'm not so clever. In fact, I think perhaps it's good advice for all of us to begin by *understanding* these radically different cultures, and let someone else worry about which ones are superior. They are all good, after all.





*A new economic order*

✦ Movement toward a **multi-polar equilibrium.**

Political map of the world, April 2006

So this is the multi-polar equilibrium we now see in the world [referring to the slide]. The economic power centers of course include Europe and North America, but we also see China, Japan, Korea, information technology in India—and Brazil, another rising economic power. This is the landscape we are now seeing before us, and I think the reason for this is cultural, not economic.

There is more going on here than outsourcing to cheap labor. Certainly, cheap labor is a factor, a catalyst that is driving the situation. But if you think about it, many countries have cheap labor, but only a few of these countries have become the economic powerhouses we see in Korea, Japan, China and India. Why is this? Why is it that only certain countries with cheap labor have become so successful economically, and some of them now no longer have cheap labor? I think there must be something else going on here, and I am going to try to suggest what it is.



*A new economic order*

✦ Based on **comparative cultural advantage.**

- ▣ Much more than "outsourcing."
- ▣ Many countries have cheap labor.
- ▣ Only a few have become economic powerhouses.

✦ Such as...

- ▣ Japanese quality.
- ▣ Indian information technology.
- ▣ Korean manufacturing.
- ▣ Chinese entrepreneurship.
- ▣ Western technological innovation.

Here are the examples I want to go through: Japanese quality, Indian information technology, manufacturing in Korea, Chinese business sense, and I will also talk about us, the West, and what we have to offer the world.

## Japan

So to begin with Japan, this was really the first clear example, in our era, of a non-Western country taking advantage of its unique cultural traits to become an economic success. To make a long story short, Japanese culture is a group-oriented culture. It is a culture in which loyalty to the group takes precedence over individual merit. What this led to, in Japanese manufacturing, was a concept of continuous improvement. We have forgotten about this, but in the 1970s and 1980s the Japanese brought about a revolution in manufacturing.

This is why we are so rich today, here in London, over in Pittsburgh. This is why we are so wealthy, why the 1990s were boom years. It was due to Japanese manufacturing methods, which revolutionized, and increased by an order of magnitude, the efficiency of manufacturing around the world. This was due to ideas that were developed primarily at Toyota, during the 1970s and 1980s, and ideas that are rooted in Japanese culture.

One of these ideas is continuous improvement. That is, you improve the product and the process little by little. Now this doesn't work in the U.S., for example, because if the manager wants to put in a new system or a new idea, he has to show results by the end of the quarter, so he can get his bonus. It's an individual reward mechanism. But continuous improvement is little by little. You don't see the results. In particular, you don't see the results of one person's idea. If one of your workers has an idea—put the screw in this way rather than that way—you don't see the results, you can't document it, and so there is no reward, and there is no incentive to do it.

But in Japan, there is a different mechanism going on. First of all, there is the importance of saving face in the group. If you have an idea to contribute to your group, and the group rejects it, it is insulting. It is loss of face. To honor the members of the group, it is important to take their suggestions seriously. Toyota was famous for its suggestions boxes around the plant. The company would actually pay attention to these suggestions so as to honor the contributors and preserve group harmony. This cultural trait led to continuous improvement. The Japanese use the example of trying to wade through the deep end of a swimming pool. You may know that if you try to walk through water quickly, it is very hard. The resistance increases very quickly. But if you ease across very slowly, it is effortless, and you get there just the same. With continuous improvement, it is practically effortless. It is practically cost-free. It moves slowly, but after a few years, after, say, ten of fifteen years, you are Toyota! You are the most respected manufacturing plant in the world, with the world's highest standard for quality, which we now



**A new economic order**

- ◆ **Japanese quality**
  - **Continuous improvement**
    - Group oriented, rather than requiring individual reward.
    - Maintain group harmony by honoring everyone's ideas.
    - Long time horizon.
    - *Nemawashi*



*Hanko stamp*  
Traditionally a part of *nemawashi*

all imitate. So this long time horizon that is typical of Confucian cultures, and the group-oriented incentives, have given rise to continuous improvement.

The practice of *nemawashi* is a traditional manifestation of this. If you want to make a decision in a Japanese group—and it is still practiced to some extent—you pass around memos. In the old days people passed around hard copy memos, and each person would make a change in the memo, contributing his idea, and then stamp it with his *hanko*, to indicate that this is his point of view. Everyone's suggestion was honored, and eventually they would evolve a document with a decision for the group. This process is another example of the importance of honoring the members of the group, and it led to a big success at Toyota.

As a result of this, the Japanese developed the best operations management practices in the world, and the highest quality standards in the world. You have heard of “just-in-time” manufacturing. Actually, just-in-time inventory systems were a product of another Japanese cultural trait, unique to Japan—the vertical *keiretsu*. There are horizontal *keiretsu* and vertical *keiretsu*. The horizontal *keiretsu* were coalitions of banks, for the most part. The vertical *keiretsu* were, and still are, supply chains—supply chains in which the suppliers

work very closely with the persons whom they supply. For example, auto parts might be supplied to the manufacturer. This is based on old-boy relationships between the executives of these industries. They went to school together at Tokyo University, got to know each other, went to *karaoke*, drank together, played golf together. They *trust* each other. They are a member of a group, a very close-knit group of people who trust each other and hang out together—male bonding is going on here—and as a result, when they want to source from a supplier, they don't take competitive bids, as we do in much of the West. Rather, they work with someone they trust. They trust this person so closely, that they can share very detailed information about their technical specifications and their production schedules, which allows them to cooperate and coordinate very closely. As a result, the parts are delivered *just in time*, because they understand each other's operations and needs so intimately. This reduces in-process inventory. We have learned over the last twenty years that the reduction in cost due to elimination of in-process inventory can easily be an order of magnitude. It makes manufacturing incredibly more efficient. As a result, we get the most effective operations management practices in the world, due to cultural traits unique to that country—not due to economics, but due to culture.



 **A new economic order**

- ❖ **Superior operations management**
  - Just-in-time inventory management
  - *Kanban* systems minimize rework, maximize flexibility.
  - Lean manufacturing, reduced setup times.
- ❖ **Outgrowth of *keiretsu* (formerly *zaibatsu*).**
  - Old-boy networks, trust relationships.
  - *Keidanren*.



Toyota factory in Japan

## India

Let's go to India. This is a bit harder to explain, but I will do my best. In the West, we are secularists. We believe there is a distinction between the ordinary world down here and the divine world up there. God is up there, overseeing things. We are in charge of this world down here. This is the secular realm. If you want to understand Western history and culture, understand the history of the word *secular*. It's very interesting, really the core of who we are.



**A new economic order**

- Indian information technology
  - ▣ Pantheism vs. secularism
    - No need to maintain & manipulate nature.
    - Other coping mechanisms
  - ▣ Inner discipline
    - Get control of one's mind rather than the environment.
    - Modern form: intellectual discipline, academic competition.



