

# THE GROSS NATIONAL PRODUCT AND THE GODS†

Peter L. Berger

*Economic culture influences the form capitalism takes*

Scholars may disagree about why Jesus drove the money-changers from the Temple. But few would question the reality of the tension, implicit in that famous scene, between economics and culture, especially religious culture – the beliefs, values, and orientations toward life through which people organise their existence, search for meaning, and define who they are.

Fewer still would argue that culture actually determines economic behaviour in today's industrial societies. (Some anthropologists do, of course, hold such views regarding pre- or non-modern societies, but that is a different matter.) By contrast, numerous economists assert that, since we are 'rational actors' in economic affairs, we must be comparably rational in the other areas of our lives. This naturally leads me to wonder why people who have been so remarkably unsuccessful in clarifying, let alone predicting, the workings of the marketplace should be trusted to shape our common interpretations of politics or social life.<sup>1</sup>

Attempts to explain the dynamics of Wall Street in theological terms have been unpersuasive at best; so, too, efforts to provide a strict economic explanation for events like the Iranian revolution. For all practical purposes, therefore, the gulf separating markets from sanctuaries and economic rationality from morals – that is, the gulf between the gross national products and the gods – remains as wide as it was in biblical times.

## The Idea of Economic Culture

Must this always be so? Is there no navigable middle course between 'culturalism' (where beliefs and values are supposed to explain everything) and 'economism' (where politicians, spouses, and Islamic revolutionaries are all assumed to act in accordance with the logic of investment bankers)? Common sense says there is: a perspective focused on what I call 'economic culture' – the social and cultural context of economic behaviour.<sup>2</sup>

Such a view of things does not assume that culture determines economics or economics culture. It assumes only that human beings exist in society and that this context, with its baggage of cultural attitudes and habits, affects economic behaviour and is in turn affected by it in ways that must be studied empirically, case-by-case on the ground. No matter how much the same capitalist rationality may animate managers from different cultural backgrounds, those differences are not – and cannot be – left conveniently in the cloakroom before discussions or negotiations start. Indeed, they often have as telling an effect on the outcome of such sessions – albeit in a different way – as do cash flow projections or estimates of market size.

*A Question of Advantage.* Variations in economic culture matter. In particular settings, they can provide the basis for what my colleagues and I have come to think of as comparative cultural advantage. For historical reasons, to cite one example, modern Japanese capitalism has been more successful than its American counterpart in building large organisations that command intense, sometimes passionate, loyalty from their members. Arguably, this has provided Japanese companies a culture-based source of competitive advantage.

Now, this does not mean that the Japanese are always successful in this way or that Americans can never be. It means only that, comparatively, the cultural baggage that the Japanese bring with them into the economic arena is differentially helpful in this particular aspect of organisation-building. This has, however, a further implication: what may be helpful at one time may be a handicap at another.

The cultural constellation of loyalty and conformism (what the Japanese call 'groupism'), which helped create

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*Professor Peter L. Berger is a sociologist and the author of numerous books.*

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<sup>1</sup> For a critique of this approach from within the discipline of economics itself see Nelson 1987.

<sup>2</sup> The term 'economic culture' was coined to delineate the agenda of a research centre, the Institute for the Study of Economic Culture at Boston University, of which I have been the director since its founding in 1985. Most of the examples in this paper are from research projects conducted by the Institute. For my own use of the concept within a larger social-scientific interpretation of modern capitalism, see Berger 1986.

the manufacturing achievements that have been scaring the wits out of Americans and Europeans for so many years, may be much less helpful – may indeed be a source of comparative *disadvantage* – in a ‘post-industrial’ era of high technology and information-driven services (see Miyanaga 1991). In this new world, Americans may again discover that their economic culture, shaped by individualism and irreverence toward institutions, including the ones that employ them, is a source of cultural advantage.

