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The Origins of Culture and Its Effects on Economic Development and Political Order

What is culture? Yaqing Qin (2018: 41) remarks, “Cultural communities are communities of practice and culture is therefore defined in terms of shared background knowledge. Culture refers to the way of life of a people who share a lot in terms of behaviors, values, beliefs, and perspectives without consciously knowing them . . . culture is the invisible bond that ties people into a community.” He continues, “culture is not only culture in action, it is also culture *for* action. In other words, culture defined in terms of background knowledge is in practice and on practice, reflecting what the community members do and disposing them for certain behavior and action” (Qin 2018: 42, emphasis in original).

Qin cites various authors, such as Clifford Geertz’s definition that culture is a “system of inherited conceptions expressed in symbolic forms by means of which men communicate, perpetuate and develop their knowledge about attitude towards life,” and Alexander Wendt’s view of “culture as common and collective knowledge, the former concerning actors’ beliefs about each other’s rationality, strategies, preferences, and beliefs, as well as about states of the external world, or ‘intersubjective understanding;’ and the latter concerning the knowledge structure held by groups which generate macro-level patterns in individual behavior over time.” He concludes by summarizing that “culture is shared knowledge about the way of life of a society and the way of thinking and doing by its members” (Qin 2018: 43). Ronald Inglehart (1997: 217) defines culture simply as “a system of common basic values that help shape the behavior of the people in a given society.”

In this chapter, I will first review several classic studies connecting culture to economic development, and then turn to a discussion on the cultural sources of East Asia’s phenomenal economic growth. This discussion is followed by another review focusing on the role of culture in influencing the academic and economic achievements of various ethnic and religious groups in the United States and how immigrant communities have contributed to the prosperity and power of major

states in the past. This chapter concludes with a section on the origins of culture, suggesting that cultural practices and institutions are the evolutionary product of human beings interacting with their environments.

Classic Studies on Culture's Contribution to Economic Growth

Despite starting from relatively similar positions, why was Japan able to launch its economic modernization more quickly and effectively than China? The answer to this question can involve many variables. Marion Levy (1954) points to differences in these countries' cultural heritage, especially the institution of primogeniture that existed in Japan but not China. Primogeniture confers the right of succession to the eldest son. According to this rule, the whole of real estate and other accoutrements of intestate would be passed on to him upon his father's death. This practice had the effect of preserving family wealth in Japan. In contrast, all Chinese male offspring were entitled to a share of the family's properties. One obvious consequence of this Chinese practice was that however well off a family might have been, its wealth would be dissipated over several generations. Japan's primogeniture had the opposite effect of helping to preserve capital for entrepreneurial undertakings and when such undertakings were successful, to accumulate capital for even more business pursuits.

Even a small share of inheritance could enable male children to marry early and have their own children, who in turn contributed to the further division of the family's fortune, which was typically in the form of land ownership in traditional China. Over time, Chinese farmers' plots would consequently become smaller and more scattered (because they had to divide their inherited land of different quality among the siblings). This phenomenon in turn had a detrimental effect on agricultural productivity. It also discouraged the mechanization of farming equipment adopted by Americans in practicing an extensive mode of farming. In contrast to Americans' extensive farming involving huge land areas as exemplified by ranching and herding or large-scale mechanized crop cultivation and animal husbandry, East Asians' intensive mode of farming entailed expending ever larger amounts of human labor to raise crops from small plots of land.

Denied a share of patrimony, younger male siblings in Japanese families had to postpone their marriage until they had established

themselves financially in a trade. That China's males were able to marry at a relatively early age contributed to its population growth. Primogeniture also prevailed in Britain, where it had had a similar effect to that in Japan of forcing male descendants other than the eldest son to establish a different career from their father's. Many looked to joining the clergy or colonial administration as an alternative (Holt and Turner 1966).

Traditional China featured a meritocracy in principle, providing commoners a path for upward social mobility (Ho 1962). At least in theory and with few exceptions, all Chinese adult males could take part in open competition that examined these candidates' knowledge of classical texts. Success in these examinations meant that those selected would become a member of the officialdom (the mandarin class). In contrast to China, traditional Japan did not provide social mobility to its people. Except in cases of adoption, one had to be born into the nobility (*daimyo*) or warrior (*samurai*) class to be part of the elite. Unlike their Japanese counterparts who were locked into their respective social positions, traditional Chinese could pursue social prestige and respectability in various ways.

Land ownership, which was outlawed in Japan, provided one avenue for rich Chinese merchants to secure and enhance their social status. Venality of office in China as well as in France and Spain meant that official titles could be bought for a price. Often these titles could not be inherited, and the descendants of the title holders therefore had to repurchase them to maintain their family's social status. An important consequence of this practice is that money was diverted from business pursuits to the consumption of social prestige. Successful merchants in traditional China aspired to become a member of the gentry and literati rather than continuing their business pursuits. As merchants had a low ranking in the Confucian order of social hierarchy, this phenomenon led Weber (1951) to argue that in contrast to Protestant Europe, traditional China was unprepared and unsuitable for economic development (Hamilton and Kao 1987). Like other traditional cultures, Confucianism frowned on entrepreneurial pursuits and wealth accumulation in favor of scholarly and agricultural undertakings. It put scholar-officials and the gentry class at the top of China's traditional social hierarchy. Weber, however, hedged his observation about Confucianism's negative effects on economic development, remarking that "the Chinese in all probability would be quite

capable, probably more capable than the Japanese, of assimilating capitalism” (Weber 1951: 248).

As I will discuss further later, there has recently been a sharp reversal of opinion concerning the detrimental effects of Confucianism on economic development. This reappraisal has evidently been motivated by the rapid economic growth of those East Asian countries with a Confucian heritage. Indeed, scholars such as Lawrence Harrison (1992) have called attention to important parallels between Confucian and Protestant cultures. Robert Bellah (1957), for example, has argued that Japan’s cultural tradition is compatible with the Protestant ethic. This view receives empirical support from recent survey data showing that Japanese and East German values and beliefs share some important similarities (Inglehart 2000: 87). This phenomenon cautions us against exaggerating the differences between cultures.

Like other traditional cultures, Confucianism stigmatized greed and profit-making. However, as just noted, unlike many traditional cultures Confucianism did not seek to block social mobility and in fact sanctioned it. In addition to the imperial examination system, commoners could purchase land and official titles to acquire the outward signs of social prestige and respectability. Rich merchants could also spend money to finance their male children’s education to take part in the competitive examinations to select officials, in the hope that their offspring’s success would further enhance their social and political position. Therefore, merchants in traditional China could divert their wealth to purposes that were not economically productive. In contrast, lacking such options to climb the social ladder, Japanese merchants were forced to invest and reinvest in their businesses.

In trying to explain why technology in China stagnated after the fifteenth century, Joel Mokyr (1990: 236) hypothesizes that a conservative elite, specifically the mandarin (or imperial bureaucracy), had held back progress and that, unlike Europe, the state rather than the private sector had played the crucial role in promoting innovation in traditional China. The underlying logic for this proposition echoes Marion Levy’s (1954) thesis. Mokyr (1990: 236) writes, “In Europe, engineers, inventors, merchants, and scholars rarely belong to the ruling class. Talented men who were not born into the right families could not, as a rule, occupy positions of power, and thus channelled their energies elsewhere.”

Marion Levy was not the first to observe how cultural practices and institutions can affect economic development. He was preceded by

intellectual giants like Max Weber (1998) who wrote about the Protestant work ethic that had contributed to the rise of capitalism and entrepreneurship in Europe. The Calvinists especially were motivated by their religious belief in predestination to excel in their positions and careers assigned to them by God in this world. They pursued perfection in their work for their souls' salvation. Earthly accomplishments (including commercial successes) were sought not so much for their material rewards but rather as a divine sign that one was among those chosen by God. Religion provided the impetus to excel in various personal endeavors of which business success was but a by-product.

Another, though more recent, influential figure contributing to this genre of scholarship was David McClelland (1961). He wrote about a mass psychology labeled "need to achieve" (N-Ach), which is the motivation to excel in one's work "not so much for the sake of social recognition or prestige, but to attain an inner feeling of personal achievement" (McClelland 1993: 143). When a society is populated by many people with a strong N-Ach, it is likely to reach great artistic and economic accomplishments. McClelland's analysis supported Weber's hypothesis about differences in the level of economic development between Protestant and Catholic countries even after controlling for factors such as these countries' resource endowments. He also found differences in the level of N-Ach in the direction hypothesized by Weber among individuals drawn from these two religions (McClelland 1961: 50–57).

The performance differences documented by Weber and McClelland have been hypothesized to stem from Protestant and Catholic parents' different approaches to raising their children, with Protestant parents generally giving more emphasis to teaching the values of independence and self-reliance to their children and at an earlier age than their Catholic counterparts. These patterns have been supported by subsequent research, although it appears that this divergence between Protestants and Catholics has been diminishing over time, at least in the United States (Alwin 1986; Lenski 1963).

Parenthetically, the differences between Protestant and Catholic cultures extend beyond their observed differences in economic performance or their child-rearing practices. In his well-known study, Emile Durkheim (1951) reports the frequency of suicide to be higher in Protestant than Catholic countries (presumably because Catholics value warm personal ties and family bonds that provide support to

individuals, whereas Protestants place more emphasis on individualism). Ronald Inglehart (1990: 245) shows in his cross-national study that those societies expressing high subjective well-being are in fact associated with higher suicide rates.

