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Is South Asia Condemned to Backwardness?

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Abstract

A blog, “Reflections on India”, written by Sean Paul Kelley, an investment banker-turned travel writer, went viral on the internet. Posted on 7 August 2012, Kelley warned: “If you are Indian or of Indian descent I must preface this post with a clear warning: You are not going to like what I have to say”. Then he went on to write about “filth, squalor and all around pollution” he saw on his most recent travel to the country. Observing this and much more, he went on to suggest that there was “lack of respect for India by Indians”. It is the last observation that is worth some attention since it points to a feature of the South Asian culture which stands in the way of this region’s sustained economic development and social improvement. This paper attempts to shift the development discourse back to the impact of culture on economic growth and modernisation.

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Introduction

The Kelley blog has led to much discussion among South Asia watchers. The question is being asked whether the sub-continent would ever break out of the vicious cycle of low growth, mass poverty, environmental degradation and inequitable income distribution. This question is not only prompted by the blog but also by the fact that the Indian rate of GDP (Gross Domestic Product) growth has slowed down by three percentage points in a couple of years. Bangladesh is struggling to maintain the rate of growth in its national product at about six per cent a year. Pakistan has been stuck at the rate of GDP increase of three to 3.5 percent a year over a period of five years, the longest recession in its history. At the same time the development and finance institutions such as the World Bank and the International Monetary Fund (IMF) have come to the conclusion that growth rates of between seven and 7.5 per cent a year are needed by the South Asian countries to alleviate poverty and improve in general the citizen's welfare. That was the main point of the Kelley blog. Given the recent slippage in growth it is also the worry of many analysts. Does South Asia possess the culture of growth?

Culture and Development

The American presidential campaign has brought the subject of culture and how it impacts on development to the centre of political discussion in the United States. In remarks made while on a visit to Israel, Mitt Romney, the presumptive Republican candidate, suggested that there was something in the Palestinian culture that kept that particular community backward. Conversely, there was something in the culture of the Jewish community that made it possible for Israel, occupying the same geographic space as the Palestinians, to match First World standards. "When people invoke culture in the Romney manner, what they are really invoking is a scale by which humanity may be ranked from totally dysfunctional to totally awesome", wrote Ta-Nehisi Coates, a senior editor at *The Atlantic*². On this scale it is not difficult to see where some South Asian countries – Pakistan for instance— belong.

Economists have struggled for centuries with the question of why some countries grow and succeed while some others remain poor and fail. Adam Smith, the discipline's founding father, found in the "pursuit of personal interests" the reason for economic advance of the entire society. It was the "invisible hand" that turned personal greed into social good. But why isn't that happening in South Asia where there is considerable personal greed. Why is that not pulling up the entire society? This question did occur to Smith. He maintained that the pursuit of personal interest involves more than greed. Along with the book *Wealth of Nations* he published *Theory*

² Ta-Nehisi Coates, "Romney's side course of culture", *The New York Times*, August 9, 2012, p. A21.

of Moral Sentiments that put emphasis on values and cultures. This line of thought was picked up by John Stuart Mills who came four decades after Smith, and a century and a half later it was also the theme of Max Weber's most important works. Writing in the early 20th century, Weber coined the phrase "Protestant work ethics" to suggest why some societies did better than others in terms of economic advance and social improvement. His emphasis was hard work, honesty and trust.

Once these pioneers had done their work, economists began to labour on what they called the "growth functions". They generally moved away from culture as an important contributor of development or conversely for keeping societies backward. They discarded the notion that there were good cultures and bad cultures. Instead, their work involved the identification of the factors that could be easily quantified and put in formulas and models. From these came a string of policy recommendations for pushing forward economies and societies. A list of conditions had to be met for economies to grow at a fast pace: a stable and inclusive political system; laws that clearly enforce property rights; courts that used the laws on the books to settle disputes; government officials who were not corrupt and did not seek rents that were beyond their remunerations; a civil service system that provided services to the people efficiently; flows of foreign investment that also brought with them technologies and management practices; and easy entry of firms wishing to do business. The lists kept on becoming longer; several Nobel prizes were won on introducing new factors into the growth equation. And several development institutions and think tanks developed survey techniques to measure these attributes and place them on scales that stretched from the poor and weak to the rich and strong. South Asia does poorly in most of these measures.

Into this intellectual thicket jumped in Amy Chua, not an economist but a mother in an Asian-American family who worked hard to make her daughters excel. Her much acclaimed book, *Battle Hymn of the Tiger Mother*³, introduced a new dimension into the thinking about culture as a contributor to growth. She looked around her community of people of Chinese origin and noticed that they were doing a great deal better than those who lived and worked around them. That was the case not only with the Chinese in America. She found that the migrant Chinese had done exceedingly well in other parts of the world as well. For instance, the ethnic Chinese in the Philippines, accounting for less than two per cent of the country's population, controlled 60 per cent of the economy. The Chinese diaspora was equally successful in several other parts of the world – in Malaysia, Indonesia and also in such unlikely places as northern Italy.

³ Amy Chua, *Battle Hymn of the Tiger Mother*, New York, Penguin Press, 2011.