IIT Mumbai

This means that Indians have a different way of coping with life than we do. We in the West, for about twenty-five hundred years at least, have coped with difficulty—with the uncertainty of life—by controlling our environment. We engineer our environment. We install systems. Our roads are sometimes even laid out in a grid in cities. Everything is under control around us. This is what technology does for us. Technology is important to us because it is the way we get life under control. If we get sick, we want to be cured by technology. If we have problems, we get the technical fix. We do mathematical modeling, we call in the experts. This is who we are, and it is why we are so good at it—because we rely on it.

Other peoples have a different way of getting life under control and acquiring a sense of security. Other peoples, for example, depend on the family. You go to the extended family for support. You are always in contact. For example, I have a number of Asian students over in the U.S. My students come from Taiwan, China, Korea. They are on the phone with their parents every single day, perhaps several times a day. The family has a close-knit bond. Everyone sticks together. The parents support the children, and the children support the parents. It is a different way of acquiring security. As for us, our families are less important. Perhaps we haven't gone to see grandpa in the old folk's home for six months. In China, it's every day. Every day you are in contact with the grandparents. This is very important. Here it is not so important, because we rely on something else.

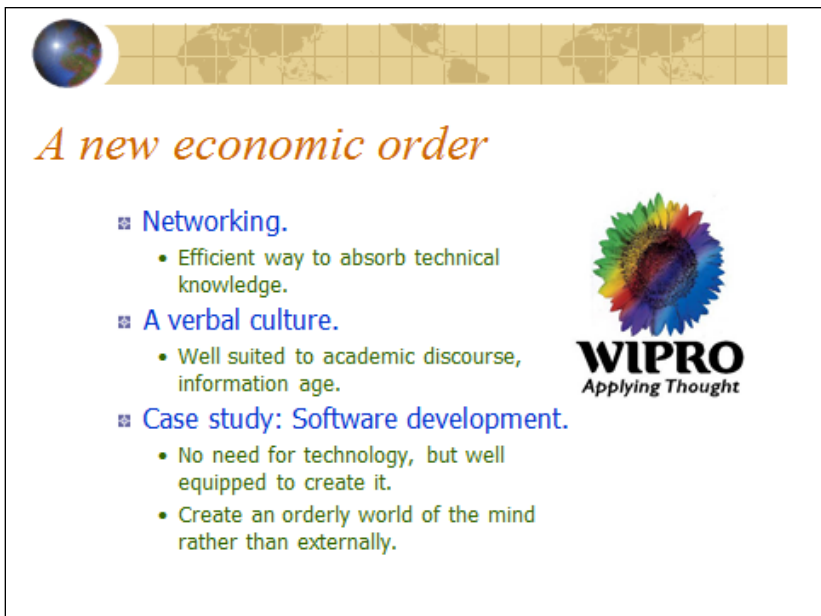
Indians, too, rely on family connections for support and security, and they rely on something else as well. They don't rely on their ability to manipulate, structure, and engineer the environment. This is why, when you go to Calcutta or Mumbai, things seem to be falling apart. Nothing much works. The power grid goes down, the phones don't work—unless they are mobile phones. It is because an orderly infrastructure isn't necessary for them. They rely on inner discipline. You get control of your life by getting control of how you think about the world, rather than going out

and getting control of the world. Think about who went out and colonized the world in the nineteenth century. It wasn't Indians.

We in the West have to get control of our surroundings. We have to go out there and make the sure the world is aligned the way we want it. Indians don't have to do that, because they have inner control. This inner control, historically, has something to do with yoga, discipline, and so forth. Today, it takes the form, primarily, of intellectual discipline. The most competitive schools in the world are the IITs, the Indian Institutes of Technology. The entrance exams are incredibly competitive. Indians rely on intellectual prowess, study, and intellectual discipline to decide who wins the competitive battle, because this is what is important to them. It is a highly intellectual culture, and as a result, you see this need to get control of one's thinking process manifesting itself in intellectual activity and discipline.


You couldn't ask for a more appropriate background for the information age. It is why India's economy took off like gangbusters when the information economy became so important in the world. It is tailor made for it.

There are some other traits that Indians have culturally that help to explain their success. One is networking, not only through the family, but through trusted friends and acquaintances. I think email was a gift from the gods for Indians. Perhaps half the emails in the world are sent by Indians. They are constantly networking with each other, constantly in contact. If you want to learn how to network, watch your Indian friends and colleagues. They are the masters of networking. They know where everyone is all the time, what they are doing, and what they are up to, and whom to call on if they need some assistance. This is how it is done. You get assistance, you get things done, by working through your networks.



*A new economic order*

- **Networking.**
  - Efficient way to absorb technical knowledge.
- **A verbal culture.**
  - Well suited to academic discourse, information age.
- **Case study: Software development.**
  - No need for technology, but well equipped to create it.
  - Create an orderly world of the mind rather than externally.



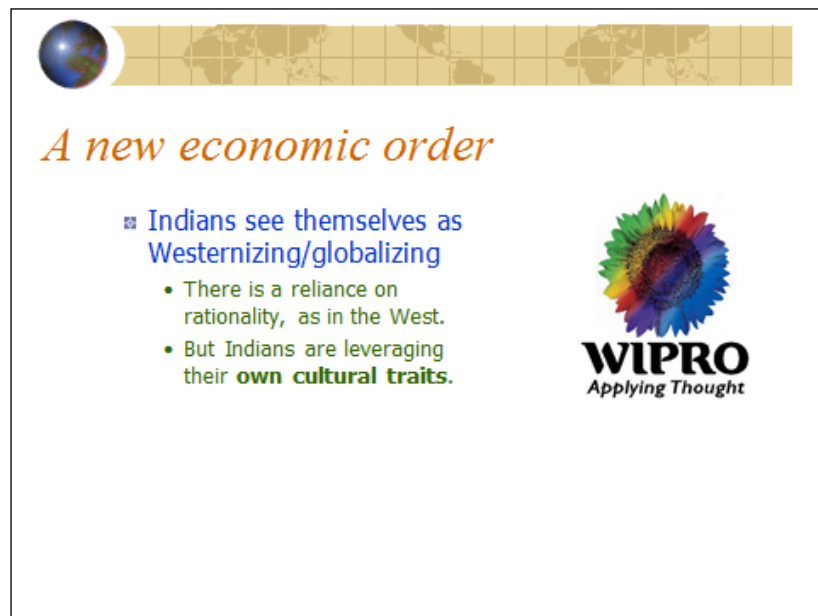
This is why marriages are so important in India. Marriage is a big affair that takes several days. It brings people from all over the world to the marriage ceremony. Why do you think that is? Why is marriage so important? It is because you are joining two networks, and the network you are connected to is absolutely essential to your prosperity and survival. This is why marriage is so important.

Indians are very good at networking, and as a result, have a very useful skill for business and economics. They are the masters. Oh, there is something else I should mention: technical knowledge. What is the best way to learn how to fix a computer? Do you read the manual? Do the people who fix your computer read the manual? No, they have never touched the manual. They pick it up from their friends and buddies. They network, they talk to each other. They pick up the tricks from each other. If you are a good networker, you are going to be even better at this. So this ancient networking practice is absolutely perfect for the information age, for picking up technology. This is how my students do it. It is how *your* students do it. They don't read books. They just learn from each other.