McClelland and his research collaborators developed various ingenious indicators of N-Ach to discern and track the rise and fall of modern and premodern societies, such as by applying content analysis to folk tales, poetry, drama, children's stories (from dozens of countries with China being the most conspicuous omission), school textbooks, funeral orations, and other approaches such as studying people's doodles (when it was difficult to navigate between different linguistic systems). For their dependent variable of economic success, they resorted to (in the case of ancient Athens) archeological evidence showing the geographic spread of vases used to carry olive oil and wine across the Mediterranean Sea (including those excavated from shipwrecks), and electricity generation for more modern economies. They found a general pattern whereby N-Ach is associated with greater entrepreneurial activity. Reporting on his analysis of over fifty preliterate native tribes, McClelland (1961: 67) concludes, "Despite all [the] obvious flaws in the data, a significant relationship exists between *n* Achievement level in folk tales and presence or absence of full-time entrepreneurial activity in the culture."

McClelland's ensemble of methodology was used to study a variety of societies, including ancient Greece, Spain in the sixteenth century, and England in the late sixteenth century and again around 1800, to confirm the generalizability of the proposition that societies characterized by a high level of N-Ach were able to attain greater economic and other achievements. He was careful to establish the temporal sequence in the surge of N-Ach among a people and the rise in their entrepreneurial activities. Did change observed for the former precede the latter so that one may infer causality? Parallel investigations were carried out at the individual level of analysis (in Brazil, Germany, India, and Japan) to trace the origins of N-Ach in mothers' values and their attitudes concerning child-rearing (such as in encouraging their children's independence and mastery of toilet training) and the effects of N-Ach in influencing adolescent boys' occupational interests and their performances in executing various tasks.

Another component of the multi-prong research approach carried out by McClelland and his collaborators was to inquire whether

successful entrepreneurs in four countries (Italy, Poland, Turkey, and the United States) were imbued with or motivated by N-Ach. Just as in their studies of adolescent boys, the variety of countries chosen for this part of their research agenda engages subjects from heterogeneous backgrounds and therefore helps to protect against exaggerated generalizations and even false attributions. Even so, not all problems of validity or comparability were overcome (McClelland 1961: 60–61). This said, the multi-prong, multi-method, multi-country, and multi-measure approach adopted in this research program inspires more confidence in its results. These results indicate strongly that N-Ach plays an important role in promoting economic development.

Cultural Contributions to East Asia's Economic Dynamism

More recently, cultural explanation of economic development came back in vogue after several East Asian economies managed to grow at rates that were much higher than the average for developing countries and to sustain this growth for an extended period of several decades (e.g., Brook and Luong 1997; Hofstede and Bond 1988; Tu 1996, 2000; Zhu 2021). These newly industrializing economies (NIEs) were led by Japan after World War II (which, of course, was already industrialized before this conflict, and the label NIE would be for this reason a misnomer for that country). Japan's Ministry of International Trade and Industry (MITI) had played an important role in developing initiatives to advance that country's strategic industries and in launching its export-led growth (Johnson 1982).

Other economies followed Japan's footsteps in a pattern sometimes described as a flying-geese formation. In the 1960s, the so-called Asian tiger economies – South Korea, Singapore, Taiwan, and Hong Kong – launched their own successful export drives. They took over those niches of low technology content and high labor content vacated by the Japanese (such as footwear, textiles, and furniture), who were gradually turning their attention to more capital- and technology-intensive exports such as electrical appliances, consumer electronics, and automobiles. This process was repeated so that Japan and the Asian tigers moved increasingly toward producing and exporting high-end goods (e.g., personal computers, semiconductors, electric vehicles), and the production niches they left behind (because of their declining advantages in these niches) were filled by the even later

industrializing economies. In the late 1970s, China followed these economies to become another, albeit by far the largest, member of this group of economies pursuing export-led growth. Beijing was successful in accomplishing the amazing feat of raising the living standard of the largest number of people ever in history by the greatest extent and in the shortest amount of time. China's GDP per capita rose to US\$8,000 from US\$1,000 in just thirty years (1985–2014) – a third of the time it took Japan and about one sixth of the time it took the United States, even though it has a much larger population than the latter two countries (Woetzel et al. 2015: 20). In the process, it lifted more than 400 million people out of poverty. China's export-led growth strategy was subsequently imitated by still later comers such as Vietnam, Cambodia, and Sri Lanka.

There is by now a large literature discussing the reasons behind East Asia's "economic miracles" (Amsden 1989; Berger 1988; Chan 1993; Chan and Clark 1992; Deyo 1981, 1987; Gereffi and Wyman 1990; Gold 1986; Haggard 1990; Haggard and Moon 1989; Johnson 1982; Jones and Sakong 1980; Krause 1988; Rabushka 1979; Rodan 1989; Vogel 1979; Wade 1990; Woo-Cumings 1991, 1999; Zhu 2021). These economies' cheap labor cost is usually among those reasons one often hears about. Another common reason given to explain East Asia's "economic miracles" is their strategy of export-led growth. Still a third ostensible reason is their practice of mercantilism, including their governments providing subsidies to important industries and putting up barriers to hamper foreign competitors in their respective domestic markets. One major problem with these explanations is that many other developing countries also have an advantage in low labor cost, and they also have the option of pursuing a strategy of export-led growth. Moreover, mercantilist and protectionist policies are also available to them, and were indeed widely practiced by today's developed countries when they were in the initial stages of their development.

The developed economies continue to practice protectionism and mercantilism even today in agriculture and industries that they consider to be strategically important and politically sensitive. Their pontification about free trade even though they themselves were and still are guilty of violating its principles has been described by Ha-Joon Chang (2002) as "kicking away the ladder" after they have secured their economic advantages in leading industries. Kristen Hopewell (2021) documents that the United States has undertaken massive

state-funded projects to assist research and development in aerospace, informatics, communications technology, biotechnology, and nanotechnology. Federal grants, tax incentives, subsidized loans, and procurement contracts have supported large firms such as Boeing, Intel, and Tesla. In short, state intervention is not limited to the East Asian NIEs, and the tools of this intervention are theoretically available to all countries. Therefore, the puzzle remains why these economies have done especially well in recent decades. What sets them apart from most of the rest of the world?

Except for Hong Kong, all East Asian NIEs share a strong administrative state that occupied and continues to occupy a position at the “commanding heights.” Although politicians reign, bureaucrats in the economic ministries rule. Following the tradition of China’s system of meritocratic recruitment for government service through competitive examination mentioned earlier, the economic bureaucracies of the East Asian NIEs continue to attract the best and brightest from their society. Bureaucrats enjoy a degree of social status and prestige that is unfamiliar to Americans, whose most talented college graduates tend to gravitate to law and investment firms on Wall Street.

Importantly, the East Asian administrative states are both autonomous from society and yet at the same time embedded in society (Evans 1995). This dual characteristic gives them independence and authoritativeness but at the same time keeps them in close touch with society so that they will not become predatory rent-seekers. This feature may explain in part East Asia’s economic success even though, as just noted, its explanatory reach is compromised by the important exception of Hong Kong, whose former British colonial administration had generally not worked actively to direct and orchestrate economic growth like the other Asian tigers.

Other countries have tried a strategy of export-led growth, but they have been less successful than the East Asian economies. What can be the reasons for this difference? In other words, what are the East Asians’ comparative advantages, ones that would also apply to Hong Kong? Those who offer a cultural explanation for their economic success point to traditional Confucian values, emphasizing especially traits such as thrift, perseverance, hard work, investment in education, and having a sense of shame and a respect for ordered relationships (e.g., Hofstede and Bond 1988; Zhu 2021). As we shall see, their explanation is not without problems. It does, however, have one

advantage over many competing alternatives; namely, it is in a better position to account for the geographic clustering of the most dynamic economies in one region of the world. Random chance would not have produced this geographic concentration.

Indeed, some scholars have argued that geography in and of itself has been an important determinant of countries' economic prospects and their distribution of wealth (e.g., Diamond 2004, 2017, 2019; Gallup et al. 1999; Landes 1999; Sachs 2003). Those located in earth's temperate zones and endowed with access to the ocean have done better than their counterparts located nearer the equator or are landlocked for a variety of reasons, including protection from the ravages of tropical diseases, and the effects of more fertile soil, more favorable weather patterns, greater opportunities to benefit from water-borne trade, and generally an earlier start in the domestication of plants and animals and hence socioeconomic development. Path dependency confers further advantages to those communities or countries that have had a head start in this development while at the same time limiting the options available to the latecomers.

A country also enjoys a location advantage when it operates in an economically dynamic region of the world, so that its neighboring fast-growing economies can stimulate and sustain its growth. Moreover, this regional effect has an important political aspect, reflecting elite politics and domestic coalition formation between groups with competing visions on how to manage their country's economy and security. Etel Solingen (1988, 2007) argues that elites espousing and implementing policies of economic openness and interdependence are likely to be supported and legitimated by similar elites ruling neighboring countries. There is therefore an important economic and political synergism created and sustained by this reciprocal effect. Moreover, once a policy orientation and its supporting cast are entrenched, it becomes more difficult to dislodge or overturn them. There tends, therefore, to be a self-sustaining momentum – one based on positive feedback loops among the policies, elites, and countries in the region – that perpetuates growth.

In commenting on how the Confucian ethic can be conducive to the functioning of modern society, Herman Kahn (1993) advances an argument that does not simply repeat the usual reference to thrift, hard work, and investment in education. He claims that in contrast to the Western emphasis on individuals qua individuals, Confucianism stresses relations among individuals, such as those governing the ties,

interactions, and mutual obligations between husband and wife, father and son, elder and younger brothers, and the emperor and his officials and subjects. Significantly, this difference between emphasizing the characteristics of units such as individuals, groups, or countries versus emphasizing the nature of relations among these units has been the key feature that separates Western theorizing about international relations and a Chinese theory of these relations (Qin 2018).

