

A World Economic Order Based on Cultural Comparative Advantage

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Outline

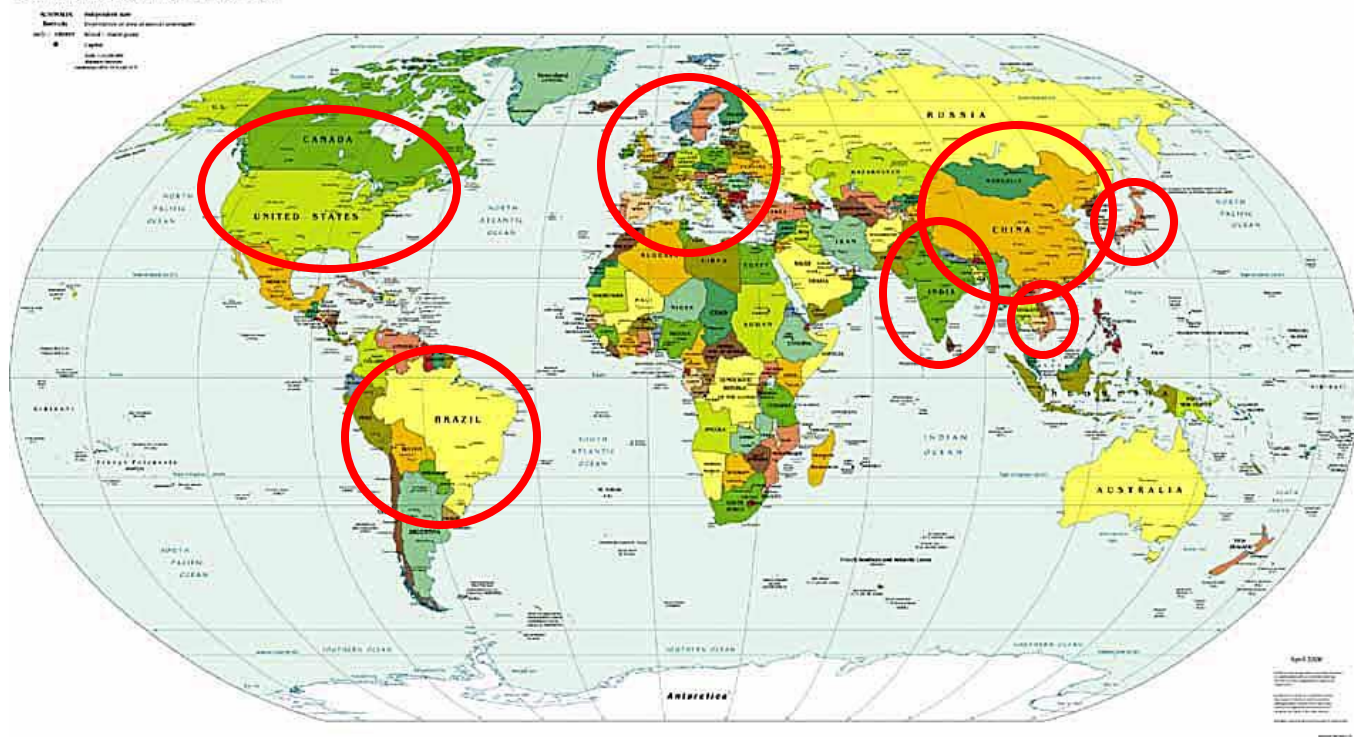
- ⊕ A new economic order.
 - ⊞ Based on cultural comparative advantage.
 - ⊞ Japan, India, Korea, China, the West
- ⊕ Cultural deglobalization.
 - ⊞ Economic and technological basis.
- ⊕ Roots of cultural difference.
 - ⊞ Conceptions of human nature.
- ⊕ A multicultural future.



A new economic order

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

Political Map of the World, April 2000





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.



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.



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



A new economic order

- Superior operations management
 - Just-in-time inventory management
 - *Kanban* systems minimize rework, maximize flexibility.
 - Lean manufacturing, reduced setup times.



Toyota factory in Japan



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



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.



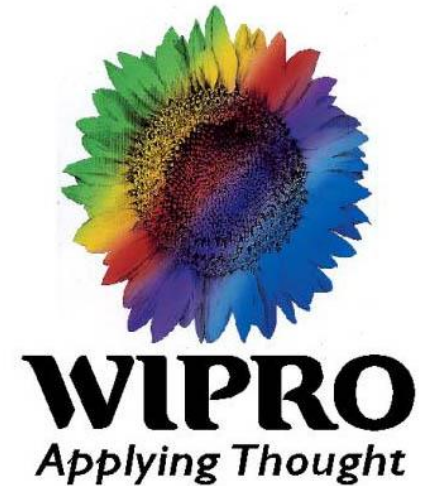
IIT Mumbai



A new economic order

❏ Networking.