India has a highly verbal culture. Not only is it English speaking for historical reasons this audience knows about, but from centuries back, the Aryans were nomadic people who relied on a verbal art form, a verbal culture, and a verbal literature. As a result, today India has a very articulate, very verbal culture. You couldn't ask for a more appropriate trait for our day in the world of business.


A good case study is software development. Who is ideally suited to write software? It is the Indian computer scientist. Writing computer code, I can tell you, requires enormous mental discipline. If you don't think so, try it. You must have your mind organized. You must be able to focus and concentrate. If you spent your life studying for those incredibly hard exams, studying day and night under your parents' demands, you will know how to focus your mind. You will be able to create software. Writing software is not engineering the world as we Westerners do. You don't build bridges by writing software. Software is essentially thought creation. Software exists up here in the head. Vishnu himself could not have dreamed of a better occupation for the Indian mind than creating software.

Indians would probably not agree with this. In fact, I should say in general that when I talk about a country or a culture, the people concerned are probably going to disagree with me. We tend to disagree with what people say about our countries, because our cultures teach us how to think about ourselves, sometimes in strange ways. I think Indians would probably describe themselves as Westernizing. Oh, we are becoming like you now. We are Westernizing. But I see



*A new economic order*

- Indians see themselves as Westernizing/globalizing
  - There is a reliance on rationality, as in the West.
  - But Indians are leveraging their **own cultural traits**.



**WIPRO**  
Applying Thought

Indians as Indianizing, as reverting to their ancient Indian culture, and this is why, for reasons I have tried to outline, India has become an economic powerhouse in our modern world—another one of those poles in the multi-polar equilibrium.

## Korea

Let's go to Korea and see what happens there. Korea has been a manufacturing miracle. Since the 1960s or so, this country has blossomed into an amazing powerhouse economically, mainly through manufacturing. It began with the *chaebol*, the big, family-owned corporations. How did that happen? It happened because of Park Chung Hee. Everyone hated him because he was a dictator, and in fact he was finally assassinated. But he studied in a Japanese military school and picked up

the idea of the *keiretsu*, which were called *zaibatsu* at the time. He said, "We need something like that in Korea," but he did it the Korean way. He formed connections with the major families that ran the corporations in Korea, and he used his authoritarian position—this is a so-called high-power-distance culture, where authority is important—to line up these corporations to do things the way he wanted them done. He gave them concessions for permits, imports, tariffs and so forth, in exchange for aligning themselves with his national plan for building the economy. The *chaebol* were the basis for the Korean success story, and they were the creation of Park Chung Hee.

The *chaebol* began due to a Korean historical and cultural trait, and today there are several cultural traits in Korea that tend to reinforce their success. One is the importance of the relationship between the boss and the employee. For example, in the U.S. or the U.K., the bottom line is the most important objective in business—maximizing the bottom line. In Korea, the most important objective is loyalty to your boss. You can go into a Korean firm and offer them a substantial increase over their current salary to come work for you, and they won't leave the boss. They feel a sense of loyalty to the boss, and the boss feels a sense of responsibility to the employee. The employees work hard, they work long hours, and they are totally dedicated to the boss, but in return the boss takes care of his people. He takes care of his men, and they are men, in almost every case. He gives them advice for life—how to get along with your family, how to relax, what to do with yourself. This paternal relationship creates strong loyalty to the firm, rather than to oneself, which can be good for business. It is good for long-term investment in the business. The short-term bottom line is not important. Long-term loyalty to the firm is



**A new economic order**

- ◆ **Korean Manufacturing**
  - **Initially an imitation of Japanese *zaibatsu*.**
    - High power distance culture allowed Park Chung Hee to create the *chaebol*.
  - **Cozy relationship between leading industrial families and the government**
    - Allowed Korea to build major private corporations in a relationship-based culture.



Park Chung Hee  
Korean dictator 1961-79



important, because it allows the firm to take long-term objectives, which many Western corporations cannot do because of their short-term mentality.

The Korean culture is very strongly organized by age. I have a number of Korean students, and I have noticed that when they get together and meet each other, the first thing they do is find out how old everyone is. A difference of age of even six months means that you have to defer to the older person. You have

to use the polite form of grammar when you speak to him. Just six months. So you have this pecking order by age, a very strict hierarchy. My colleagues who have Korean students don't know this is going on under our radar, but it is going on.

So they have this very highly organized hierarchical structure in their groups, and there is a very strong age-based discipline. They get things done. You do what you are supposed to do. You follow the instructions of the next guy up the ladder, and this discipline, again, makes for very efficient, very effective manufacturing. You have a highly disciplined work force, much like a little army with strong commanders and people who obey the commands rather than going their own separate ways and trying to maximize their own self benefit.

This is a so-called masculine culture. I don't like to use that term because it sounds somewhat politically incorrect in this part of the world, but it is a term from the literature. A masculine culture is a culture, basically, in which competition is important. You are supposed to be aggressive. Sometimes, martial arts and things like that are important, but basically the characteristic is that a masculine culture is competitive. It is more like war every day. In fact, there is a very famous book, Sun Tsu's *The Art of War*, that a lot of business people read in Asia to find out how to do business with the Chinese.

This masculine culture makes Koreans very competitive. Anyone who has negotiated with Koreans, particularly on their own turf, has learned about this. You cannot win with those guys. If you go and negotiate, you are going to come out the loser; there is no other way. They are too determined, they are too good, and they are too aggressive. This is good for their economy. I think of the poor guys who are trying to negotiate with North Korea over nuclear weapons, and I'm glad I'm not in their position. They don't form the right relationships with the Koreans, either. You've got to have a long-term relationship to get somewhere.

**A new economic order**

- ▣ Loyalty to the boss.
  - Paternal relationship.
  - Bottom line and short-term profitability are secondary.
- ▣ Highly disciplined, hierarchical groups.
  - Organized by age.
- ▣ Highly competitive, masculine culture.
  - Strong national solidarity.

Korean *chaebol*

## China

Let's go to China, another Confucian culture. I tried to make a case here that Korean manufacturing success is grounded in their unique cultural traits. How about China? Of course, China is a spectacular economic success, with double-digit growth decade after decade. The economy actually quadrupled in twenty years. It's amazing. So what is going on here? There is a cultural trait, entrepreneurship, that you find particularly in the coastal subcultures, such as the Cantonese-speaking and Fujianese-speaking subcultures. They are very much entrepreneurial and business-oriented.

I see that we are in the Hong Kong Room. Go to Hong Kong, and you see entrepreneurship. Everyone is working eighteen hours a day, making as much money as possible. That's the meaning of life in Hong Kong. You make as much money as possible, and they make a lot if it. What's the reason for all this? First if all, this is a so-called uncertainty tolerant culture, which is a term from the literature. In some cultures, people are a little bit nervous about life, don't like to take chances, like to stick closer to the family, and so forth. Other cultures, including the U.K., are uncertainty tolerant, meaning that people aren't afraid of risk. They can travel the world and don't have to rely on their connections and friends. They can go out alone and take a risk.