“Synergism – complementarity and cooperation among parts of a whole – are emphasized, not equality and interchangeability” (Kahn 1993: 170). Confucian cultures have an advantage in making organizations work well because, “[a]s opposed to the earlier Protestant ethic, the modern Confucian ethic is superbly designed to create and foster loyalty, dedication, responsibility, and commitment and to intensify identification with the organization and one’s role in the organization” (Kahn 1993: 170). In Western cultures that emphasize individualism and personal freedom, groups still have their place. Kahn (1993: 171) cites Chie Nakane (1970), pointing out that groups in Western countries are, however, formed by people sharing the same interests and identities or according to the tendency for “like to join like,” such as with respect to the formation of unions, political movements, church groups, and economic classes. This tendency engenders group politics that pits groups against other groups that have been rallied to support different causes. In Kahn’s (1993: 170) view, the qualities of Confucian cultures make “the economy and society operate much more smoothly than one whose principles of identification and association tend to lead to egalitarianism, to disunity, to confrontation, and to excessive compensation or repression.”

In a similar vein, Edwin Reischauer (1974: 347–348) notes approvingly that the peoples of East Asia “share certain key traits, such as group solidarity, an emphasis on political unity, great organizational skills, a strong work ethic, and a tremendous drive for education.” However, he also predicates this positive view on the growth prospects of countries in this region by stressing the priority of their governments undertaking reform policies that would create the necessary space or environment for these traits to thrive.

The Limits of Institutional Explanations

As I have already said on several occasions, culture cannot be the only explanation for variations in countries’ economic performance.

Monocausal explanations are rarely adequate to account for complex socioeconomic phenomena. One alternative to cultural explanation is the institutional perspective on economic growth (e.g., Acemoglu and Robinson 2012; North 1990; Rodrik et al. 2004). As scholars subscribing to this perspective often point out, if culture is the only or the overriding factor, we would not be witnessing the enormous economic disparity between South and North Korea. Similarly, culture cannot easily explain the economic stagnation that had afflicted China for long periods of time, even though overseas Chinese have been known for their entrepreneurial skills and business successes. Moreover, if culture is a relatively constant factor, it cannot account for China's lethargic economic performance in the first three decades of communist rule (an economic record that had placed it far behind its East Asian neighbors), and its transformation into a dynamic economy whose size has grown to be only second to the United States in a few short decades. It is important to acknowledge and recognize these views questioning the validity or generalizability of cultural explanations.

Instead of focusing on culture, institutionalists emphasize the differences in countries' political and economic systems (such as in their rule of law, protection of property rights, and possession of a free and open market) as the leading cause for the differences in their economic performance. They point to the economic disparities between North and South Korea, between Haiti and the Dominican Republic, and in the case of Acemoglu and Robinson's (2012) study, also between north and south Nogales (a town divided by the US–Mexican border) as primary exhibits for making their case. The economic disparities that had existed between East and West Germany can also be introduced to support their claim.

Of course, this approach of using bilateral comparisons to advance a theoretical argument has also been deployed by scholars who prefer a different perspective to explain economic development. For example, Lawrence Harrison (1985) points to culture as the main reason for the discrepant economic performances between matched pairs of countries that otherwise share important characteristics, such as between Argentina and Australia, and between Haiti and the Dominican Republic (the same pair that has been invoked to support institutionalist claims; thus, in this case institutional and cultural explanations converge and the difference in the economic performance of these two countries is “overdetermined” in social science parlance).

Moreover, culturalists can point to cases showing the resilience of cultural traditions despite differences in political and economic institutions. Inglehart et al. (2004: 17) argue that “Though they can reshape it to a limited extent, institutions do not determine culture. After 45 years under diametrically opposite political and economic institutions, East Germany and West Germany remained more similar to each other than the United States and Canada.” Likewise, the attitudes and values expressed by people in Taiwan and South Korea are much closer to those held by the Chinese people on the mainland, even though their political institutions are more similar to those of the United States than China’s (Inglehart et al. 2004: 14). These observations raise an important question about causal priority: is culture more likely to shape institutions rather than the other way around? Although there is clearly mutual interaction between them, it appears that the former possibility is greater than the latter possibility.

Institutionalists’ arguments run into trouble such as when Tian Zhu (2021: 223) notes that institutional differences in themselves cannot account for the varying economic performances of China’s provinces and municipalities, with some Chinese cities (e.g., Wuxi, Suzhou, Shenzhen) having already reached the level of per capita GDP characterizing developed economies like Taiwan. This phenomenon of variations of economic performance within a country, however, also poses a problem for cultural explanations, because the subnational units share the same culture but show different levels of economic performance. Robert Putnam’s (1993) study of modern Italy has similarly shown great variations in this country’s regional situations, such as in these regions’ levels of economic development and democracy, that cannot be simply explained by the differences in their political and economic institutions (because they all share the same national institutions). In this case, however, a cultural explanation fares better because Putnam offers persuasive evidence suggesting that northern and southern Italy have had very different cultural traditions and tendencies predating their more recent economic and political development.

The institutional perspective also does not hold up well in view of cross-national evidence suggesting that democracy does not have a direct impact on economic growth (Doucouliagos and Ulubasoglu 2008). Earlier scholars have argued that we should consider how timing and sequencing can affect a country’s prospects to secure democracy and undertake economic development. For example,

Huntington (1968) and Huntington and Nelson (1976) have argued that when political participation and mobilization produce struggles for redistribution and when the demands for redistribution happen before economic growth can take hold, the result would be to retard and even derail this growth. Moreover, scholars like Burkhart and Lewis-Beck (1994) have shown that whereas economic development tends to promote democracy, the reverse is not likely true.

As just suggested, Acemoglu and Robinson (2012: 63) are among those who criticize cultural explanations of economic growth, claiming, for example, that "... current Chinese growth has nothing to do with Chinese values or changes in Chinese culture; it results from a process of economic transformation unleashed by the reforms implemented by Deng Xiaoping and his allies, who, after Mao Zedong's death, gradually abandoned socialist economic policies and institutions, first in agriculture and then in industry."

They are of course correct in pointing out that the Chinese government in the late 1970s initiated a series of policy reforms that started to open the economy to private enterprises and investors, including those from foreign countries. At the same time, their analysis does not explain why these policies have succeeded in China whereas other countries trying the same reforms have not had the same results. Moreover, what institutionalists like Acemoglu and Robinson emphasize in their studies are a country's regime characteristics and its rule of law, and more specifically in their case, "inclusive economic and political institutions" (2012: 91), which I take to mean a free and open market accessible to all and a democracy where people elect their leaders.

Such an institutional emphasis differs from Acemoglu and Robinson's reference to Deng's policy reforms in the above quote because there has not been any deep institutional transformation in China involving its ruling elite's communist ideology, its authoritarian rule by a single political party, or its autonomous state at the commanding heights of controlling the economy and society – enabling the state to make abrupt policy changes and even reversals without having to be greatly concerned about opposition from society or other parts of the government like the judiciary and legislature. "Mainstream economists have found it difficult to explain China's apparent economic success despite the fact that China's market economy has been far from free, and private property rights have been far from secure" (Zhu 2021: 56). The empirical and theoretical puzzle from the

institutionalists' perspective is why has China been able to attain rapid economic growth and has thus far been able to sustain this growth for over four decades (albeit at lower rates in the most recent years) despite the absence of those institutions that they see as essential for this growth.

The explanation given by Acemoglu and Robinson is incomplete. As Tian Zhu (2021: 5) notes:

Today, we all attribute [China's economic] achievement to the reform and opening-up policy that began in 1978. This is of course correct. However, China's reform and opening up can only explain its faster growth after 1978, not why it has grown faster than other countries – and not just a little, but much faster. Most developing countries have implemented policies of market reform and openness to varying degrees over the past three to four decades, and many of them have freer markets than China, but no country has grown faster.

How do we explain China's remarkable economic growth even though it is dominated by authoritarian and even exclusive political and economic institutions from Acemoglu and Robinson's perspective? From the logic of scientific analysis, China presents an important, even decisive, "deviant case" for institutionalists and its rapid growth demands much greater scrutiny and careful explanation.

Acemoglu and Robinson give credit to the Chinese government for its policy reforms that have spurred this country's rapid growth. As already noted, however, these policy reforms did not entail fundamental institutional transformation as these scholars' theoretical position would have led us to expect. At the same time, they express doubts about the sustainability of China's continued growth, remarking that as for the former USSR, "... China under the rule of the Communist Party is another example of society experiencing growth under extractive institutions and is similarly unlikely to generate sustained growth unless it undergoes a fundamental political transformation toward inclusive political institutions" (Acemoglu and Robinson 2012: 151). On another occasion in their book, they are even more emphatic in stating, "Our theory ... suggests that growth under extractive political institutions, as in China, will not bring sustained growth, and is likely to run out of steam – due to the elites' fear of creative destruction and their fear of its social and political consequences" (Acemoglu and Robinson 2012: 437). This is a

remarkably unequivocal prediction, and these scholars are to be complimented for staking out such a clear and bold proposition.

Time will tell whether the growth of the Chinese economy will slow down. Its relative performance can be evaluated according to its own past record and according to the performances of other countries. It is likely that China will not be able to keep the same pace of growth that it has attained in past decades, but it is a separate matter whether it will still be able to outperform its peers in the developing world or for that matter, countries in the developed world. China has already been growing at a double-digit rate for several decades, and this feat naturally inclines people to ask what time frame Acemoglu and Robinson have in mind when they question the sustainability of China's economic growth. Although this growth has indeed slowed down recently, it reflects at least in part the Chinese government's deliberate decision to have a more balanced and sustainable economy and, moreover, this slowdown has also been due to the dislocations and lockdowns caused by the Covid-19 pandemic. Finally, and as already mentioned earlier, for mathematical reasons alone it is more difficult for a much larger economy to maintain or exceed its former rate of growth when it was much smaller.