*The Asian Riddle.* Perhaps the most astounding economic success story of the post-war period has been the development of East Asia, led initially by Japan and now extending in a gigantic crescent of prosperity into the countries of Southeast Asia. Attempts to explain this economic miracle have often stressed the role of East Asian culture – in particular, a presumed Confucian tradition or ethic, which inculcates discipline, hard work, frugality, respect for authority, and a passion for education much as did the so-called ‘Protestant ethic,’ that the sociologist Max Weber saw as an important factor in the rise of modern capitalism in the West (see Hofheinz & Calder 1982, Morishima 1982, Berger & Hsiao 1988). But Confucianism is not the only suspect if one seeks cultural explanations of this recent burst of development: Mahayana Buddhism, Shintoism, folk religion, and distinctive features of kinship and household organisation are also relevant.

If the economic success of East Asia can be explained, even partially, by its culture, the practical implications are immense. It is, for instance, important to know whether the *de facto* model followed by these countries or regions is exportable. If culture is at most a minor factor, then it may make sense for an African country to adopt many of the economic and social policies of, say, Taiwan. But if development success depends largely on cultural traits, then an attempt to transplant them wholesale into a very different cultural milieu is likely to fail. It is one thing for Nigeria to imitate Taiwan in its tax laws; it is quite another to expect Nigerians to adopt the precepts of Confucian morality.

### The Overseas Chinese

Clues to solving the riddle of East Asia’s economic development are less to be found in ancient text – few Taiwanese entrepreneurs are steeped in the Confucian classics – or in time series of data on key economic indicators (which simply reiterate what is already known) than in close, careful, ethnographically-oriented studies of the sort that anthropologists engage in when they endlessly interview and observe people in a culture they want to understand. This is the kind of study that has been undertaken for several years now by a team of researchers

headed by Gordon Redding of the University of Hong Kong (Redding 1990; Clegg & Redding 1990). Their research has concentrated on the Overseas Chinese – the approximately fifty million Chinese living outside mainland China who have played a disproportionately large role in driving the capitalist economies of their societies.

Redding’s work has demonstrated in rich detail how distinctive Chinese cultural traits – especially the habits and ethos of the Chinese family – affect the business behaviour of Overseas Chinese entrepreneurs-*cum*-managers. Because the great majority of Overseas Chinese firms are family-owned, it is family culture that motivates the dedication, self-denial, sober pragmatism, cohesion, and flexibility of their employees. It also influences their size: most of these firms are small and simply organised. The explanation lies in the cultural definition of trust. To the question, ‘Whom can I trust?’ the Chinese answer is very clear: close relatives.

This answer is not, however, without its problems: a lack, for instance, of enough talented relatives to fill all the required management positions. Even so, the family orientation of these businesses has, to date, been a source mostly of cultural advantage as the Overseas Chinese compete economically with other ethnic groups, such as Malays, in Southeast Asia. But this advantage may not outlive the unique circumstances of this particular moment in the region’s economic development. Should it become necessary in the future to create and maintain large, complex organisations, these same Overseas Chinese may find themselves at a considerable *disadvantage* – even as compared to the Malays, who might find sources of broad, trans-familial loyalty and support in a modernised Islamic ethic.

*Cultural Latency.* Given this pattern of success, why has the post-Confucian, family orientation of the Overseas Chinese had such massive economic payoffs outside, but not inside, Communist China itself? The answer is simple: even the most dedicated capitalist is going to have a hard time making it in the aboveground portions of a centrally-controlled economy. If the question is posed with regard to pre-Communist China, however, it is not so easy to answer.

Throughout most of its history, China’s social and political institutions were intrinsically antagonistic to any form of ‘modern’ economic development. The classical Confucian tradition itself was deeply conservative and disdainful of mercantile values. Moreover, the traditional Chinese family, in its native, pre-emigration form, was embedded in a wide network of kinship obligations that made capital accumulation very difficult. Only by emigrating could the family members escape most of these obstacles to capitalist success. Once abroad, they did not

have to cope with crippling state regulations, disdainful Mandarins, or clamorous relatives eager to stick their noses – and their hands – into the family business.

