

## Culture and the Wealth of Nations

by Don Lavoie  
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**W**ho are the inhabitants of the marketplace? Are they the spiritless, calculating robots depicted in so much economic theory? Or are they the heartless money-grubbing corporate executives depicted in television and film who assume that theft, murder, and environmental degradation are all part of good business?

In mainstream economic theory, the market is presented almost as a dead place in which economic actors are more machines than human beings. In popular culture, businesspeople are indeed more lifelike, but they usually take on only the base and evil qualities humans possess. What we would like to offer is an alternative view, one in which markets are seen as an integral part of human culture. As part of our culture, the market is an arena in which human beings can create meaning in their lives and express their spirit.

In order to understand the market as an animated sphere of human engagement, we must take seriously the role culture plays in the economy. We aim to do this by exploring the concept of "culture" in its fullest sense—as the framework of shared meaning for a people. This concept of culture thus includes traditional beliefs and cus-



**Cato Journal** editorial board member Judy Shelton and adjunct scholar Roberto Salinas-León look on as Mexican president Vicente Fox welcomes José Piñera to a small dinner at Los Pinos, the presidential residence, after Cato's Annual Monetary Conference, held this year in Mexico City. Other Cato scholars also joined the dinner, along with Fox's senior economic ministers.

tomary practices; the so-called high arts such as literature, painting, dance, and opera; and all the elements of popular culture, including soap operas, M-TV videos, dime store novels, and blockbuster movies. We take all of those elements of culture seriously because all play an important role in how markets develop, how they are perceived, and how people choose to express themselves as participants in the market process.

### Why Culture Matters to Economic Development

The basic question development economists ask is, "Why do some economies generate tremendous wealth and prosperity, while others persist in poverty?" Though the answer to this question is multifaceted, including objective factors such as resource endowments and climate conditions, one of the most important elements in economic development is something that sounds thoroughly subjective: the culture. If there is a

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# “If there is a spirit of enterprise, a set of stories or images in the culture that celebrates some form of entrepreneurial creativity, then economic prosperity is more likely.”

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spirit of enterprise, a set of stories or images in the culture that celebrates some form of entrepreneurial creativity, then economic prosperity is more likely. If you want to get a sense of whether a community is apt to grow wealthier, find out what stories they tell, what myths they believe, what heroes they admire, what metaphors they use. Economic development is, at its heart, a cultural process.

Nature endows some societies with rich oil deposits and others with fertile soil. Similarly, culture provides some societies with a kinship network conducive to building complex credit markets and other societies with a strong work ethic. Just as markets will develop differently according to societies' specific natural resources, they will also develop differently according to societies' cultural resources. For instance, capital accumulation takes place in starkly different ways depending on whether it occurs in West Africa, Japan, the United States, or an overseas Chinese community, because the cultures differ dramatically.

Although some institutional policies succeed in promoting economic growth and prosperity in one society, there may be important limitations on the wider applicability of the same policies in other cultural contexts. As essential as they are, free trade and private property rights are no guarantee of economic progress. They may be necessary conditions, but they are not sufficient to guarantee prosperity. The culture must be one that, in general, supports commerce and entrepreneurship, but the particular manner in which the spirit of enterprise can be encouraged will be culturally specific. Western child-rearing techniques that reinforce the value of self-reliance may tend to foster bold entrepreneurial behavior in adulthood. The kinship structures of many African tribes provide the networks through which businesspeople can acquire training and start-up capital. Confucian philosophy, which values long-term planning over shortsighted results, may in part account for the high savings rates in some Asian societies. Different societies can emphasize different aspects of markets by

drawing on their unique comparative cultural advantages.

## **Culture and Economic Transition**

An appreciation of culture's role in economics is crucial to discerning different cultures' likely paths toward economic prosperity. Take the reforming Soviet-type economies as a case in point. The institutions of traditional Soviet-type systems explain much of their poor performance. The main difference between, say, South and North Korea, or between the western and the eastern parts of Germany, or between Hong Kong or Taiwan and mainland China stems from the failed pattern of institutional policies of Soviet-type economies. But still, the way communism worked historically in Korea or Germany or China was shaped in fundamental ways by the specific cultures of those societies, and the particular paths they will need to take in the future to build working market economies will depend on culture.