A good test of Acemoglu and Robinson's prognosis would be to compare the growth rate of China's economy with those of, say, Japan and the United States which feature inclusive institutions according to their definition. Clearly, policy reforms such as those launched by Deng Xiaoping are the proximate causes of China's recent superior economic performance. But from the perspective of Acemoglu and Robinson's study, the ultimate cause of this performance lies in a country's institutional makeup. Another possible test on Acemoglu and Robinson's prediction would be to assess Vietnam's recent and future economic performance. Like China, it features an official communist ideology and does not have the kind of inclusive political and economic institutions insisted by these authors. It does, however, also have a Confucian heritage. To the extent that Vietnam has outperformed other developing economies with more inclusive institutions but without a Confucian heritage and to the extent that it will continue to do so, this phenomenon tends to undermine the institutional argument and support the cultural argument. This example from Vietnam's experience can serve as the closest thing to a controlled experiment that social scientists can aspire to, one that their counterparts in the natural sciences tend to take for granted.

Parenthetically, the former USSR does not provide a useful analog for understanding today's China. China is today far more embedded in the global economy than the USSR ever was. Moscow's empire was a net financial drain for it, and its defense spending was approaching one fifth of its gross domestic product while its economy was already in severe decline in the 1980s. China is not spending nearly as much proportionately on its military. As a percentage of its GDP, its defense budget was half as much as the United States in 2021 (1.7% versus 3.4%). Compared to the former USSR, China does not have client states abroad to support, nor is it seeking to export its ideology or model of economic development. Finally, China is more connected to its expatriates living abroad, who are more numerous and wealthier than their Russian counterparts.

Although scholars such as Acemoglu and Robinson emphasize the influence of institutions on economic performance, just like culture this variable cannot tell the entire story. Japan, during most years of its economic recovery and takeoff after World War II, had continuous one-party rule even though it is conventionally described as a democracy. South Korea and Taiwan were outright autocracies during their initial years of export-led growth. They could even be described as garrison states with their respective history of heavy involvement by the military in their politics (Taiwan was under martial rule until the late 1980s). In contrast, Hong Kong was a British colony that espoused a *laissez-faire* approach to economic management. Singapore also had a legacy of being a British colony, and after political independence it has had uninterrupted rule by a single party over a multi-ethnic society. Finally, China was and still is ruled by an authoritarian government professing allegiance to communism. Vietnam shares these characteristics. To the extent that the latter two countries' political institutions have remained largely the same over the years, they cannot account for the variations in their economic performance over time. The same criticisms can be directed against an exclusively cultural explanation. Why have these countries' economies performed poorly during earlier times but have become more dynamic in recent decades?

From the institutionalists' perspective, the variety of political institutions characterizing the different East Asian economies described in the preceding paragraph also presents a challenge to explaining their similarly impressive economic performance. Important differences are also present in East Asia's economic institutions and arrangements.

Whereas small and medium-size firms loomed large in Hong Kong and Taiwan's economic development, South Korea's economic landscape was and still is dominated by large conglomerates or the *chaebols*. As another example, whereas Japan and South Korea have sought to keep international capital at bay, Singapore has actively recruited and cooperated with it. Large banks, owned and operated by foreigners, have had a much larger presence and role in its and Hong Kong's economies than in Japan, South Korea, and China.

Furthermore, China has a much more open domestic market where foreign businesses have invested and operated to a much greater extent than in Japan and South Korea whose domestic markets are much more protected against competition from foreign firms. And as already mentioned, whereas Hong Kong's colonial government had adopted a *laissez-faire* attitude, China features an economy actively directed by the state, and one in which state-owned public enterprises represent even today a very large constituent part. Furthermore, the rule of law and protection of private property are weaker in China than in the other East Asian NIEs. The legacy of Japanese colonialism left a deep mark on South Korea and Taiwan's political and economic institutions, and this legacy's profound impact on them differs in important ways from the legacy left by British colonialism in Hong Kong and Singapore (Cummings 1984). Although, except for Hong Kong, East Asian countries share to varying extent a tradition of strong states presiding over their respective economies, there are also these other important institutional differences that set them apart.

The point of this discussion is of course that East Asia's "miracle economies" have featured a variety of political legacies, official ideologies, and institutional arrangements. In contrast, they share important cultural traits that appear to have overridden the differences in their political and economic institutions, and these similar cultural traits offer a more persuasive explanation for their common impressive economic performance compared to the institutional alternative. There is furthermore the phenomenon that China and Vietnam have largely kept their basic political institutions even though their economic performances have varied significantly over time. Their much more impressive economic growth in recent decades is more the outcome of changes in their governments' policies than changes in their basic political institutions. It is common and seemingly trite to declare that both culture and institutions matter and should be given their due.

It is difficult to imagine anyone who would disagree with this sentiment. The relative importance of these variables for economic development deserves to be investigated as well as the circumstances in which this relative importance is likely to shift.

Some Major Differences between Eastern and Western Cultures

Scholars such as David McClelland (1993) point to parents' child-rearing practices as an important influence on their offspring's future performance. Parents who stress the qualities of self-reliance and work ethic tend to rear children who go on to be achievers in their adulthood. In contrast, in societies where slaves were more directly involved in raising children, the opposite tendencies of dependency and entitlement were fostered, and these societies became more lethargic over time. This view naturally argues that those values that encourage people to excel in their adulthood, including especially the motivation behind entrepreneurship, are taught by parents and teachers to children and internalized by these children. They are not a product of genes and thus inherited over generations. Thus, as we can see from McClelland's research, the need to achieve can rise and fall substantially in a society in relatively short periods of time such as over a century or so.

In her autobiography aptly entitled *Battle Hymn of the Tiger Mother*, Yale law school professor Amy Chua (2011) recounts her experience in trying to instill in her two daughters the expectation to set high standards for themselves in academic and extracurricular pursuits. She writes about her experience which reflects a common phenomenon in East Asian societies involving parents constantly encouraging, even pressuring, their offspring to excel in those endeavors that are conventionally seen as success (such as getting good grades, being admitted to prestigious schools, and succeeding in careers that are traditionally seen to command high income and especially social prestige like the medical, legal, and academic professions). The deep involvement of East Asian parents in their children's education (some would say, interference and meddling in their children's education) and their sacrifices in investing in their children's education are a distinctive feature of what has been described as the Confucian culture which places a premium on learning. It is a tradition that

several immigrant communities in the United States continue to preach and practice – at least for the first and second generations until this emphasis dissipates in the third generation and with the increasing incidence of inter-ethnic or inter-racial marriages.

An intriguing and revealing difference separating students and parents of Chinese heritage from their American counterparts of European descent is that whereas the former group tends to see good performance on school tests and other life achievements as the result of hard work, the latter group is instead likely to attribute these outcomes to differences in people's natural talent. Americans in general are usually quite generous in dispensing words like "a great job" when in fact a child has done barely adequately whereas traditional Chinese parents tend to be much more critical and demanding in judging their child's performances, and as Chua reports, many of them will remain dissatisfied unless their son or daughter brings home a report card consisting of all A grades.

This competitive and demanding stance can be disguised in conversations with people outside the family with sometimes an exaggerated sense of diffidence or lack of self-confidence (humbleness and modesty are virtues taught in China; one should not boast publicly of one's achievements). There is the story that when Western students are unable to follow a speech or lecture, they are inclined to criticize the speaker's lack of communication skill. In contrast, Chinese and Asian students generally are more likely to blame their own inadequacies in comprehending the speaker. Although stories such as this one are often based on anecdotal evidence, they highlight important differences between the East and West. Not to lose face, not just for oneself but for one's family, provides a powerful incentive – but also sometimes a debilitating source of pressure – to improve oneself according to conventional (socially approved) standards of achievement.

As already mentioned earlier, whereas European settlers in America practiced an extensive mode of agriculture, the Chinese and other Asians pursued an intensive mode of agriculture (Weber 1951). The latter tradition placed a premium on the group and teamwork, whereas in the world of extensive agriculture, perhaps best exemplified by the American cowboy herding cattle over long distances, individuals with their Colt-47 offer the most graphic symbol (for those who are old enough to remember cigarette commercials on television, the Marlboro man was the epitome of rugged individualism). In expanding the

Western frontier, American homesteaders were separated by long distances which again led to a culture emphasizing individualism and self-reliance.

Parenthetically, David Landes (1999: 310–334) contrasts homesteaders in the original American colonies in Northeastern United States with the ranchers (the *guachos*) roaming Argentina's open grassland (the *pampa*) as a decisive difference in the effects that geography has had on their respective cultural heritage and political economy. He acknowledges, however, with the westward expansion of US territory, ranching became more prevalent. "In the last analysis, nature had its say: as one went west and rainfall diminished, more of the land went in large tracts for livestock and herding" (Landes 1999: 320).

It is not too difficult to imagine from such differences in environmental context that the Chinese culture developed shame as a mechanism for social control, whereas in Western societies guilt presents an alternative. The difference between the two is of course that the former is about external validation (approval or disapproval by other people) but the latter is about internal validation (one's conscience provides the check against unacceptable behavior: can you look at yourself in the mirror tomorrow?). One can discern similar differences between these cultural traditions with their respective emphasis on other-directed and self-directed frames. The Chinese typically compliment their children for behaving well (the Chinese word is 乖 or *guai*), referring of course to a child's conduct conforming to social conventions and external expectations. In contrast, the typical American compliment is "cute," a reference to the child's inherent qualities. I will return later to check whether such attributions are supported by survey data. For now, this discussion highlights the fact that cultural norms do not just happen out of the blue. They tend to evolve from their environment. In the case of extensive versus intensive modes of agriculture, and self- versus other-directed social conventions, the difference between the West and the East in their respective population density is crucial.

Although historically the Chinese (especially from southern China) have emigrated, there is nothing comparable to the massive settlement of their population in overseas colonies attested by the experience of some Western countries, especially Britain. I do not have any hard evidence, but it appears to me that push factors (stemming from economic dislocation and hardship) played a larger role in the Chinese experience whereas pull factors (being drawn by opportunities

abroad) were more important in the Western experience. The truth, as is usually the case, is likely to be a combination of both sets of factors albeit varying in their relative significance.