 *A new economic order*

- ◆ Chinese entrepreneurship
  - ▣ A cultural trait of coastal Chinese
    - Particularly speakers of *Yuè* (Cantonese), *Mín* (Fujianese), and *Wú* (Shanghaiese) dialects.
  - ▣ Uncertainty tolerant culture.
  - ▣ Self-esteem tied to wealth and status.
    - "To be rich is glorious" (Deng Xiaoping).
  - ▣ Masculine culture, competitive.



Guangzhou

Chinese cultures, as a rule, particularly along the coast, are uncertainty tolerant. Entrepreneurship fits this mold very well. If you are in Hong Kong, for example, what do people do for recreation? What's the favorite sport in Hong Kong? Anyone know? The horses, yes! And of course you bet on the horses. You pick your lucky number—people are very superstitious—and bet on the horses. People are very risk prone and are not afraid to take chances. This is good for business, and Hong Kong is, of course, packed with thousands and thousands of little companies starting up all the time.

Self-esteem is very closely tied to wealth and status, an old idea in Chinese culture. Deng Xiaoping is a famous exponent of this idea; in his words, “To be rich is glorious.” In Hong Kong, for example, you’ve made it when you are member of the Hong Kong Golf Club. Membership in the Hong Kong Golf Club costs about a million Hong Kong dollars a year, very expensive, and many of the members don’t even play golf. It’s the prestige.

You have to drive a BMW. Where do you drive your BMW in Hong Kong? Nowhere! There is nowhere to park. You put it in the garage, pay the high rent on the garage, and keep it there, but the prestige is everything. It helps provide drive and motivation to succeed in business. This is true of Cantonese culture in general. If you go to Guangzhou, you see the same thing. I was there a few years ago, and none of these skyscrapers visible in this photo were there. They are coming up like mushrooms.

Another factor is the relationship-based style of doing business in the Confucian world. First of all, much of business is based on the family, and there are countless family-owned businesses in China. The family is like a little army. The grandfather runs things, and when the grandfather says, “You do this,” you do it. The grandfather is the general, the boss. This allows you to get things done, and you are successful.

There is also a concept of *guanxi*, which is a kind of relationship you make in relationship-based business. In the West, when you want to make a deal or have a relationship, you sign a contract. Perhaps you don’t even know the other parties to the contract with, because you just met them today. You negotiate, call a lawyer, draw up a contract, sign it, and if they don’t follow through on the contract, you take them to court. You call the lawyers. The system takes care of the

problem. We trust the system to take care of these things for us. Chinese don’t trust the system, and in fact the legal system doesn’t work very well in China; it is actually based on German law. Why doesn’t it work? Because it doesn’t *need* to work. They don’t need it, because they have each other. They trust the person. Here you trust the system, while there you trust the person.

You build a long-term relationship, sometimes life-long, with the people you do business with. It’s called *guanxi*, which means “relationship” in Mandarin Chinese. People invest in each other. I do things for you, and you do things for me. It’s not quid-pro-quo, it’s not corruption, and it’s not bribery, but it’s investing in a relationship over time. Once you have invested in a



**A new economic order**

- **Relationship-based business.**
  - Family-based investment financed the boom.
  - *Guanxi* is a time-tested mechanism.
  - World’s largest economy for 8 of last 10 centuries, soon to be again.
- **Making inroads into South America, Africa, Middle East.**
  - More comfortable with Chinese relationship-based business style than Western rule-based transparency.

President Hosni Mubarak of Egypt with Chinese Trade Minister Bo Xilai, who headed a delegation of 150 Chinese businessmen.

relationship, it would be a great loss to forfeit that relationship, because it's the key to doing business. As a result, once you have *guanxi*, you can trust that person with your life. He is going to follow through, he is going to take care of you and deliver the product the way you want it, or else lose *guanxi*. This leads to the strong cords that bind Chinese business people together traditionally and are still very important in China.

It works, and this is the basis for the Chinese economic miracle—*guanxi*, along with family and clan connections. Who do you think financed the Chinese growth miracle that we have been seeing the last twenty or thirty years? Was it Swiss banks? Pardon me,<sup>1</sup> but no, it wasn't Swiss banks, it wasn't Japanese banks, but it was families. It was overseas Chinese families in Vancouver, San Francisco, Toronto, Hong Kong, the Chinese ethnic minorities in Indonesia and Malaysia, and so forth. They financed the Chinese economic miracle through their family connections because they trusted the people in whom they were investing.

Remember the Asian financial crisis? Who was not affected, in Asia, by the Asian financial crisis? Two countries were largely unaffected (some people say they are one country)—Taiwan and China. Why? Because most of Asia had to a great extent switched over to debt and equity financing, Western-style, with bank loans and such things. Their culture is not set up for this kind of thing. They don't have transparency. They don't *need* transparency. As a result, everything collapsed. They didn't have the right kind of transparent bookkeeping, and so forth, to make equity and debt financing work. However, China and Taiwan still operated primarily with traditional finance through family and clan connections. So there was no crisis. In fact, Beijing had to bail out Hong Kong during the Asian financial crisis. We forget about that and don't talk about it here.

China has a system that works. They have had the world's largest economy for eight of the last ten centuries, and in about fifteen years they will have the world's largest economy again. While we are focused on the Middle East, they are focused on the rest of the world, under our radar. They are everywhere, the Chinese. They are in Africa, the Middle East, South America, and Asia, swinging business deals you wouldn't believe. They are taking over. At least one reason they are taking over, I suggest, is that their relationship-based style of business is much more comfortable for much of the world than our rules-based, transparent style of business. Most of the world likes the Chinese way better than it likes our way, and the Chinese are taking advantage of this.

## **The West**

How about us? What do we have to offer? What we have to offer is innovation, technological innovation. That is no accident. It is not because we are clever, but it's because of this concept of the disenchantment of nature that was articulated by Max Weber a long time ago. The concept relates to our belief that the natural world is within our control because it is a mechanism that we can manipulate. It is made up of little atoms. We have a world of dead matter made up of atoms and molecules. God is up above, and so we are not disturbing God if we manipulate the secular world. God gives us permission to do that. This goes back to the Old Testament. I won't go into it now, but there is a long heritage here. And of course we have the Greek heritage

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<sup>1</sup> The Swiss ambassador to the U.K. is in the audience.

that tells us *how* to manipulate the world. We use reductive analysis to reduce the world to its ultimate constitute parts, so that we can manipulate it. That's from the Greek heritage. We combine our Judeo-Christian heritage, which gives us secularism and the idea that God is transcendent and the world is within our control, with Greek rationality, which gives us the wherewithal to manipulate the secular world, and we get technology. This is the source of technology and how we deal with life. It is our coping mechanism, as I mentioned before.



## *A new economic order*

- ✦ **Western technological innovation**
  - ▣ **Disenchantment of nature.**
    - Opened the way to manipulation of a secular world.
    - Greek rationality.
  - ▣ **Technology as coping mechanism**
    - Controlling the environment rather than oneself.
    - Support from family, friends less important.



Max Weber

This happened gradually over the centuries, and you see flowerings of Western technology and lifestyle in places like northern Italy during the Renaissance, the Hanseatic League in Germany, as well as the U.K. and North America in the nineteenth and twentieth centuries. You see that Western ideas tend to flourish when there is decentralized political control, which allows this approach to work best. So technology has developed gradually, but it is nonetheless our trajectory, our path of development.