If only the universal characteristics of markets were relevant in assessing the prospects for a successful reform process, we would expect that the removal of restrictive laws banning trade in formerly Soviet economies would automatically inspire a flood of entrepreneurial activity. The inefficiencies of the former system would quickly be swept away. In some cases there has not been enough privatization of property to lead economists to expect much economic improvement, but in many Eastern European countries the institutional changes have been rather substantial and, it would seem, should have yielded more significant results. Without taking cultural factors into account, we are unable to explain why the reforms have not inspired a swift move to market coordination and rapidly increasing prosperity.

Only when we take notice of the cultural shifts that took place during the Soviet experiment can we understand the difficulties facing economic recovery today. For example, in the Soviet-type economy, affluence was broadly recognized as a sign of being politically advantaged within a totalitarian system, so naturally the wealthy did not and still do not tend to inspire much trust. The derogatory term "New Russians"

is applied equally to those who have earned their wealth through legitimate business ventures and to those who have used political connections or Mafioso tactics. Transforming this attitude will be crucial if successful entrepreneurs and business managers are to achieve legitimacy in the eyes of ex-Soviet citizens.

## **Entrepreneurship across Cultures**

Culture is also one of the key factors in determining the shape entrepreneurial activity will take in a society. Consider, for example, the relative success of direct-selling organizations, such as Amway and Mary Kay Cosmetics, in three distinct settings: the United States, Taiwan, and Japan.

In her study of direct-selling organizations, Nicole Biggart found that the reasons for the success of such organizations differ from one culture to another. The emphasis on individual effort fits in well with the American work ethic, and the emphasis on community has been a particular draw for American women, many of whom find the direct-selling organization a nurturing environment in which to seek personal as well as financial growth.

Taiwanese who are involved with direct-selling organizations excel in the recruitment of family members to join the organization while at the same time advancing their own status in the hierarchy. Given American attitudes against nepotism, this has not been a significant part of the U.S. experience. Taiwanese direct-selling organizations allow the entrepreneur to operate more like a sole proprietor than does working for a more traditional business. This aspect of the direct-selling organization tends to be emphasized far less in Japan, where loyalty to the corporation is stressed. Each society draws on a different set of cultural tools to make the most of this particular form of marketing.

Cultural patterns conducive to economic growth may emerge from vastly different sources. Consider the distinct cases of the Japanese and the overseas Chinese entrepreneur. In each case the entrepreneur performs the vital functions of innovation and coordination within the market. Yet the "ideal" types of those two entrepreneurs

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would be described as having quite different qualities.

The standard account of Japanese business culture is centered on team and group identity, with the individual fitting into an already existing structure of authority. Within the firm, corporate unity is held in high regard, while individual identity is subordinated to that of the corporation. The corporation can even supersede family in terms of loyalty and priority. Though the ideal of life-long employment in the company has been all but shattered over the past decade, tight bonds of loyalty to the firm are still characteristic of Japanese corporate culture.

Many people have argued that this model of industrial organization has emerged in Japan as a result of Confucian ethics. Scholars such as Herman Kahn have argued that out of this philosophical system emerged a strong ethic of stringent meritocracy, but one within the context of an exacting hierarchy. Others have argued that the Samurai military organization, not the Confucian ethos, is the primary cultural force at play and has had the greatest influence on corporate culture in Japan. In much the same way as the ancient military organization, the modern Japanese firm inspires individual effort and peer competitiveness, but within the framework of the corporation, which offers a level of authority that transcends individual ambition.

In Chinese culture, on the other hand, the typical ideal entrepreneur possesses a maverick individualist spirit. One possible explanation for this unique form of East Asian individualism is the influence of Buddhism and folk religions, or shamanism. It has been argued that these religions, especially the folk religions, are highly pragmatic and root salvation firmly within this world.