Parenthetically, the reference to the extensive mode of agriculture raises another intriguing question that has thus far not been given sufficient scholarly attention. As Jered Diamond (2017: 424) has asked, “Why was proselyting religion (Christianity and Islam) a driving force for colonization and conquest among Europeans and West Asians but not among Chinese?” Many US scholars specializing in the study of China after World War II were children of Christian missionaries who went to China. Even today, Westerners, especially Mormons, preaching their religion and seeking local converts to their religion is a common sight in East Asia.

Why had there not been a reverse traffic of Chinese people trying to spread Confucianism in the West (in fact, many Confucian Institutes have been shut down in the United States because of allegations that they seek unwarranted influence). The West has been waging a campaign to export its economic and political institutions, “making the world safe for democracy and capitalism,” whereas China does not show such inclination to promote regime change or political transformation in other countries. The United States especially has been unabashed in trying openly to change the world in its image. As Diamond has remarked, this phenomenon pertains to broad differences in cultural disposition, and it is not simply a result of geography and politics.

As many scholars have reported, China during the Ming dynasty had sent seven naval expeditions for the purpose of overseas trade and exploration. They reached as far as Africa’s east coast. These fleets dwarfed the three ships commanded by Christopher Columbus in his voyage to the New World. The Ming court, however, subsequently banned the construction of ocean-going vessels and indeed most foreign travel. In contrast, Western countries continued their foreign expeditions and conquests that bequeathed them large overseas colonies and transformed them into ocean-spanning empires.

It is important to underscore this phenomenon because heretofore all great powers attained their position in the front ranks of interstate pecking order because of foreign wars and conquests. Victory and defeat in wars (including civil wars such as those that led to American, German, and Italian unification) were decisive in shaping the interstate

system and the major powers' relative position in it. What is commonly overlooked in Western discourse on China's rise today is that this country has been the only one thus far in modern history to have risen to the front ranks of the interstate system without having been involved in foreign war or conquest. It is therefore ironic to hear concerns and even alarms about Chinese aggression from countries such as Britain, France, Germany, the United States, and Japan (which of course is not a Western country) even though there has never been a hostile Chinese soldier (or missionary) setting foot on their soil, whereas the reverse claim does not hold. Commentators from these countries often seem to have national amnesia about how their countries had conducted themselves when they were rising powers.

Incidentally, when I said above that China has managed to raise its international stature and profile without having been involved in foreign war or conquest, I do not mean to say that it does not have ongoing territorial disputes such as with India and in the South China Sea. China has, however, settled all its land borders with the major exception of its continuing dispute with India. Moreover, these disputes appear puny compared to the territories that the United States has won *just* from Mexico, which include parts or the whole of today's California, Utah, Nevada, Arizona, New Mexico, Colorado, Wyoming, and Texas. The United States had of course also acquired other territories, such as Puerto Rico, Guam, and its colony in the Philippines after defeating Spain in the Spanish-American war. Significantly, setting aside the question of national reunification for China, Cuba and Taiwan should command similar geostrategic importance for the United States and China, respectively. China has not, however, thus far resorted to practices toward Taiwan like those undertaken by the United States toward Cuba, such as Washington's various efforts to assassinate Fidel Castro, to blockade Cuba economically, to organize an invasion of that island (at the Bay of Pigs in 1961), and to mount a naval "quarantine" against it in 1962.

Why Some Groups Are "Overachievers" in the United States?

Amy Chua and her husband Jed Rubenfeld followed the *Battle Hymn of the Tiger Mother* with a sequel that is highly informative of why some groups in the United States have been able to attain greater social and economic achievements than other groups. Even though various forms

of discrimination have not disappeared completely, the United States is a land of opportunities compared to most other countries. Many recent immigrants who came to the United States were from poor socioeconomic background, and they also face racial discrimination and other handicaps such as language barrier after their arrival in the United States. Some of these immigrant communities, however, managed to succeed even in the face of many adversities. Americans of Indian, Chinese, and Japanese ancestry have the highest average income in the United States, and they as well as those who have immigrated from Cuba, Lebanon, Nigeria, and the West Indies are disproportionately represented in corporate leadership, business entrepreneurship, legal and medical professions, and institutions of higher education.

Obviously, this phenomenon cannot be attributed to these groups sharing a common genetic pool. Moreover, it does not stem from just the fact that many high achievers are immigrants or are children of immigrants. The Mormons, for example, are among America's high achievers although they have been living in the United States for a long time. Many Jews came to the United States immediately before and after World War II, but their immigrant status again cannot be the only or even the main explanation for their many accomplishments in business, science, and the arts because they were already known for these accomplishments even while they were facing widespread discrimination in Europe.

What seems to be a common feature shared by all the high-achieving groups is that they are a minority group and that they have faced serious adversities and marginalization in their collective experience. Therefore, it is not just the cultural traits themselves but also the social and historical context that trigger and intensify those proclivities conducive to economic development that deserve attention. This view explains in part why the Chinese in China have not done well economically until after reforms initiated by Deng Xiaoping in the late 1970s, whereas the Chinese diaspora in Southeast Asia has succeeded spectacularly in their commercial pursuits (e.g., Hawes 1987; Hewison 1989; Jesudason 1989; Robinson 1986).

As already mentioned, there is evidence that after just a couple of generations of settling in their new adopted country, those cultural advantages enjoyed by the descendants of immigrants tend to decline and even disappear. The intergenerational transfer of traditional values and efforts to inculcate younger cohorts in these values no longer seem

to work as effectively in a matter of a few decades. This tendency is important to note because it shows that the process at work is not based on biology or heredity. I will discuss the role of immigrants in contributing to their adopted countries' prosperity and dynamism in the next section.

The Mormons, Cuban and Lebanese Americans, American Jews, and Americans of Chinese, Indian, Iranian, Nigerian, and West Indies ancestry have excelled by conventional standards of achievement such as indicated by their income and professional status. What do these groups have in common? What are those cultural traits that support their drive to achieve and succeed?

Chua and Rubenfeld (2014) attribute these groups' success to three critical motivations. This so-called triple package consists of a superiority complex (a belief in the specialness and superiority of one's group), a sense of insecurity (a deep social and economic anxiety concerning one's situation, being still an outsider in one's own country), and impulse control (resistance to temptation, especially to giving up in the face of adversity). This complex stands against the mainstream US culture favoring egalitarianism (rather than achievement), self-esteem, and instant gratification.

There is a significant tension between a sense of group superiority and feelings of insecurity. However, this uncomfortable combination (including resentment about society's failure to recognize one's worth and reaction to social scorn, ridicule, and negative stereotyping) provides the necessary drive to achieve and excel (resulting in the I-will-show-you and chip-on-the-shoulder syndrome). Importantly, the triple package does not just produce this drive; it "also delivers on defense – with toughness, resilience, the ability to endure, the capacity to absorb a blow and pick yourself up off the ground afterward" (Chua and Rubenfeld 2014: 15).

A superiority complex is associated with the relevant cultural community's collective recollection of their personal and national achievements in the past. China, India, and Iran were once great powers with a long and distinguished history of political and cultural achievements. Also, not to be overlooked is the fact that a significant portion of immigrants to the United States, such as the Chinese, Cubans, Lebanese, and Iranians, came from established and even privileged positions enjoying high social prestige and substantial economic wealth in their previous homeland where a regime change or domestic

turmoil has turned them into exiles in a foreign land. The latter fact of being recent arrivals in an adopted country is naturally a source of insecurity and anxiety, feelings that are often compounded by discrimination and gratuitous belittling suffered at the hands of native-born Americans.

The emphasis on delaying gratification is an important part of the triple package. It is reminiscent of my earlier reference to merchants in Tokugawa Japan incentivized to invest and reinvest their capital in successful business pursuits and the emphasis on living a frugal life despite their accumulated wealth on the part of several Protestant sects, including the Calvinists and Puritans. A person or group's ability to control the impulse to spend rather than to save and invest is an important part of the formula for their economic success. This ability requires long-term thinking and planning. This consideration of the long haul is not only related to an individual's career success. It is also associated with whether one sees oneself as an isolated individual or as a member of a larger unit such as the family or clan. Chinese families and even extended clans are known to make large sacrifices for the sake of their children's education, the rewards of which will only be reaped in the long term and thus would not necessarily benefit those who have made the initial sacrifices or investments.

Ronald Inglehart (1997: 225) cites a study by Maria Szekelyi and Robert Tardos (1993) showing that a long-term perspective enhances individuals' subsequent income after controlling statistically for the effects of antecedent conditions such as their initial income, education, age, gender, race, residence, and region. This long-term perspective is embedded in a general syndrome consisting of confidence that one's plan will work out, an emphasis on saving rather than spending, and a general and diffused sense of interpersonal trust. This evidence at the individual level confirms and reinforces observations about the differences in economic performance among groups living in the same country, the differences in economic performance of the same nation over time, and the differences in economic performance among nations.

The importance of impulse control and a willingness to postpone instant gratification for adult achievement has long been established repeatedly by the marshmallow tests for children (Mischel et al. 1972; Mischel and Peake 1990). In these tests, youngsters were told that if they would wait for an adult to return to the room before eating their marshmallow, they would receive more of this treat. Those children

who could resist the temptation of eating their marshmallow right away were able to achieve more accomplishments as adults.

It is not difficult to understand this phenomenon. Impulse control is related to decision-making involving, for example, premarital sex, single parenthood, substance abuse, dropping out of school, unemployment status, and criminal activities. Culture can be part of it, but according to Herrnstein and Murray (1994), decision-making about those matters just mentioned is also related to people's intelligence, especially their ability to engage in long-term vision and planning. "Kids who 'passed' their marshmallow test, waiting the full fifteen minutes, ended up with SAT [Scholastic Aptitude Test] scores 210 points higher than those who ate up in the first thirty seconds. For college grades, impulse control has proved to be a better predictor than SAT scores – better even than IQ" (Chua and Rubenfeld 2014: 118).