We tend to think that there is one path of development for the whole world. We speak of the “less developed” and the “developed” nations, namely us. What we have in mind is *our* path of development along a technology path, where we get greater and greater control through rational science. This is our path because of who we are. There is nothing wrong with it, but it is not *their* path. They develop in other ways. Is China a “developing” country? Yes, it has been developing for five thousand years! China was an old country when Rome was a rut in the road, but they have a different path of development than we do. Technology is our path for a reason. It is how we get control of life.

Another trait that is closely correlated with this is our individualism. This is why rely on manipulation of the environment as opposed to relying on each other. We don't rely on collectivistic norms but on individualistic norms to get control of things. We basically think that human beings are autonomous, rational individuals. This goes back at least twenty-five hundred years and is very deeply ingrained in us.

This gives us an economic advantage, because as individuals we have the right to rethink everything from scratch. For example, I teach in the U.S., where I have a very multicultural classroom, including a number of students with Confucian backgrounds. They want me to tell them what they are supposed to learn. I am supposed to hand down the knowledge, from master to student. They think this is more efficient. Why should students write their own essay when

some great authority has already written on the topic? Why should they pretend to be writers? They should read and learn from the great works of the past.

Of course, our American form of education is totally foreign to these students. In the American or Western style of education, we ask students to rethink the material from scratch, to prove to themselves that it is true. What do we do in chemistry class? Do we give them a textbook and

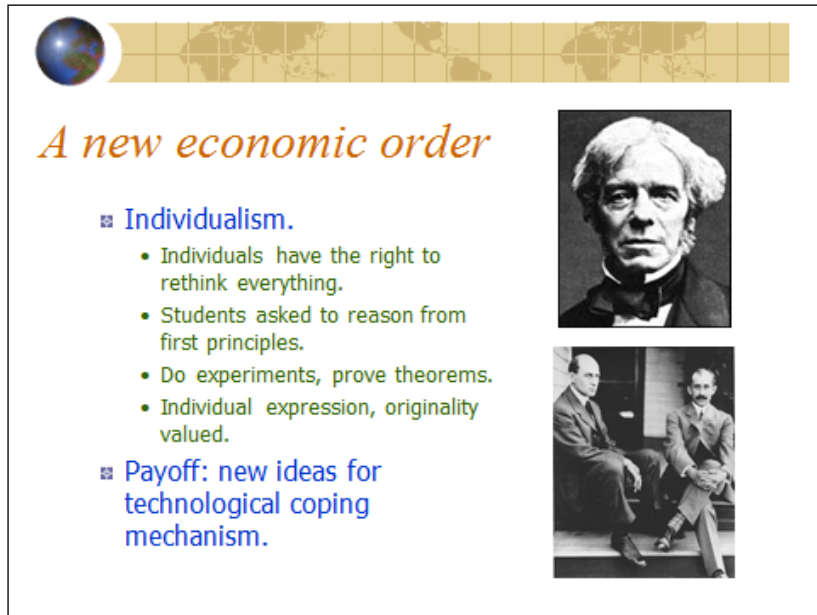
ask them to memorize it? No, we make them do experiments. We make them see it for themselves and prove to themselves that it is true. What do we do in geometry class? Do we ask them to memorize Euclid's theorems? No, we make our students prove the theorems to convince themselves they are true. So every student, ideally—and of course, the ideal usually isn't met—restructures knowledge and rethinks it all.

When people do that, some people rethink it in a different way. Some people don't reproduce the mistakes of the past. They do something different, like this person in the picture. Do you know who he is? Right, Michael Faraday, a great British scientist with a very independent mind. He went into his laboratory and tested the ideas, wow, with amazing results. The Wright brothers didn't just tinker with airplanes but rethought fluid mechanics. They redeveloped the science so they could design their propellers. They had been brought up this way. They didn't simply receive what is in the textbook but rethought it from the beginning. Thomas Edison was home schooled. He rethought everything and became a brilliant inventor.

The payoff is that we can enrich our technological basis by creating new ideas, by rethinking from scratch, and if we are smart enough, we will rethink it differently and come up with a new idea. So we have this rich fount of technological innovation year after year after year. It accumulates. This is a survival trait for us, it keeps us alive. It is why we exist. We are innovative because this is our selective advantage in the competition between cultures. This is our own cultural comparative advantage—innovation through technology. We have that to offer.



### **Cultural Deglobalization**

The point I am trying to make here is that we are seeing a deglobalization of culture. The world is not homogenizing culturally. Don't believe that. Everyone says it is, but it's not, and one reason it's not is that the economically successful countries have every reason to maintain the distinctive cultural traits that make them successful. They are going to survive because they



*A new economic order*

- **Individualism.**
  - Individuals have the right to rethink everything.
  - Students asked to reason from first principles.
  - Do experiments, prove theorems.
  - Individual expression, originality valued.
- **Payoff: new ideas for technological coping mechanism.**



have discovered how to exploit their own cultures. The other countries—those who have not learned to exploit their cultural traits—may homogenize with someone else. But the four or five or six poles of the new economy are going to retain their distinctive cultures because this brings success.

So I think we are going to see cultural deglobalization. Again, people in these countries may not put it that way and may tell you they are Westernizing, but don't believe it. They are not.

So I suggest that if we are going to succeed in this world order, we must stop trying to globalize—globalization is a euphemism for Westernization—stop trying to Westernize norms and behavior. These are our way and fine for us, but we are going to have to understand what they are doing, because otherwise, they are going to win. In fact, in many cases they are winning already. If we are going to compete, we must understand what is going on out there.

### Communication Technology

Something else: communication technology. We think somehow that communication technology is homogenizing the world, bringing cultures together, and making the world a small place. No way! It does exactly the opposite.

For example, the lowly mobile phone. Does anyone know where the mobile phone first penetrated the market, first became popular? Finland. Finland was the first place with a big penetration of the mobile phone. There, it was because of the weather. It snows a lot, and this knocks down the phone lines. People wanted mobile phones so they could still talk to each other. But where is the second place the mobile phone achieved large penetration? [Responses from the audience] Korea? China—well, yes, Hong Kong, now part of China. I was in Hong Kong when the mobile phone was becoming popular. It had just arrived in Asia, and everyone on the street was talking into their phones and showing them off. It was amazing. You would ride the ferry and hear a phone ring, and everyone would reach for their phones at once.

Why was the phone so popular in Asia? Partly, it was because of prestige. But secondly, it was because this is a relationship-based culture. The mobile phone was a god-given device to strengthen the relationships and interaction between people, between members of the family. For example, parents are on the phone with their kids all day long to make sure they are doing



**Cultural deglobalization**

- ✦ **Economic basis**
  - ▣ **Successful countries will retain and emphasize the cultural traits that bring them success.**
    - Including their behavioral norms.
    - They may **see** themselves as Westernizing.
  - ▣ **We must understand **their** norms and value systems.**
    - ...to succeed in the new world order.



Infosys, Electronics City, near Bangalore

their homework, are behaving themselves, and are in a place they should be. They are always on the phone. If you are a supervisor and arrive late to the office, you call up your employees to make sure they are at work and arrive there on time. The mobile phone is just perfect.