The key point here is that possessing a given set of cultural traits does not always lead to the same results. In some cases, they may lie dormant or 'latent' for long periods of time until the circumstances (economic, political, even ecological) are right for their hidden potential to become manifest. It is not the traits that change, but the external environment. With the Overseas Chinese, a cultural heritage of strong family values may have produced economic stagnation at home but, in the radically altered circumstances of the Chinese Diaspora, has led to very different social and economic outcomes.

The evolution of Iberian Catholicism manifests much the same kind of latency. This religious culture had long been uneasy with modern capitalist development at home as well as in Latin America and the Philippines, the only Catholic society – and the only economic disaster – in capitalist Southeast Asia (see Harrison 1985). In Spain itself, however, the Catholic movement *Opus Dei* – fiercely conservative in its theology, but very much committed to capitalism – runs two very influential management schools and has played an important role in creating a booming capitalist economy.<sup>3</sup>

### 'Asian' Management

Understanding the futures of different economic cultures is, as these examples suggest, a task for detailed, case-by-case, empirical research. Bold generalisations invite grave misperceptions. Consider the recent talk about the alleged existence of a distinctive 'Asian' style of management. In the first place, it is not always clear just what the western boundaries of Asia are supposed to be. The Urals? The Bosphorus?

Even on unambiguous terrain, however, problems exist. Lumping Japanese and Chinese management styles into the same category is a highly questionable act. Both may show influences from the same Confucian moral tradition, and both may be the result of the modernising of old traditions, (one based on a family-centred ethos, the other on feudal loyalties), but the differences between them are enormous. These styles differ from one another as much as – and possibly more than – either differs from its American counterpart.

And if the idea of Asian management is supposed to include India (let alone the Muslim world), the term quickly loses all meaning. India itself has no simple, overarching economic culture, but rather a great many such cultures, differentiated by region, ethnicity, caste, and religion. Gujerat, for example, is a region that has

produced a disproportionate number of successful entrepreneurs among the Marwari caste and the small religious minorities of the Jains and the Parsis. Moreover, as with China, social groups in India that have not evinced much economic dynamism at home have done remarkably well abroad. This is particularly the case in eastern and southern Africa, where Indian businesspeople have played and (where allowed) continue to play a very important role in the economy.

*Ancient Curses.* Some observers hold strongly to what might be called the ancient-curse theory of history – the notion that people born into a particular culture are fated to repeat its deep seated patterns over and over again. In this view, whatever the changing context, the Chinese are destined endlessly to re-stage ancient family dramas and the Japanese, dramas of feudal loyalty. Some cultures do, of course, show a remarkable continuity over long stretches of time, a fact best explained by the basic dynamics of socialisation through which each new generation absorbs the world of its progenitors. But even in the Chinese and Japanese cases, such a theory grossly oversimplifies.

A multi-million dollar manufacturing company in Taiwan is not simply a peasant clan writ large. Nor is the CEO of a modern Japanese corporation merely a samurai in a three-piece suit. There are cultural echoes, to be sure, but no more than that. More to the point, in some situations people can drastically change their beliefs and their behaviour, creating entirely new cultural patterns, often in an amazingly short period of time. When, for example, people are subjected to the intense pressures that arise from the economic and social transformations associated, say, with migration from rural areas into the gigantic pressure-cookers that are the large cities of the Third World, they often create genuinely new cultures with remarkable speed.

### Evangelical Protestantism

One of the most effective agents of such rapid cultural revolution is religious conversion. Contrary to the assumption prevalent in much Western-type higher education, the processes of modernisation have not led to a decline of religion in most areas of the world. Just think of the Iranian revolution and its aftermath. With the exception of a few regions (Europe being the most important) and a rather thin cross-national stratum (the graduates of Western universities), the world today is as intensively religious as it ever has been, maybe more so. Passionate religious movements can be found all over the place, some in continuity with the great traditions, others in reaction against them.