As an indication of their impulse control, Asian Americans have lower incidences of premarital sex, single parenthood, substance abuse, dropping out of school, unemployment status, and criminal activities compared to the general US population. They also tend to work longer hours and save more of their income (Costa-Font et al. 2018). A reduced sense of insecurity (such as due to the availability of welfare assistance) and a rise in the demand for instant gratification have conversely been responsible for the declining savings rate for Americans generally, their mounting national debt as well as their rising personal debt fueled by easy credit and lax regulatory oversight as attested by the bursting of the housing bubble in 2008–2009. "... America failed the marshmallow test – and paid the price" (Chua and Rubenfeld 2014: 218), and it seems destined to pay even more price.

Parenthetically, welfare programs do not necessarily diminish the incentive to save. Switzerland and Singapore provide strong welfare programs and yet their citizens have high savings rates. More systematic evidence, such as the research results reported by Costa-Font et al. (2018) in the next paragraph, also points to this conclusion. Here is another instance that institutions are not always decisive, but culture appears to make an important difference.

Thrift or the propensity to save can be another indicator of impulse control or a reflection of a person's sense of economic insecurity or vulnerability. Costa-Font et al. (2018) studied the savings behavior of immigrants who have settled in Britain. Because Britain as their new adopted country provides the same macro environment for them,

differences in the immigrants' savings behavior – after controlling for factors pertaining to their individual circumstances – can only be due to those habits or attitudes transmitted to them from their country of origin. The authors indeed find a high correlation between the immigrants' savings rate and that of their country of origin, thus demonstrating the persistence of cultural influence at least for the first two generations of immigrants. Those coming from countries with high saving rates also save more in Britain. Among the immigrant communities included in this study, Chinese from China and Hong Kong are by far the highest savers. This cultural effect, however, practically disappears by the third generation.

On the matter of self-esteem, Asian Americans are more likely to express their inadequacies, at least they tend to do so in professing publicly. I have already told the story that one sometimes hears in Asia: when an Asian student is unable to understand a teacher or speaker, she often puts the blame on her inability to comprehend whereas when this happens to a white American student, she puts the blame on the speaker for his inability to communicate effectively. Moreover, American parents are quite generous in dispensing compliments such as “good job,” even when a child performs mediocly out of a fear of hurting this youngster's self-esteem. Conversely, Chinese parents can be relentlessly critical and demanding even when their student places second or third in his or her class. One indication of a culture emphasizing self-esteem and egalitarianism is the phenomenon of grade inflation in US colleges.

Interestingly, “Asian American students regularly report low self-esteem despite their [superior] academic achievements” (Chua and Rubinfeld 2014: 111). One might add that most other Americans have high self-esteem even though they have lower objective performance. In the United States, “Asians said they were the least satisfied with themselves of any racial group: blacks reported the highest positive attitude toward themselves, followed by Latinos, then whites, then Asians” (Chua and Rubinfeld 2014: 111–112). Experiments show that students who were given a boost in self-esteem in fact did *worse* than other students in their test scores (Chua and Rubinfeld 2014: 213, emphasis in original). Self-satisfaction can be a source of complacency and even arrogance.

Tian Zhu (2021: 125–126) cites a 21-country survey conducted by the Pew Research Center in 2011, which reports:

68% of the Chinese respondents believed that Chinese parents put too much pressure on their children to do well in school, the highest of all countries surveyed. Conversely, only 11% believed that Chinese did not put enough pressure on their children to excel. In the United States, only 11% of the respondents believed that American parents put too much pressure on their children, while 64% thought the opposite.

One can imagine a darker side to the Asians' drive to succeed. Constant and heavy pressure from family and from oneself can cause immense stress, and it can render failures in schoolwork and career so much more disappointing, even devastating. Such setback can destroy a person's self-esteem and, in the East Asian context, cause this person's family to lose face. One often hears stories of children and adults in East Asia committing suicide in the face of such adversity and setback (sometimes parents not only kill themselves but also their young children in committing suicide).

It is therefore interesting to refer to the relative incidence of suicide across ethnic/racial and age groups. White Americans had about twice the suicide rate of Asian Americans in 2000–2010 (13.5 compared to 5.6 per 100,000), but Asian women had a comparable suicide rate to whites in the 15–24 age group (3.2 versus 3.5 per 100,000) and it was higher for the over 70 age group (6.8 versus 4.1) (Chua and Rubenfeld 2014: 150–151). Hence, it seems that the pressure brought on by the drive to succeed, which can contribute to suicide rates when it is met with failure, disappointment, and low self-esteem, is offset by traditional Asian emphasis on support from the family unit. That older Asian people are more likely to commit suicide implies that the pressure to succeed, which is felt most intensely by younger people, is less likely to be the leading cause of their behavior. Naturally, this remark does not deny the many well-publicized stories of young people and even adults taking their own lives because of the pressure to succeed and the severe distress and even devastation that ensue when one's expectations are not realized and one's hopes are dashed.

Hard work and persistence are part of the recipe for achieving. They are motivated by the combination of superiority complex and psychological anxiety (even insecurity) featured by the triple package. "Chinese American children watch about one-third less television than white Americans. Asian kids are more likely to attribute success or failure at school to how hard a student works; by contrast, white Americans are more likely to attribute it to innate talent, luck, or

teacher ‘favoritism’” (Chua and Rubenfeld 2014: 127). Research by Amy Hsin and Yu Xie (2014) suggests that in fact “the main reason for the better academic performance of Asian-American students than white students is not higher intelligence but more diligence.” Asian parents share this belief, and they are likely to emphasize hard work rather than natural talent as an influence on their children’s school-work and other kinds of performance.

The drive for conventional achievement by groups such as the Chinese American community, however, places them in a rather paradoxical situation, one that puts their values and beliefs in conflict with other emergent currents in American society.

Henry Louis Gates Jr. (2010) was quoted by Chua and Rubenfeld (2014: 323) remarking:

I read the results of a poll from the *Washington Post* recently that interviewed inner-city black kids, and it said, “List things white.” You know what they said? The three most prevalent answers: getting straight A’s in school, speaking standard English, and visiting the Smithsonian. Had anybody said anything like this when we were growing up, they would have smacked you upside your head and checked you into an insane asylum. Somehow, we have internalized our own oppression.

Remarkably, this phenomenon converges with another phenomenon: “what’s rarely observed is the strangely parallel disparagement of discipline and academic striving that has emerged among America’s affluent classes” (Chua and Rubenfeld 2014: 222). This latter current is at least in part associated with the ongoing shift from a materialist to a postmaterialist culture, where self-expression, personal liberation, and non-conformity are valued. But this phenomenon also cannot be entirely attributed to this culture shift typically associated with the political left. Conservatives have increasingly attacked the “ivory tower” mentality, and many have questioned science on questions such as the reality of global warming and the efficacy of anti-Covid vaccines.

Obviously, those political institutions like the rule of law and property rights emphasized by Acemoglu and Robinson (2012), North (1990), and other scholars sharing the institutional perspective cannot explain the differences in socioeconomic achievements by groups living *within* the same country. This observation lends greater credence to the role played by culture. Yet lest we exaggerate the power of the triple package, we should acknowledge that its absence cannot be construed

as the original cause of various groups' uneven achievements such as indicated by their wealth or poverty – because groups respond to differences in their environment as suggested by Jared Diamond (2017) and as my subsequent discussion tries to show.

Moreover, the groups' original positions can affect their future options, including their subsequent culture and their drive and ability to achieve as suggested by the idea of path dependency. For example, history and environment have contributed to a culture of fatalism and passivity in the Appalachia region of the United States, where chronic and pervasive poverty has perpetuated itself and this phenomenon has been the result of an environment whereby “the Triple Package [has been sucked] out of a culture” (Chua and Rubenfeld: 180). Chronic poverty, pervasive discrimination, and life's other hazards (such as drug abuse, obesity, malnutrition, and unemployment) characterize the challenges faced by many African Americans. An inhospitable environment influences a dysfunctional culture, and this culture in turn contributes to and reinforces the negative environment, perpetuating a cycle of deprivation and despondency. We should not overlook the fact that culture and its environment are in constant interaction.

Geography, genetic evolution, and immigrant status also cannot explain, for example, the successes of Mormons – the only group that has had an extermination order issued against it (even though other groups have suffered large-scale physical assaults and even legal discrimination, such as the Chinese Exclusion Act of 1882). As already mentioned on several occasions, although I focus in this book on the influence of culture on economic growth and development, I do not suggest that it is the only factor to be considered. Culture, however, is an important factor whose importance to economic growth and development has been neglected in recent years.

Of course, some groups, such as the Amish communities, deliberately choose themselves out of the triple package. They are at peace and satisfied. They do not have any insecurity, and they also have nothing to prove to the world. In contrast, Weber's Protestants have a superiority complex and feel insecure. They want to prove that they are God's chosen as indicated by their worldly achievements. Motivated by the triple package, those immigrant communities mentioned in this chapter have made great strides in conventional socioeconomic achievements such as high income, good grades, admission to prestigious schools, and establishing themselves as leaders in the business world and traditionally

esteemed professions such as medicine and the academy. At the same time and as to be elaborated further in the next chapter, mainstream American culture seems to be drifting from this achievement orientation.

This development is occurring even though, “[i]n fact, America was for a long time the quintessential Triple Package nation” (Chua and Rubenfeld 2014: 26). It has a superiority complex separating it from Europe’s institutions and traditions, an exceptionalist view of its manifest destiny, and yet also a sense of insecurity and anxiety in a world dominated historically by Europe’s great powers (hence Washington’s traditional preference for isolation and detachment from others’ affairs and a fear of entanglement in foreign relations). The United States has also been the preferred destination for immigrants with a drive for high achievement, and its belated and delayed emergence as the world’s leading power after World War II can also be construed as a sign of delayed gratification.