Here in the West, we have friends and may see them once or twice a week to go out for dinner. In China, you are with your friends all the time. If you can't be with them

physically in our mobile age, you are on the phone with them. My Asian students are walking around the campus with phones glued to their ears. It is a piece of technology that fits the culture to a T. Asians aren't Westernizing with these phones. They are Confucianizing. The phones are reinforcing their own way of thinking and doing things. This is true in general of communications technology, I would claim.

Web sites. Have you every heard of orkut dot com? It is wildly popular in Brazil and was popular in Iran before the government shut it down. It's like MyPlace or Facebook or one of those social networking sites, but it's intended for something different. It was actually invented by a Turkish person, Orkut, who worked for Google, with the idea is that this is a website that facilitates close relationships with people you know, in your network—maybe your family or your good friends. It's a way of facilitating the traditional, relationship-based type of culture that most of the world has. In fact, until recently, the front page on the website said so: "Orkut.com is an online community that connects people through a network of trusted friends." This is a textbook characterization of a relationship-based culture. You can use such a website in the Western way; you can put your picture there for strangers to look at; you can communicate and make friends with people you have never met before. But you can also use a website to do it their way, the relationship-based way, as a medium to facilitate communication in closely-knit networks. This is what orkut was originally for, and this is what it's used for in Brazil.

Television. It is cheap to put up a satellite channel. I was living in the Middle East recently, and I would turn on my television and find 350 Arabic-language channels—none of them from the West. They are not watching BBC or Western shows. They are watching their own material, in Arabic. This reinforces their culture. They don't need us.

This communications technology—the websites—are, I claim, actually distancing cultures from each other. They are reinforcing the unique cultural traits around the world, rather than the opposite, as we think.



**Cultural deglobalization**

- ✦ **Technological basis.**
  - ▣ **Communications technology reinforces cultural divergence.**
    - Rather than homogenizing the world.
  - ▣ **Mobile phones and web sites facilitate relationship-based cultures.**
  - ▣ **Television programming is regionalized.**

**orkut**



"Orkut.com is an online community that connects people through a network of trusted friends."

Wildly popular in Brazil.




## Rule-based and Relationship-based Cultures

If I could give a little background for what is going on here—maybe you have picked this up already—the root of the cultural differences I am talking about is the difference between rule-based and relationship-based cultures.

A rule-based culture is like ours. We are autonomous individuals, and we go by the rules. The rules are important to us. In relationship-based cultures, relationships are what it is all about. They define a human being in relatedness to others, so that the unit of human existence is actually a larger group, like the family or the village. You exist as a member of some other group, whereas here, we exist as an individual, and that makes all the difference in the world.

In our ruled-based culture, since we are autonomous individuals, we are basically equal. But if we are all equal, then how are we going to run things? Who is going to be the leader? Why should we be subservient to some other person? Our solution is to run things by the rules. We respect the rules rather than people in charge. If we have a prime minister or a president, we make cat calls, we insult him, and reporters ask embarrassing questions. We have no respect for the people. We respect the rules, however.

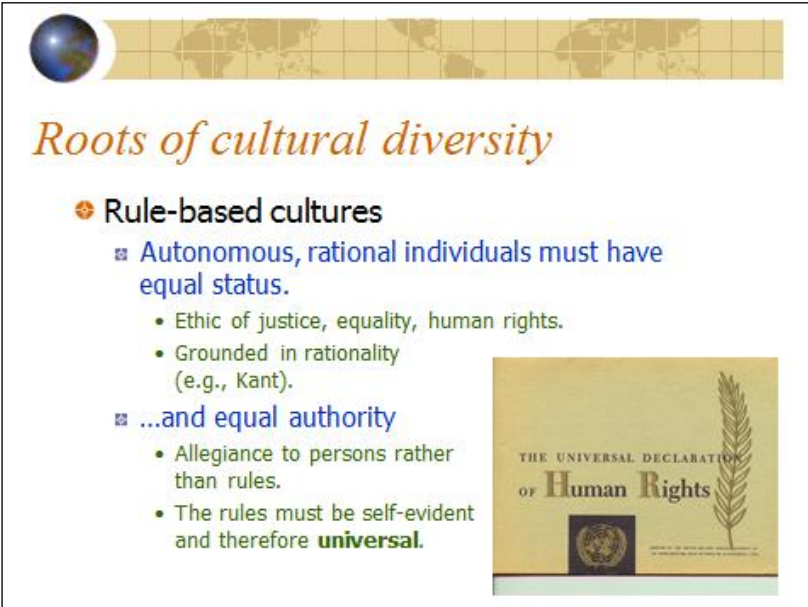

Why do we respect the rules? What is it about rules that would induce us to obey them? They must be *self-evident*. They must have an inherent logic about them. For example, if you reach a traffic signal on the street, and you stop, why do you stop? In the U.S. for example, and perhaps it's very common here as well, people reach a traffic signal in the middle of the night where there is no one in sight, and nonetheless sit there and wait the whole duration of the traffic



**Roots of cultural diversity**

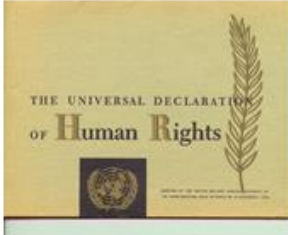
- Different behavioral norms derive from different **conceptions of human nature**.
  - ▣ **Rule-based cultures**
    - Humans are autonomous, rational individuals.
  - ▣ **Relationship-based cultures**
    - Human existence is defined by its relatedness to others.
    - Family, community.

Filipino family



**Roots of cultural diversity**

- **Rule-based cultures**
  - ▣ **Autonomous, rational individuals must have equal status.**
    - Ethic of justice, equality, human rights.
    - Grounded in rationality (e.g., Kant).
  - ▣ **...and equal authority**
    - Allegiance to persons rather than rules.
    - The rules must be self-evident and therefore **universal**.



signal before going through. Why do we do that? Because we think there is something logical about this rule. It makes sense to take turns going through the intersection. So we obey the rule because we see it as inherently logical. Now a speed limit we often don't obey. Why? Because there is nothing inherently logical about a particular speed limit. If it's 90 km/hr, why shouldn't it be 95? We tend to obey the rules that we see as inherently logical and self-evident.

This means that logic and rationality are absolutely essential to holding our societies together. This is why we rely on them so much, and as a result, we have an ethic of equality. We are all equally subject to the rules we all hold to be self-evident—at least the rules that we obey. This is what a rule-based culture is all about.

In relationship-based cultures, you don't really exist apart from, say, the family in a Confucian culture. I lived in Zimbabwe for awhile, with the Shona people (these are Ndebeles in the photo). There, the village is the unit of human existence. You don't really exist as an individual. For example, when you meet someone on the street, you go through the greeting ritual: *Maswera sei. Ndiswera maswerawo*. That means: "How is your day? My day is OK if yours is." So my existence is tied with yours, and they mean it. There is a collectivist sense of human existence that we don't enjoy here.