- Efficient way to absorb technical knowledge.





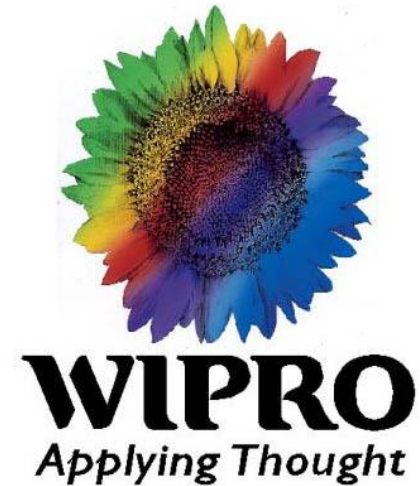
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- Well suited to academic discourse, information age.





A new economic order

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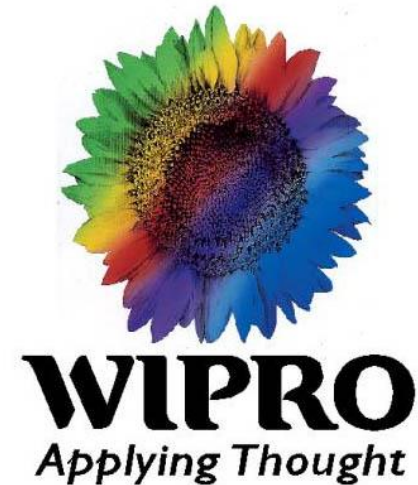
- Efficient way to absorb technical knowledge.

❏ 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.

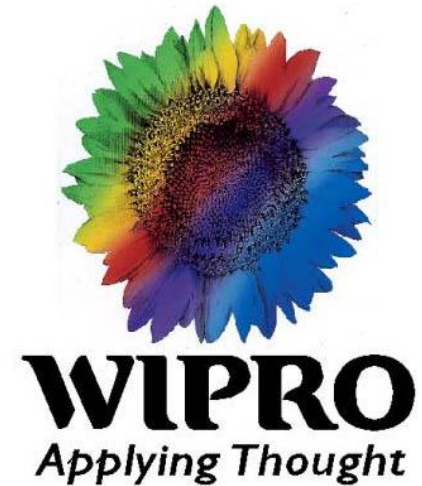




A new economic order

■ Indians see themselves as Westernizing/globalizing

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





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



A new economic order

❏ Loyalty to the boss.

- Paternal relationship.
- Bottom line and short-term profitability are secondary.



LG



DAEWOO



HYUNDAI



SSANGYONG

Korean *chaebol*



A new economic order

- ❏ Loyalty to the boss.
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- ❏ Highly disciplined, hierarchical groups.
 - Organized by age.



LG



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A new economic order

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



LG



DAEWOO



HYUNDAI



SSANGYONG

Korean *chaebol*



A new economic order

☉ Chinese entrepreneurship

☒ A cultural trait of coastal Chinese

- Particularly speakers of *Yuè* (Cantonese), *Mǐn* (Fujianese), and *Wú* (Shanghaiese) dialects.



Guangzhou



A new economic order

☉ Chinese entrepreneurship

- ☒ A cultural trait of coastal Chinese
 - Particularly speakers of *Yuè* (Cantonese), *Mǐn* (Fujianese), and *Wú* (Shanghaiese) dialects.
- ☒ Uncertainty tolerant culture.



Guangzhou



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- Particularly speakers of *Yuè* (Cantonese), *Mǐn* (Fujianese), and *Wú* (Shanghaiese) dialects.

☒ Uncertainty tolerant culture.

☒ Self-esteem tied to wealth and status.

- “To be rich is glorious” (Deng Xiaoping).



Guangzhou



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- “To be rich is glorious” (Deng Xiaoping).

☒ Masculine culture, competitive.



Guangzhou



A new economic order

❖ Relationship-based business.

- Family-based investment financed the boom.
- *Guānxi* is a time-tested mechanism.
- World's largest economy for 8 of last 10 centuries, soon to be again.



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



A new economic order

❖ Relationship-based business.

- Family-based investment financed the boom.
- *Guānxi* 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.



A new economic order

- ✚ Western technological innovation
 - ✚ Disenchantment of nature.
 - Opened the way to manipulation of a secular world.
 - Greek rationality.