The point of fleshing out the differences among various entrepreneurial cultures is not to ask which culture is better, as if we could use some sort of checklist of cultural traits to determine which societies are "growth friendly" and which are "growth resistant." Our point is that by recognizing the particular ways different cultural

contexts offer market participants a means of discovering new opportunities, we begin to understand the role of culture in economic development.

### Telling Better Stories

Though we see little value in ranking whole cultures against one another to determine which are "growth friendly" and which are "growth resistant," we think that there *is* value in considering the ways in which a particular culture both supports and undermines the spirit of enterprise. It is particularly interesting to consider the messages and values that are conveyed and received in popular culture, as this is the arena in which meaning is created and recreated in the daily lives of ordinary human beings.

Exploring the meanings that are produced and consumed in popular culture is the central focus of the academic discipline known as cultural studies. Cultural studies scholars take seriously the values and messages that are cultivated in the process of writing and reading romance novels or the producing and watching of television shows. Novels, TV shows, and movies tell the stories that reach ordinary people in their everyday lives. What these stories have to say about the world of business and the people who inhabit it is important to how we relate to that world. Popular culture plays a crucial role in determining whether we consider the marketplace a domain of illegitimate power and oppression or an arena in which we can create meaning in our lives and express our individuality and moral commitments.

Plot lines and character development in TV shows and movies are an important part of this enculturation process. Robert Lichter and his colleagues surveyed 30 years of television programming from the 1950s to the 1980s to detect trends in attitudes about race, sex, crime, home life, and business. Businessmen were twice as likely to be portrayed as villains as were people in any other identifiable occupation and nearly three times more likely to be criminals on TV.

The negative portrayal of businesspeople has grown over the years. In the late 1950s and early 1960s, businesspeople were

three times more likely to exhibit characteristics of rampant greed than were other characters in identifiable occupations. In the 1980s business characters were 10 times more likely to exhibit greedy behavior than were other characters.

Prime-time television series in the 1990s seemed to keep pace with that trend. Businesspeople were often portrayed as unscrupulous and tyrannical, as in the case of CBS's *Dr. Quinn, Medicine Woman*. Before that show's cancellation in 1998, the usual cast of characters included Jake, the bigoted barber and sometimes dentist, who spends his spare time roughing up black town-folk and working diligently to keep the vote from women; Hank, the local saloon owner, who forces prostitutes into indentured servitude and beats up innocent horses; Lorn, the owner of the general store, who demonstrates glimpses of humanity but more often than not sides with Hank and Jake in their immoral causes. The heroes of the series are Michaela Quinn, the town doctor, who never seems to charge anyone for her services, and the handsome Sully, who does not seem to have any occupation save that of Native American rights activist. Characters from J.R. Ewing to the Ferengi in *Star Trek: Deep Space Nine* confirm the point.

Not only are businesspeople in the world of television and film inherently corrupt, profit itself is put on trial. In a follow-up study of television in the 1990s, Lichter and his colleagues found that 81 percent of the shows that turned on the question of whether business dealings were honest and honorable or unfair and corrupt portrayed business as dishonest and corrupt. Rather than a reward for offering valued goods and services, profit was ordinarily portrayed as the result of exploitation and fraud.

Scripts, plot lines, and character development, however, constitute only one side of the process of meaning creation in popular culture. While producers and scriptwriters *supply* such stories, the viewers—the consumers of popular culture—play a crucial role on the *demand* side. Viewers can and often do resist and reject the overriding messages embedded in TV shows and movies, even while they enjoy them for their

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entertainment value. But in order for this to happen, the viewer must have a framework of resistance.

Consider, for example, the character of Bud Fox in the movie *Wall Street*. A Wall Street trader watching that movie will surely resist the notion that breaking into someone else's private office is standard procedure for a successful stockbroker. But a dentist or massage therapist may have no background experience or framework of thought that would allow him to scoff at such a notion. Our lack of familiarity with business leaves many of us vulnerable to the messages of TV and movies. There is no way to disentangle ourselves completely from this state of affairs. In fact, this pervasive susceptibility is reflective of the division of labor and interests that is so important to economic prosperity and the growth of knowledge. Our susceptibility, however, does mean that the many negative images of the business world offered by popular culture cannot help but affect the way people view the marketplace.