As just mentioned, however, there are changes afoot. Americans routinely describe the United States as the greatest country in the world, something that one does not hear from people from other countries, including China. As Chua and Rubenfeld (2014: 220) have remarked, yet the United States seems to be losing its triple package, while China has it “in spades, with an outsize superiority complex, a Confucian tradition of impulse control, and above all a determination to prove itself once again to the world.” There is danger looming when a community or country loses its sense of insecurity and impulse control (and replaces them with self-esteem and instant gratification). When this occurs, it also loses its entrepreneurial élan and more generally its dedication to personal or national effort mobilization. This situation leaves it with only its sense of superiority and exceptionalism, “which, by itself, is a recipe not for success, but for swagger and self-satisfaction” (Chua and Rubenfeld 2014: 27), and one might add a sense of arrogance, complacency, and entitlement. “There is a disconnect today between the story Americans tell themselves about how to think and how to live – and the reality of what the American economy rewards” (Chua and Rubenfeld 2014: 27).

The Role of Immigration in Fostering Prosperity and Power

The preceding discussion has important policy implications and socio-economic consequences. It also provides part of the explanation for the rise and fall of current and past great powers. Significantly, the United

States commands a great advantage over China because it receives a large and constant infusion of talented and hard-working immigrants who contribute to promoting and sustaining its economic growth. This infusion improves human capital for a country's economic dynamism.

Enrico Moretti (2013: 242) reports that 15% of the US workforce were foreign-born. These immigrants, however, are over-represented among those who are highly educated, representing about one-third of the engineers and about half of those with doctoral degrees. They are also 30% more likely to start their own businesses than native-born Americans. Moreover, they are disproportionately represented in high-tech start-up companies, accounting for one-quarter of these firms with annual sales over \$1 million. In view of these figures, the recent backlash from Americans against foreign refugees seeking opportunities for a better life from their homeland is counterproductive. It is an example of what I have referred to earlier as "self-inflicted injury" that handicaps one's own economic development.

As Amy Chua (2007: xxv) observes, past "hyperpowers have fallen prey to fragmentation and disintegration precisely when their core group turns intolerant, reasserting their 'true' identity, adopting nativist or chauvinist policies, and attempting to expel or exclude 'aliens' and 'unassimilable' groups." She therefore questions people like Samuel Huntington (2004) who are concerned that continued immigration, especially from Spanish-speaking regions like Mexico, will cause the United States to lose its identity and social glue. Recent harsh treatment by the United States and European countries of refugees seeking admission is also disturbing because this treatment abets and is in turn abetted by domestic partisanship and hateful public rhetoric.

Reflecting on the histories of past great powers, Chua (2007: 46–47) remarks that "Rome's color-blind and surprisingly class-blind approach to citizenship was instrumental in spreading Roman culture and values." Furthermore, "In incorporating different peoples, Rome's ideal was emphatically not multicultural diversity. It was assimilation . . . Barbarians were not thought to lie forever outside the pale of civilization: they had only to live by Roman practices to be considered part of the empire." However, as the diversity of its peoples increased, this heterogeneity gave rise to intolerance and bigotry, including religious persecution of Christians first as its victims and then as its source. "Although not the only cause of Roman decline, intolerance helped tear the empire apart" (Chua 2007: 53).

Traditional China, like ancient Rome, also reflected tolerance and diversity. For example, the Chinese people did not believe in monotheism like Christianity, Islam, and Judaism, but rather adopted different beliefs and practices from different religions that have coexisted in China and indeed in Chinese individuals and families. Confucianism was moreover a philosophy about life in general rather than a religion. The definition of being Chinese was not based on racial or religious grounds but was rather identified with following Chinese rituals and practices, knowing classical Chinese texts, and adopting the Chinese lunar calendar or in other words, being assimilated into the Chinese culture. As Chua (2007: 61) notes, “The Tang [dynasty] was . . . more open, cosmopolitan, and ethnically and religiously tolerant than any other empire of its day, and perhaps than any other period in Chinese history.” The achievements of the Tang dynasty continue to resonate, as even today the Chinese people still often call themselves “the Tang people.”

Whereas medieval Europe underwent political fragmentation and religious turmoil, China kept its political unity despite frequent internal warfare and social upheaval. It has managed to maintain this unity over a territory as large as continental Europe because of the triumph of its strategic tolerance and its ability to assimilate people from different backgrounds. “Indeed, over its three-thousand-year history, China has essentially accomplished exactly what the European Union is trying to do today – it has brought and kept together in a single political unit a huge number of individuals from vastly different cultural, geographical, and linguistic backgrounds. Chinese civilization in fact grew out of a great intermixing of diverse cultures” (Chua 2007: 289).

Early modern Europe provides contrasting cases of tolerance and intolerance and the role of immigrants in contributing to the vitality of different countries’ economies, or the opposite phenomenon in the case of Spain which sent into exile skilled craftsmen and successful entrepreneurs. Despite its newly found wealth, especially silver, from its conquests in the Western Hemisphere, Spain’s persecution of the Moriscos and *conversos* (Jews who had converted to Catholicism) and its Inquisition against alleged heretics set its economy on a course of permanent decline. By comparison, the Dutch republics were welcoming to persecuted minorities, such as Jews from Spain and Huguenots from France, precisely those groups high on the motivation to excel in craftsmanship and entrepreneurship as described by Weber

and McClelland. These groups were a vital part of the impetus that launched the Netherlands' economic expansion which in turn fueled its geographic expansion to become the leading global power.

In contrast to Spain but similar in many ways to Tang China and the Dutch republics, the Ottoman empire in its heydays also featured tolerance, diversity, and open social mobility. "... Almost everyone in the [Ottoman] empire, of any ethnicity or social class, could become a Muslim and a member of the *askeri* [although this term refers literally to the military, it encompasses all high official positions in imperial administration]. Moreover, converted Muslims were every bit as good as 'natural-born' Muslims, with virtually no limits on their success" (Chua 2007: 172).

National isolation and xenophobia hinder economic growth. Reduced contact from or interaction with foreign sources deny a country the benefits of Smithian growth (i.e., growth based on a division of labor reflecting each country's comparative advantage) and Schumpeterian growth (learning new ideas and technologies from foreigners that facilitate the process of creative destruction paving the way for invigorated growth) as Mokyr (1990: 4–9), Thompson and Zakhirova (2019: 3), Goldstone (2002: 324), and other scholars have reminded us. Japan's and especially China's violent encounters with Western imperialists before their respective modernization demonstrate the disastrous consequences of their policies of self-imposed isolation.

In his review of many possible conditions that affect a society's innovative capacity, Joel Mokyr (1990: 181) remarks, "Whenever religious and intellectual intolerance spread through Europe, as they did in the fourteenth century, their advent coincided with the temporary slowdown in technological development." Regimes that did not welcome foreign talents, such as medieval Spain and the Ottoman Empire in its later years fell behind those, such as Britain and the Netherlands, that did. The latter countries acquired cutting-edge technologies and political influence "out of all proportion to the size of their populations" (Mokyr 1990: 206). In the same vein, Carlo Cipolla (1972: 52) asserts:

Throughout the centuries the countries in which intolerance and fanaticism prevailed lost to more tolerant countries the most precious of all possible forms of wealth: good human brains ... Inflow of good brains and receptiveness to new ideas were among the main sources of the success stories of

England, Holland, and Sweden in the sixteenth and seventeenth century. It is gratifying to be able to say that tolerance pays off.

Chua (2007: 267) concludes, “No society based on racial purity, ethnic cleansing, or religious zealotry has ever become world dominant,” with Nazi Germany and Imperial Japan providing the most compelling examples of this proposition. An important part of the not-so-secret recipe for US economic achievements was this country’s attraction to foreigners who are drawn to its opportunities for immigrants to improve their lives and for their children to move up socially. However, in recent years both Europe and the United States are showing difficulties in assimilating their immigrants, and for Europe, especially its Muslim population. The question of Turkey’s accession to the European Union presents another challenge to Europe’s ostensible tolerance. Hindu nationalism, represented by the Bharatiya Janata Party, is also challenging India with its multiple ethnicities and languages in addition to its traditional caste system. Finally, compared to the United States, China is not nearly as capable in attracting and retaining talented and hard-working immigrants. It has instead targeted its 55 million overseas compatriots, seeking to recruit their talent and capital to assist China’s economic growth. China shares with Japan the prospect of continuing demographic decline and thus the shrinking of its future workforce, as well as its relative unpopularity as a destination for immigrants and often its own self-imposed insularity. By restricting immigration, the United States will be forfeiting one of its greatest comparative advantages over China.

Culture as the Evolutionary Product of Human Interactions with the Environment

Cultural practices and institutions do not suddenly spring from thin air. They reflect the cumulative product of a society’s adaptation to its environment. Although the culture of another society may appear bizarre, superstitious, and even counterproductive to outsiders, they are rarely irrational.

Take the example of Hindus’ worship of cows and the taboo against eating beef (Harris 1966). This practice seems to foreigners puzzling, because many poor Indians are malnourished and some even suffer from chronic hunger, and yet they refuse to take advantage of a readily

available source of animal protein provided by the bovine population. However, on closer examination their behavior becomes understandable. Cows provide traction power and are needed to plough the land for cultivation during a narrow window defined by the monsoon season. Families that slaughter their cow for food will have to rent or borrow this animal for this crucial agricultural task. Those who do so place their family's food needs and financial future in jeopardy. Moreover, cows provide other values besides their meat; their milk, dung and hide are useful for other purposes. In short, the rationale for the taboo against eating beef becomes more understandable if one considers India's ecology, even though this taboo is cloaked in or justified on religious grounds.

Consider other examples of people's dietary habits. Marvin Harris (1978) points out that Jews and Muslims do not eat pork, even though pigs are the chief source of animal protein in Chinese diets. The ban on eating pork was instituted long before the discovery of trichinosis, so that this disease could not have been the reason for this dietary taboo. The Middle East's ecology, however, makes this taboo more understandable. Pigs are not compatible with the nomadic way of life, because unlike horses, cows, goats, and camels, they cannot travel over long distances.