Max Weber



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

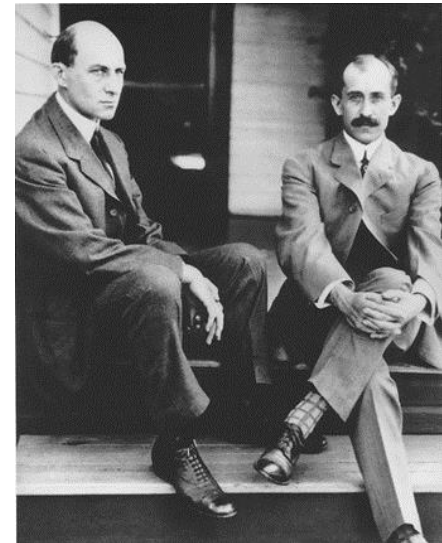
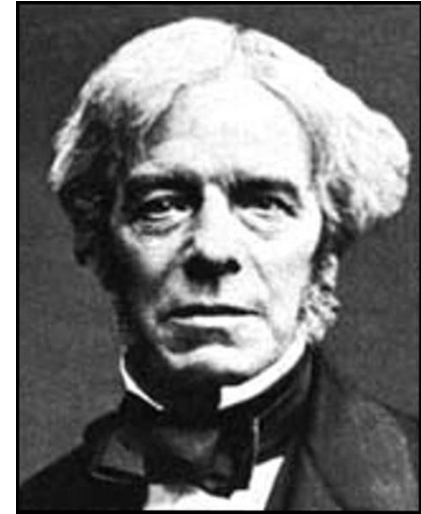


A new economic order

❖ 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.





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.



Infosys, Electronics City,
near Bangalore



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



Cultural deglobalization

✚ Technological basis.

✚ Communication
technology **reinforces**
cultural divergence.

- Rather than homogenizing the world.



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

Wildly popular in Brazil.



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Cultural deglobalization

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- ✚ Mobile phones and web sites facilitate relationship-based cultures.
- ✚ Television programming is regionalized.

orkut



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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



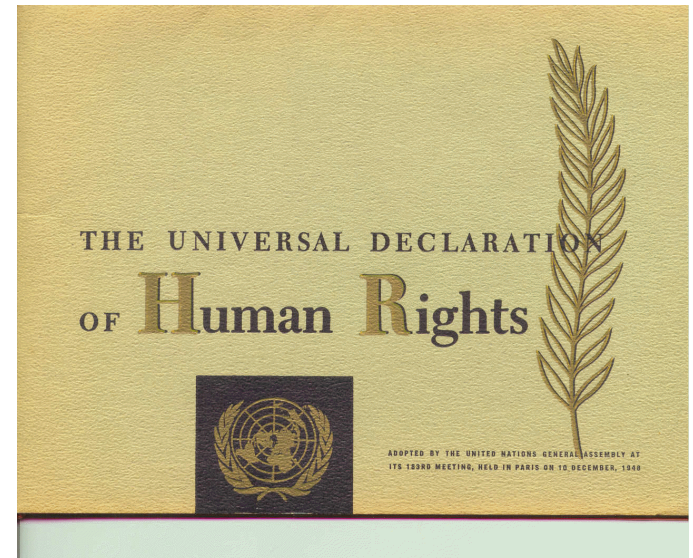


Roots of cultural diversity

✚ Rule-based cultures

✚ Autonomous, rational individuals must have equal status.

- Ethic of justice, equality, human rights.
- Grounded in rationality (e.g., Kant).





Roots of cultural diversity

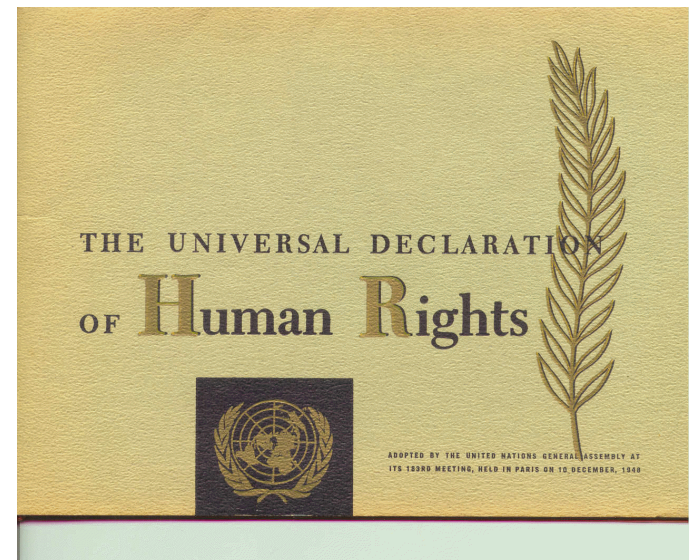
✚ Rule-based cultures

✚ Autonomous, rational individuals must have equal status.

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✚ ...and equal authority

- Allegiance to persons rather than rules.
- The rules must be self-evident and therefore **universal**.





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.



Ndebele village



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



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

- ⊕ 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



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.



Marvin Harris



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