The Islamic revival (labelled 'fundamentalism' by

<sup>3</sup> A study of *Opus Dei* by Joan Estruch will be published by Oxford University Press in 1994.

Western observers) is one such movement. Throughout the vast area between the Atlantic Ocean and the China Sea, Islam is visibly inspiring masses of people to change their behaviour and, in the process, is shaking up governments and transforming entire societies. Equally important, but perhaps less well recognised, is the gathering power of Evangelical Protestantism (mostly Pentecostal), which is now rapidly spreading over huge areas of Asia, Africa, and Latin America – a geographical scope that is actually wider than that of the Islamic revival.

The origins of this movement are in the United States, where Evangelical Protestantism has for years enjoyed notable growth and, at least since the mid-1970s, active public interest. Current estimates, probably unreliable, put the number of 'born-again' Christians in the US at 40 million. Whatever the correct figure, there can be no question that the Evangelical community is already a formidable presence on the American religious scene. Moreover, most of the places outside the US where the Evangelicals' message has taken root (including, significantly, Latin America) now have strong indigenous churches, supporting themselves financially out of their own resources and led by their own indigenous clergy.

The movement's scope and dynamism are astounding. It is very strong in Asia, especially in South Korea, but also in Overseas Chinese communities, in the Philippines, and throughout the Pacific archipelagos. It is strong, too, in sub-Saharan Africa, where it has often fused with local, non-Christian, African religions. But its most dramatic and unexpected growth has been in Central and Southern America, where the number of Evangelical Protestants rivals that of their co-religionists in the United States. Indeed, its greatest success has been in Central America. The best estimates are, for example, that between 25 and 30 percent of the Guatemalan population is now Protestant; but no country in the region has been untouched.

**Cultural Revolutions.** The most careful study of the Evangelical phenomenon is the work by the British sociologist David Martin and his associates, both on the Latin American situation as a whole and on local developments in Brazil and Chile (see Martin 1990). This work clearly shows that conversion to Protestantism often brings about nothing less than a cultural revolution: the individuals who join these Protestant churches change their behaviour abruptly, rapidly, and – in many cases – permanently. In effect, defying *machismo*-laden stereotypes about Latin American culture, they begin to act like sober, responsible, eighteenth-century English Methodists.

Although most of the pastors in these churches are men, most of the evangelists and organisers are women. As Martin has found, the women influenced by this new Protestant ethos insist that their husbands stop drinking,

gambling, having women on the side, and spending money on endless celebrations with the godparents of their children. Instead, they must now go to church services (often every night) and contribute a hefty portion of their income to the church, which redistributes it by religious affiliation rather than kinship ties – a very important change. These newly-tightened families also display a strong interest in their children – which, as cross-national research clearly shows, is a key factor in upward social mobility.

These social changes are associated with comparable changes in economic behaviour. The evidence demonstrates that the people in these churches begin to practice in their lives the same virtues that Weber called the 'Protestant ethic.' (In fact, one commentator on Martin's work summed up its findings by noting that 'Max Weber is alive and well and living in Guatemala.') This is an ethic of discipline and self-denial, hard work, saving rather than consumption, and systematic planning for the future. True, unlike its Anglo-Saxon antecedents, today's Latin American Protestantism is often Pentecostal in character – that is, charged with a highly emotional, even orgiastic style of worship. But this emotionalism does not seem to interfere with – and may even enhance – the new soberness of everyday life.

The long-term economic consequences of this cultural revolution are just beginning to be visible – in places. In countries where the macroeconomic situation does not provide real-world opportunities for improving one's economic situation, it does not matter much *what* one's religious ethic is. Stagnation continues, as in the Northeast of Brazil, for instance, a region of unrelieved economic depression. But where the macroeconomic context *does* provide opportunities, it is clear that these latent Protestant traits are a source of cultural advantage. Chile is a prime case of this. If things go well, an emergent Protestant lower-middle class will evolve into the kind of educated bourgeoisie historically associated in the West with the development of full-blown capitalism.