Further, Hollywood interpretations of business power ignore a more insidious dynamic at work within the intersection between business and politics. Some businesses try to use their political influence to bypass the discipline imposed by market forces, and popular images of business may play a significant role in maintaining that position of privilege and power. Popular culture sets business and profit making up as a malevolent force within society that needs to be controlled and curtailed. Simultaneously, popular culture often sets government up as the obvious institution that will counteract and mitigate the deleterious effects of business. Yet, rather than dismantle the power and privilege in the market, government intervention tends more often to create and maintain positions of privilege, as it eliminates the competition that would otherwise act to discipline private market behavior.

We are not suggesting that the negative images so ubiquitous in television and film are part of some leftist plot to undermine the system of free enterprise. After all, Hollywood producers and writers are business people too—whether they realize it or not. Rather, we are suggesting that

participants in the development of popular culture, including those of us on the demand side as well as the supply side of the process, have a role to play in influencing our culture. On the supply side, we could be telling better stories if we reconsidered the tired old story line of the greedy businessman doing evil. The main stumbling block may be the view that an honest business character could never be a fruitful source of action, humor, or intrigue. Yet the commercial success of a film such as *Jerry Maguire* suggests something quite different. Maguire, played by Tom Cruise, is a sports agent trying to restart his career. The film draws us into the drama, not only of the budding romance between Maguire and his assistant, but also of the risks, setbacks, and triumphs of being an entrepreneur.

Story lines that explore the business world not just as a place where the elite wield illegitimate power but as a dimension of life in which both business heroes and business villains experience suspense, intrigue, humor, heartache, triumph, and disappointment are a resource waiting to be tapped by Hollywood's creative minds. Not so long ago, positive portrayals of African-American characters, much less positive images of gay or lesbian characters, were not to be found in mainstream popular culture. But more recently, we have seen how writers and producers can powerfully impact popular culture by thinking beyond narrow stereotypes. If writers and producers turn their creative talents to developing more interesting and multifaceted business characters, perhaps the business community can also break free of persistent and narrow popular images.

Yet, even if Hollywood scriptwriters never again develop a positive business character, consumers of popular culture have a role to play in the process of creating meaning. We can become less susceptible to negative images by cultivating a more critical eye—by cultivating a framework of resistance. Economics professors could present to their students an image of the market that is inhabited by real live human beings (complete with our many flaws and limitations) rather than the formal and lifeless world of modern economic theory.

Don Lavoie, an adjunct scholar at the Cato Institute, died November 19 at the age of 50. He was the David H.



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ish-language book that the Cato Institute smuggled into Poland. In 1985 he published both *Rivalry and Central Planning: The Socialist Calculation Debate Reconsidered* (Cambridge) and *National Economic Planning: What Is Left?* (Cato, Ballinger). His last book, published recently with Emily Chamlee-Wright, is *Culture and Enterprise* (Cato, Routledge).

More important, though, consumers of popular culture can play their part simply by taking notice of the ways in which the real life of commerce impacts their day-to-day existence. Are the business people you meet, on the whole, tyrannical power brokers? Or are they ordinary folks trying to gain your favor by preparing an exotic meal, replacing your car's water pump, or solving a problem with your plumbing? We need to notice that even chains like Wal-Mart and Home Depot, much maligned for the competition they pose to smaller downtown shops, are extremely limited in their power. In fact, their power goes no further than the agency exercised by consumers. Once we put the power of business in perspective, we are on the way to building a framework of thought that will help us to be more savvy interpreters of our popular culture.

In so doing, perhaps we would open a door through which might emerge new cultural messages—messages that convey the power of enterprise not only to generate prosperity but to tap the human spirit. ■