**Roots of cultural diversity**

- ✦ **Relationship-based cultures**
  - ▣ **Persons do not exist apart from their participation in a larger unit.**
    - Family, ancestors, community, even the universe as a whole.
  - ▣ **This leads to an ethic of care.**
    - Self = the collective.
    - Justice and human rights are secondary and derivative.
    - Democracy may be inappropriate.



Ndebele village

What you get is a different kind of ethic, different kind of norms. There is an ethic of taking care of the people you are related to, because they are part of you. It is like taking care of yourself. The "self" is actually a larger unit. Here, in the West, we may visit grandpa once a year at the old folks' home, but we get all upset about starving children in Somalia. We care about people we have never met, but maybe we don't care as much as we should about our own family. If you go to China, people visit grandpa every single day, but they don't even know where Somalia is. They couldn't care less. It's a different kind of ethic, grounded in their sense of who they are as human beings. I'm not saying that one is better than the others. They are just different, a different sensibility.

Democracy doesn't really make sense in a place like this, right? Democracy makes sense for individuals (if I may make a political comment).

So I am saying that we should understand what is going on out there, rather than trying to put everyone in the same mold. Allow a people to develop in the direction that makes sense for them, and we can take advantage of this through cultural comparative advantage.

### How Do We All Get Along?

There is one final concern that people have about this idea of cultures that diverge, and that is, how do we all get along, if we are all so different? Don't we have this clash of civilizations that Samuel Huntington talked about? Don't we have a clash of religions? Don't we have to homogenize if we are going to get along and live in peace?

I would like to address this, because I think this is the major stumbling block to the idea I am trying to convey here. Think about the worst ethnic conflicts in the world. Just go through a list in your mind. I would suggest that most of these are between groups that are culturally very similar, and in most cases racially identical. Think of a few examples, such as the Balkans; the Muslims and Christians are culturally the same, with the same ethnic background—religiously different, but culturally very similar, and racially identical. Muslims and Hindus in India, or India versus Pakistan: culturally very similar—religiously different, but culturally very similar and racially identical, while still a very acrimonious clash historically. Think of some more, just go through them in your mind. There are cases where it is not like that. South Africa, of course, is different, but in most cases, the nastiest ethnic conflicts are between peoples who are very similar.

There seems to be a reason for this, which was suggested by Marvin Harris, an anthropologist. He suggested that historically, through the ages of time, there was a survival advantage in having warfare with your neighbors. In fact, several species do this, not only human beings, because if you have warfare with your neighbors, you have territoriality. This is why we are so territorial. If there is territory, there tends to be a no-man's land between the territories. You don't cross without challenging the other



### *A multicultural future*

- ✦ We must **change the focus** of global commerce and politics.
  - ▣ **Away** from attempts to globalize Western norms.
  - ▣ **Toward** a deeper understanding of value systems that stem from different conceptions of human nature.



### *A multicultural future*

- ✦ **What to do about conflict?**
  - ▣ **Most cultural/ethnic conflicts are between peoples of very similar cultures.**
    - Perhaps because territorial conflict with neighbors was once ecologically sound.
  - ▣ **Radically different cultural systems can coexist in a mutually beneficial way.**
    - Much as ecosystems.
    - Through **cultural comparative advantage.**



Marvin Harris

group. The no-man's land tends to be a place that no one farms or hunts, and so the habitat regenerates. The animal species revive, and the land regenerates. So it's an ecological advantage to have this kind of territorial warfare, and the societies that had this kind of warfare tended to survive, while the others destroyed their habitat. So perhaps this is one reason we have so many masculine cultures, one reason we have a sense of territoriality, and one reason we are very prone to have disputes with people who are very similar to us but slightly different. The slightest difference seems to be just the spark we need to ignite ethnic tension and hatred.

So I am suggesting here that the source of conflict is not major cultural difference. It's not different thought patterns. Different civilizations don't create this kind of conflict. The conflict is due to slight differences, and we are never going to get rid of slight differences. There is no chance of that. So I think we have nothing to fear from the radical cultural differences we now see in the world, which I claim are actually accelerating. They are not a cause of conflict.

In fact, I would suggest that cultures are something like ecosystems. They are different systems that have a logic of their own, they can coexist on the planet, and the planet is actually better for it. Differing ecosystems are better for the planet because of the exchange of heat and nutrients and so forth, and cultural systems are better because of the exchange of ideas. Great civilizations have always exchanged ideas. The Egyptian, the Mesopotamian, and the Harappan civilizations shared ideas like crazy for a thousand years, but they incorporated the ideas into their own cultures and made them fit into the organism, much as we incorporated Japanese ideas into our manufacturing plants. So cultural comparative advantage makes us all stronger, gives us good ideas, and is not in itself, I would claim, a source of conflict.

That's what I have to say, and the floor is open for your comments and questions.

## Q & A

*The questions are difficult to hear in the recording and are paraphrased here.*

*Question: You began with a statement that no cultures are superior to others and yet described certain cultures as having comparative advantage. Isn't this a contradiction?*

*Response: My claim was that I have no opinion that one culture is superior to another. Perhaps I am implying, however, that some cultures are economically more adept in the sense that they can compete more effectively on the world stage. My interpretation of this is that some cultures have discovered how to exploit their unique cultural traits in the economic sense, and others have not discovered that.*

For example, when I was living in Zimbabwe, I found that the primary attitude there was, "We should be like the West." The Chinese aren't saying, "We should be like the West." The Japanese aren't saying, "We should be like the West." They are saying, "We should be like us." Indians are saying they should be like the West, but it turns out it works in their favor. I am not saying that there is an *inherent* economic advantage in various cultural traits, only that certain cultural traits can be exploited in today's world economy. I can't tell you they can all be

exploited, but of course, being able to compete in today's economy is not necessarily a mark of superiority. Superiority is a different concept from economic competitiveness. Cultures can be superior in other ways.

*Question: You imply that cultures are static, when in fact they change. The West changed substantially during the Industrial Revolution, for example. Even if cultures differ now, as they develop might they not move in a common direction?*

I brought up the issue of development precisely to emphasize that cultures do change and are constantly in motion. What's going on in the West, I would claim, is development toward who we are. We are refining ourselves. It is like our DNA is developing into an organism. We are discovering who we are gradually. We are individualists at heart, and we are seeing that play itself out. In some periods, it develops faster than in other periods.

Other cultures are also changing. If you look at any culture, such as China, it has changed enormously over its history. The culture has developed, but not necessarily in the same direction as us. Now recently, it may appear that they are becoming more individualist, and that the elites are more Westernized and watch more TV—from a short-term point of view. But I would argue that to the extent that these cultures are organisms, are true to who they are, and are developing on their own momentum. They are not necessarily developing toward individualism or toward our norms at all. We can't see this because of the spectacles we wear.

*Question: You failed to address the role of institutions, particularly political institutions, which are a key factor in economic efficiency. It is important that institutions be governed by rules on the international level. As more nations enter the world economy, differences in regulatory practices become more apparent. The Chinese, for example, have been willing to accept some international rules where stability is at stake. Is not global prosperity contingent on the development of rule-governed institutions?*

I agree completely that institutions are very important, but we must bear in mind that *guanxi* is an institution. The family is an institution. Many institutions are not rule-based as our institutions are. I think that we must grant that certain types of non-Western institutions have advantages. For example, relationship-based institutions, while they are slow, sluggish, and inefficient, are incredibly stable. When there were instability and political problems in Eastern Europe, when the Soviets came in, the institutions collapsed and the economy collapsed. Government control in China has collapsed many times. The country has broken into warring factions over many centuries, but the economy kept right on going, because it was based on strong links, nylon links, between individuals. So there are advantages to different kinds of institutions.