### The Logic of Development

A comparison of the emergent Protestant ethic in Latin America with the post-Confucian ethic of the Overseas Chinese is instructive. Despite the enormous religious and social differences between them, they have important similarities: a self-denying, gratification-delaying, frugal morality that Weber described as 'inner-worldly asceticism' (living like a monk, but in the world, not in a monastery); a pragmatic, activist orientation toward life; and a high regard for education. Chinese children may have literacy pounded into them so that they will grow up to be adults who can carry on a wide-ranging business correspondence;

Protestant children so that they can read the Bible. Either way, in economic terms, these children enjoy a cultural advantage over their illiterate, non-Chinese or non-Protestant neighbours.

This is because, in the early stages of modern economic development, when capital must be accumulated instead of consumed and where much investment must take the form of intense personal effort or 'sweat equity', an ethic of self-denial, no matter how legitimated, is functionally necessary. Whether this behaviour is motivated by fear of one's mother-in-law or fear of God, *economically speaking*, does not matter.

To some analysts of the contemporary religious scene, the ethics of both the Islamic revival and the new Evangelical Protestantism are roughly comparable. After all, they are both self-denying yet passionate movements. This is not, however, a useful point of similarity: the economic and socio-political consequences of these movements could not differ more.

True, both Islam and Evangelical Protestantism are 'reactionary', in that they react against certain aspects of modernity (notably its secularism and alleged immorality) and look back to a supposedly better age in the past. But to *whichever* do they look back? For Muslim fundamentalists, it is the golden age of Islam – roughly a thousand years ago. For the Evangelicals, it is the earlier, simpler days of the bourgeois era – only about a century ago. In other words, conservative Islam takes as its ideal an emphatically pre-modern society. By contrast, Evangelical Protestantism extols the virtues of Western culture at precisely the moment when it was in its most dynamic phase of economic modernisation. On the evidence to date, Protestant fundamentalism is a modernising force: Islamic fundamentalism is not.

### Counter-culture

Arguably, the most dramatic cultural changes in recent Western history have been those of the late 1960s and early 1970s. During that period, one country after another across the North Atlantic region experienced a series of events that reshaped the established political, social, and cultural scene by exposing it to a constellation of new beliefs, values, and behaviour patterns – the so-called counter-culture. But counter to what? Well, counter to the political, social, and cultural *status quo*, certainly but also to the economic *status quo* – that is, to capitalism.

Broadly speaking, this movement was on the left of the ideological spectrum. Culturally, it opposed the kind of bourgeois society shaped by the Protestant ethic. Instead, it was hedonistic, self-affirming, consumption rather than savings-oriented, averse to systematic discipline or planning, and suspicious of education. As a result, this new

cultural ethos looked like bad news for capitalism, indeed for any sort of advanced industrial society. As Marxists used to say, 'it was no accident' that these cultural rebels liked to garb themselves in peasant costumes.

This perception of deep hostility to capitalist modernity was shared by the new culture's critics and proponents. In the United States; for example, there was a brief but interesting debate on the question of the so-called 'New Class' – supposedly, a new middle class based on the production and distribution of knowledge of a special kind: non-material, symbolic, morally charged. The members of this new knowledge class – educators, therapists, communicators, political activists, bureaucrats, and even some lawyers – were thought to be either the principal agents of the counter-culture or, at least, fellow travellers. They were, after all, mostly to the left – not only of the population in general, but of members of the *old* middle class, which was largely seen to be of a piece with the business community and most of the older professions.

The great question at the time was whether this counter-culture represented the last, best hope for a longed-for revolution, or a decadent force subverting the hard-won economic, political, and moral foundations of society. In retrospect, it is clear that both the hopes and the fears were exaggerated. The basic economic and political structures of 'the system,' as the cultural revolutionaries called it, certainly survived. What is more, the events that finally culminated in the collapse of the Soviet Union did much to undermine the plausibility of leftism in all its overtly political forms.