High population density characterized traditional China where limited amounts of land had to support many mouths. The land allocated to cattle grazing would not be available to grow crops for human consumption. Unlike cows, pigs are scavengers that do not compete with human beings. They can be fed with garbage dispensed by people. Traditional Chinese treat these animals practically as members of their family, and often shelter them in their house. The Chinese word for home or family (家 or *jia*) consists of two characters indicating a roof over pigs.

In contrast to China's historical ecology, the United States featured a small population over a large expanse of land. Thus, Americans practiced extensive agriculture in the sense that a few people (cowboys especially) worked on undertakings such as ranching and herding over a large geographic area. In contrast, traditional East Asia, including China, Japan, and Korea, practiced intensive agriculture in the sense that their farmers tried to gain agricultural productivity by putting more human labor into small, fixed plots of land. No wonder beef is a favorite food item for Americans given this historical and geographic

context. Despite its name, hamburgers were not invented in Hamburg, Germany. There is also little mystery behind the reason why McDonalds and Burger King were first established in the United States, and Chinese chefs did not invent ice cream or cheesecake.

The general conclusion to be drawn from research by anthropologists such as Marvin Harris is that although cultural norms and practices are often couched in religious justifications, their origins can be traced to more mundane ecological conditions. Before the arrival of Europeans, South America lacked large games to provide a source of animal protein to human beings. Could this condition have evolved to create the institution of human sacrifice, whereby the victims' bodies were thrown from the altar to the crowd waiting at the bottom of the pyramid? Could the absence of large games and the practices of human sacrifice and cannibalism be related (Harris 1977)?

People's dietary habits and preferences tend to reflect the environments in which they live. Their efforts to cope with challenges from their respective environment make deep imprints on their respective culture beyond food. Karl Wittfogel (1957) was a pioneer in the field of ecological anthropology. He coined the phrase oriental despotism to describe the authoritarian tradition of different "Eastern" societies, especially that of China. He argued that the necessity to control floods and provide for irrigation created the impetus to form large bureaucracy and centralized authority in these societies. The so-called hydraulic societies needed to mobilize and coordinate collective efforts to support these large engineering projects. This phenomenon in turn subordinated individual rights and personal freedom to teamwork and group interests, thus accounting at least in part for the phenomenon that Western liberal democracy had encountered difficulties in sinking roots in hydraulic societies (most ancient civilizations developed initially along the banks of large rivers providing easy access to support human settlement, such as the Nile delta in Egypt, the Tigris and Euphrates in the Fertile Crescent, the Ganges and Indus rivers in India, and the Yellow River and the Yangtze in China). Generalizations such as this proposition often contain a kernel of truth, but they can also present caricatures if people fail to grasp important nuances and qualifications.

Thus, we can draw useful lessons from commentaries from people such as the political scientist Lucian Pye (1967, 1968), whose publications have emphasized the Chinese people's supposed abhorrence of

chaos and disorder (亂 or *luan*) given their country's experience with chronic warfare and civil unrest. This tendency is in turn supposed to produce a psychological need on the part of contemporary Chinese to search for authority figures in their politics and to give deference and respect to these figures. The other-directed nature of Chinese society is also supposed to foster an emphasis on "face," or showing outward signs of giving and saving "face" – that is, to recognize and accommodate the need to maintain one's own and others' social standing. As I show in the next chapter, such views sometimes present stereotypes that are not supported by evidence. One may also question the supposed psychological origin for the Chinese people's proclivity to accept authoritarianism. For instance, did not Europe also have periods of intense conflict and turmoil such as the Thirty Years' War? Compared to China, did Europe suffer more such turbulence and should therefore be expected to exhibit greater authoritarian tendencies according to Pye's reasoning? In fact, many scholars (such as Jerad Diamond, David Kang, Joel Mokyr, and Charles Tilly, to mention just a few) have commented on European countries' constant rivalry and frequent warfare in contrast to East Asia's experience with "universal peace" under China's imperial rule. Both the logic and evidence pertaining to propositions such as Pye's require clarification and confirmation from systematic and comparative analyses.

Whether one agrees with inferences and attributions based on observations of another country's culture such as those mentioned in the preceding discussion, they suggest that culture is something that is not only taught and learned as abstract concepts but is practiced routinely and constantly by members of a cultural community. Moreover, the beliefs, attitudes, and values of individuals belonging to such a community are the cumulative product of their predecessors' attempts to manage and adapt to their social and physical environment. Culture is in other words a living thing (Qin 2018; Wendt 1999).

Conclusion

The political and economic institutions of the United States and West European countries have by and large remained the same since 1945, although their popular culture has undergone significant change in recent decades as documented by Ronald Inglehart and his colleagues (Inglehart 1990, 1997, 2004; Inglehart and Baker 2000; Inglehart et al.

2004; Inglehart and Welzel 2005), especially pertaining to the major shift from people's materialist concerns to postmaterialist concerns. Holding the influence of political and economic institutions constant, this situation presents a quasi-experiment to discern the possible effects of changing culture on changing economic performance. This topic is taken up in the next chapter.

Similarly, China's authoritarian regime, its one-party rule, and its official communist ideology have remained as constants during both its years of economic stagnation and fast growth. Rather, it seems that in this case a change of government policies – as opposed to a transformation of political institutions – has sparked rapid growth and sustained it. Even in the aftermath of the Covid-19 pandemic and the drop from its previous double-digit rate of economic growth, China's economy is still expected by experts to expand faster than the United States and most other countries. The conditions described in this paragraph also help provide the setting for a quasi-experiment. What could have changed China's economic performance since its macro political institutions have remained the same? This situation creates an opening to investigate more thoroughly the role played by culture and, equally important, the role played by policy changes that can release the energies embodied in a traditional culture but that which have been held back heretofore by hostile policies and/or an inhospitable economic environment.

What were, then, those policies that effectively unlocked and released the pro-growth cultural impulses that had previously laid dormant? I argue that removing the policies blocking these impulses is a large part of the story. This view suggests that what is required is for the government to refrain in the first place from adopting policies that impede economic growth, and next for it to discontinue those policies that discourage or retard this growth – or in other words, for the government to simply stand aside and allow the society's natural dispositions to take over. As in the case of Hippocratic oath for physicians, the first motto is to do no harm. This part of the story is as important as for the government to actively engage in policies that promote growth. The key is for the government to work with rather than against those ingrained cultural norms and inclinations that facilitate and encourage growth. It is remarkable that, as many observers have commented, the Chinese people were so quick and adept in taking up business pursuits after three decades of communist rule and

indoctrination compared to the more lethargic response on the part of Russians to their country's economic opening.

The second order of business is to get the basics right. An old commercial from the investment firm Smith Barney used to boast "We make money the old fashion way." Beyond a facilitative culture, East Asia's economic successes also owe much to its governments' ability to get the fundamentals right – or at least not to adopt policies that undermine the basics. There is no mystery to their policy package to promote growth. It includes encouraging savings and investment, balancing expenditure with revenue, curbing inflationary pressure, providing incentives for hard work, and supporting education and learning. This endeavor involves an ensemble of social and economic policies. And there does not appear to be any shortcut or easy substitution to gain economic growth.

After that, a third priority is to encourage innovations to raise productivity and thus to sustain growth. Scientific and technological breakthroughs can be game changers putting an economy on a new, higher trajectory, such as in the history of Europe's technological innovations launching the Industrial Revolution (Landes 1969). Joel Mokyr (1990) argues that, contrary to popular beliefs, "free lunches" are possible because of the radical improvements in people's lives made possible by fundamentally new ways of making and doing things. However, innovations are hard for corporations and governments to engineer or plan for. This will be the topic for Chapter 5.

Because it is easier to change policies than institutions, the line of reasoning presented in this chapter suggests that effecting economic growth may not be as challenging as institutionalists sometimes imply. At the same time, because cultural dispositions cannot be easily transplanted, East Asia's economic experience also cannot be easily replicated. Lee Kuan Yew, Singapore's former prime minister, avers, "If you have a culture that does not place much value in learning and scholarship and hard work and thrift and deferment of present enjoyment for future gain, the going will be much slower" (quoted in Zakaria 1994: 116–117). He continues, "Now if you gloss over these kinds of issues because it is politically incorrect to study them, then you have laid a land mine for yourself."

David McClelland stresses that N-Ach is not something that is inherited but is rather instilled in a people such as by educating and socializing young people in school, and by parents teaching their

children to be responsible and self-reliant. Indeed, cultural traits that enable or encourage people to excel in various endeavors are not uniquely East Asian. As shown by Chua and Rubinfeld (2014), people from non-Confucian backgrounds often have similar, generalizable characteristics that motivate their drive in economic and non-economic pursuits.

It remains finally to be said that a long and rich culture such as China's can feature multiple facets and sometimes it even presents seeming contradictions. The latter tension gives a culture suppleness and flexibility, enabling it to endure and adjust to the test of time. We sometimes encounter this situation in the form of bimodal injunctions, such as when people are enjoined to be both cautious and audacious, to be rigid in principle but flexible in tactics, to fully mobilize their effort and yet to avoid unnecessary exertion, and in the parlance of Chinese communists, to be both red and expert (e.g., Bobrow 1969; Bobrow et al. 1979). Thus, opposing views can often draw support from the same cultural tradition (e.g., Johnston 1995). Justin Lin (2014) is critical of cultural explanations of economic performance, and he is right to remind us that it was not so long ago that Confucian culture was widely seen as an obstacle that hampered China's social, political, and economic progress. Confucianism has been attacked as a conservative force hindering China's modernization from different quarters, such as by Chinese republicans who wanted to overthrow the Qing dynasty and the Red Guards during the Cultural Revolution. It was only recently that various commentators and scholars attribute to it those qualities that have assisted East Asia's rapid economic growth.