The second issue you raised—how are we all going to get along, how can we have a framework for the world when we have these very different institutions—that was actually addressed on a slide I skipped. If you look at the different cultures, there are norms within these traditions for dealing with cultural difference. Cultures have always had to deal with cultural difference. We actually have a norm in our own culture for dealing with other cultures. What we ought to do,

when in their environment, is to act in such a way that, if it were generally adopted, would not undermine the culture that makes that action possible.

So what I am saying is that the way we should relate to other cultures is to give them space to develop in their own way, and they should do the same with us, according to whatever norm they have developed. So I don't see the necessity for a common rulebook for the world, and in fact I would suggest that this can't work, because it denies who people are. We don't want a common rulebook.

We want a coexistence of ecosystems, with different institutions in each one. Cultures have coexisted in this way for about 300,000 years, and I think we can still do it.

*Question: Economically dominant cultures sometimes try to compel cultures over which they have influence, such as in a colonial setting, to accept the cultural norms of the dominant power. When the British entered India, for example, they at first resolved to respect the local culture, but over time came to see it as inferior and as the white man's burden to reform it. Why do some cultures take this approach?*

Different cultures seem to deal with their power in different ways. For example, the Mongols didn't care what their subordinates were like. They collected taxes and let people live as they pleased. It's true that certain cultures tend to be universalizing, in the sense that we—I say we because Western culture is universalizing—we believe that ideas and norms of behavior are self-evident. There is a natural tendency toward universalization, because if a norm or rule is self-evident and based on logic—well, logic is universal, and everyone should recognize it. We tend to assume naturally that everyone will eventually conform and develop in our direction. It's part of who we are. It's not really a sense of arrogance, it's just the way we think. Perhaps this is our particular cultural way of dealing with power, but other cultures have different ways.

*Comment: I am skeptical that one can explain economic differences on the basis of culture, because this is too easy to do. You witness countries getting richer and then find something in the culture to explain it. For many years it was said that India is economically backward because of its culture, where as now you are finding reasons for its success in this same culture. For years we explained China's economic problems by the inability of its culture to adopt capitalist logic. Cultural explanations miss the point, because valid explanations involve geography, institutions, and the like.*



**A multicultural future**

- How to reconcile different behavior norms?
  - Investigate how each cultural system deals with cross-cultural issues.
    - For example, Western system can use a **generalizability test**.
    - Avoid action that, if universally adopted, would undermine the cultural system that allows the purposes of the action to be achieved.

Immanuel Kant

To point to a cultural explanation for economic difference is not to deny the other factors involved. It is not to deny geography, exchange rates, and all of those other things that are important, and historical accident, of course. But I would like to indicate that culture is a major player that interacts with all these other factors, and you can't understand what is going on without it. For me, the test for whether culture is a valid explanation is, can you truly understand what is going on without a cultural point of view? I would suggest, no, you cannot. I agree that sometimes you can impose, post hoc, cultural explanations to explain anything. It's difficult to distinguish the wheat from the chaff in this area, I agree with that. It's the nature of the field, because culture is by nature an interpretive field. Nonetheless, I think it is possible to distinguish a convincing interpretation from an unconvincing interpretation. This is what we do in intellectual activity in general. Ultimately, we have faith that we can distinguish good reasoning from bad, even though we can't prove it with certainty. This is what I'm trying to do here.

*Question: Isn't it possible for cultures to benefit from ideas learned from the West?*

I used the analogy of ecosystems. Sometimes you can transplant an organism into another ecosystem where it actually thrives, improves the balance, and makes the ecosystem more resilient, and other times you can transplant some DNA into an ecosystem that is destructive or takes over. I think it's the same with cultures. Sometimes you can transplant ideas from other cultures, but they must fit into the system. They must make sense in the ecological balance of the culture before they can make the culture more resilient. But this is not homogenization. It's just sharing strategically chosen ideas, which cultures have been doing for a long time.

*Question: China has become an economic success only recently. What accounts for this? Isn't it due to ideas or practices adopted from Western culture?*

Actually, the Chinese have had several periods of growth and prosperity in their long history, not just the recent one. It appears otherwise to us because the nineteenth century was really a nadir in the 5000-year Chinese chronicle. It appears as though the Chinese have risen from the ashes—and they did, in a sense—but China has been a very powerful empire and economy in the past. Why the recent growth? I think partly because the colonials got out of the way. That helped a lot. Beyond that, there was political turmoil in China following the collapse of the last dynasty, and so forth, and they went through Mao and Deng Xiaoping and finally worked things out. They got back into their stride. Politically, they made an environment in which their traditional means of commerce were possible. That's the way I would put it in a nutshell, I guess. There are working themselves back into their own stride.

*Comment: [The speaker made several points that are inaudible.] As someone who grew up in Korea, my experience shows that a country can benefit from ideas from other countries, including Western ideas. Some countries have undertaken to transform their own culture on the basis of practices borrowed from elsewhere. Whether it be in North America or Asia, cultures often rely on ideas from other cultures to achieve success.*

I couldn't agree more. Absolutely, this is why I emphasized the fact that Western manufacturing has learned so much from Japanese culture. We went out there and learned something from them. When Japan became strong in manufacturing, Northwest Airlines established so-called

“auto executive” flights from Detroit to Tokyo, full of auto executives going over to Japan just to learn about what the Japanese were doing. Of course, cultures depend on borrowing ideas from other cultures to succeed. Absolutely. Another good example of that is W. E. Deming, the American quality control expert who went to Japan and became a big hero in Japan. They have a Deming Prize over there to honor people who are good in operations management. But in the process of expropriating or using Deming’s ideas, the Japanese actually developed their own cultural approach. They adapted the ideas to their own cultural situation, and the result was Toyota. So I couldn’t agree more with what you are saying.

*Question: I can see that India, China, and Korea have prospered, and I can see that their cultures are different. But I can’t see how the prosperity is connected with the culture. Does it follow from the fact that a rich culture is different from a poor one, that its prosperity is due to this difference? There are cultures that are poor now but may, in the future, become prosperous, and then you will say that it is because of their culture. How do you draw a connection between prosperity and the mere fact of cultural difference?*

The way you have to do it is to look at the details. Look at each culture in detail and see how the economy is working. This is why I went through the first two-thirds of the talk. I talked about Japan, the role of group interaction, then role of long-term perspective, and so forth. I was trying to show that certain indigenous cultural traits have a key role in economic success and actually draw the causal arrow. This is what you have to do, I think, and that’s the case I tried to make.

*Comment: As someone from Turkey, I agree with your point that economic progress cannot be explained apart from cultural analysis, and Turkey is an example of this.*

As a final comment, I am pleased you agree, but an important part of Western culture is to take issue with the speaker, and I’m glad to see we have done that.