Nevertheless, significant cultural shifts *have* occurred in most Western societies, institutionalising the ethos of the late sixties. Some institutions – notably the universities and some major religious denominations – *have* undergone measurable and apparently permanent change. And so have attitudes about relations between the sexes, interpersonal relations in general, sexuality in all its forms, child-rearing, radical and ethnic differences, health, and the physical environment.

**Professional Cultures.** How have these changes affected the economic culture of the societies in which they took place? A team of social scientists, headed by Hansfried Kellner of the University of Frankfurt, has begun to provide an answer (see Kellner & Heuberger 1992). The team studied various types of 'New Class' professionals in the US and Western Europe: consultants in 'soft' areas like personnel and corporate public relations, welfare-state bureaucrats, qualitative market researchers, and what the principal American researcher calls 'moral entrepreneurs' (such as anti-smoking and animal rights activists). The values and lifestyles of the counter-culture have heavily influenced these professional cultures, many of whose

members had themselves been would-be revolutionaries when younger. What has happened to them since?

For the most part, revolution – in the literal sense of a radical restructuring of economics and politics – is no longer on the agenda. These former rebels have accepted ‘the system’ despite, perhaps, some inner reservations, and they are doing quite well working within it. Still, they have retained many of their earlier beliefs and attitudes about egalitarianism, interpersonal relations, sexuality, and gender, and they are still likely to be on the left of the political spectrum (liberal in the US context, social democratic in Europe). Twenty years ago, given the ability to peer into the future, they would probably have said of their present selves that they had sold out; their parents, would have said that they had settled down and become more sensible.

To what extent, though, has their personal odyssey meaningfully changed the culture of business? Although the research by Kellner and his team cannot give a quantitative answer, their findings do show, cross-nationally, that certain sectors have been affected to a considerable degree. Indeed, new markets have appeared, inspired by counter-cultural values. This is most obviously the case with specific products, such as environment-friendly cosmetics, so-called ‘natural’ foods, equipment for an allegedly healthier lifestyle, and the veritable emporium of utensils (from meditation pillows to folk costumes) serving various ‘New Age’ activities.

It has also become possible to make careers and estimable incomes out of helping corporations become more sensitive to various public issues and to the needs of their employees. Setting up affirmative action procedures, running anti-smoking and weight-reduction clinics or day-care facilities for employees’ children, and propagating socially responsible corporate images – this is all ‘New Class’ work. But is this kinder, gentler aspect of capitalism likely to add to its international competitiveness?

On the face of it, the answer would seem to be no. East Asian capitalism, to cite one example, is certainly made of harder stuff – and in a contest between hard and soft cultures, it is usually the former that win. Put in more elegant scientific language, hard-nosed SOBs tend to wipe the floor with sensitive types. Nonetheless, as anyone who ever took an introductory sociology course has learned – the famous ‘Thomas’ dictum’ – ‘If people define a situation as real, it *is* real in its consequences.’ So if people honestly believe that they will produce, say, better telecommunications equipment if they are more appreciative of environmental concerns or of alternative forms of sexual orientation, perhaps they really will – and, along the way, beat out competitors from uptight, insensitive

cultures. No one yet knows for sure if the disciplined self-denying ethic that is a source of advantage at earlier stages of modern economic development remains so when the economy moves into a post-industrial or knowledge-driven phase.

Economic culture has endless intellectual fascination; social scientists, in particular, require no motive other than their own curiosity for exploring it. They can paraphrase for their own disciplines the famous toast that used to be offered at the Royal Society of Mathematicians: ‘To pure mathematics, and may it never be of use to anyone!’ But people who must orient their activities by practical results – in business and, increasingly, in government – cannot afford such luxury. They must ask, to what practical application might such insights be put?

As I hope this brief sketch of economic culture has made clear, the manifold forms of capitalist activity are intimately connected with the distinctive economic cultures that surround and animate them. In an increasingly borderless world of such varied activity, cultural awareness and understanding rapidly become the most practical of subjects. ■

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