Migrants as Achievers

There was perhaps something about migration that produced the drive to succeed. What Amy Chua in her book called “dominant minorities” had excelled in their adopted homelands around the globe – the Indians first in East Africa, then in Britain and America; the Lebanese in Sierra Leone and Ecuador; the Pakistanis in America and the Gulf States. A number of Indian professionals have risen to the top of the corporate world not only in the United States but also in Europe. This has led several scholars who focus on the contribution of culture to development to ask the following important question: did the act of migration generate a new set of values or was it that the old set of values did better once the overall environment changed? The migrants by moving into new social environments that were supportive of their values did well, many of them scaling the heights in their adopted homelands. This question is being looked at by economic and social historians as well as by anthropologists and political scientists. Many of them have found that there is some substance in the belief that the factors on which Max Weber put so much emphasis – work ethics, thrift, interest in bringing about change and hence innovation – do count as the drivers of growth and development but their contribution is greater when the social environment is supportive.

Is South Asia destined to remain backward since it has an environment in which people even with the Weberian values can’t succeed? The same values have propelled the people of the region to flourish in more supportive environments. This is what Kelley has implied in his blog. When a more supportive environment is available, the same cultural traits that fail in the sub-continent seem to pay off when the environment changes.

Culture and Social Environment

Using some quantitative analysis, Gregory Clark in his *A Brief Economic History of the World* maintained that the 19th century Industrial Revolution in Britain was not necessarily the result of technological advance⁴. The factors to which economists now attach a great deal of importance – stable political institutions, viable legal systems, predictable land values, patent laws, and functioning markets – were necessary but not sufficient conditions to get the Revolution going in Britain. They made their contribution after changes had occurred in the environment in which people worked. However, those changes occurred over centuries. Clark brought Darwinian thinking into economics, suggesting that over time those with the right set of values will become dominant in the societies in which they live. To make his point he compared productivity levels in Lancashire’s textile mills with those that were using the same technologies in British India.

⁴ Gregory Clark, *A Farewell to Alms: A Brief Economic History of the World*, Princeton, N.J., Princeton University Press, 2008.

The Indian workers' productivity was one-quarter that of their counterparts in Britain. It was not only Britain that had productivity levels so much higher than that of India. Japan which came much later to industrialisation, including the production of textiles, was able to quickly outperform India in terms of worker productivity. It didn't have India's many advantages in the manufacture of textiles. It did not grow cotton but was able to quickly acquire much larger market share than all of South Asia.

Perhaps the most cogent argument for the importance of culture in encouraging economic development is made by David Landes in his *The Wealth and Poverty of Nations*⁵. "Thrift, hard work, tenacity and tolerance are the cultural factors that make the most difference", he suggests. But he and others who have pursued this line of thinking don't know how to move from a culture that inhibits development to the one that promotes it. Some believe that education is the most important contributor for bringing about this kind of change. Amy Chua's book focused on education and how parents can improve and motivate their children to excel in their fields of endeavour. That education has a role to play in promoting economic development and social change has attracted the attention of the economists as well as policy-makers. This was one reason why the heads of governments of most nations, in the Millennium Declaration on Development signed in New York in 2000, gave so much attention to education. However, since then there has been a great deal of new thinking on non-economic factors of development.

Some political scientists had come to the field of culture and development long before it attracted the attention of the economists. For instance, more than half century ago, Edward Banefield looked at southern Italy and concluded that what kept the area backward was an excessive pursuit of narrow self-interest⁶. The "self" was not limited to one individual. It was extended to families and sometimes to communities (or sub-castes in India and baradaris in Pakistan). This, of course is the case in South Asia, even in the institutionally more advanced India. One manifestation of this is dynastic politics in the four major countries of South Asia – Bangladesh, India, Pakistan and Sri Lanka. This has impeded the development and professionalising of political parties which is a necessary condition for creation of advanced political orders. Political dynasties flourished in those cultures that put individual interest above that of the society.

Looking at the copious amount of literature that is now available on culture and development, Francis X. Hezel has identified six cultural attributes that may help with development. His list, by no means exhaustive, includes belief in the importance of individual effort; trust; generalised

⁵ David Landes, *The Wealth and Poverty of Nations: Why Some Are So Rich and Some Are So Poor*, New York, W.W. Norton, 1999.

⁶ Edward Banefield, *The Moral Basis of a Backward Society*, New York, Free Press, 1967.

morality; autonomy; ethic of hard work; and thrift⁷. This is a descriptive but not perspective approach. Why is that some communities in culturally backward societies have these attributes but they don't spread to the entire society? Decades ago, the American sociologist Hanna Papanek studied entrepreneurial communities in South Asia such as the Marwaris in India, the Chinoties in Pakistan and the Memons in both India and Pakistan⁸. To these we can add the Sylhetis in Bangladesh and the Sikhs in the Indian state of Punjab. She came to much the same conclusion as did Hezel but added another dimension to the thinking on culture and its impact on development. Small communities flourished since their members could only trust those who were related to them in some way or the other. This was one reason why most firms in South Asia remained family-owned and family-controlled. Good institutional development was needed to extend this trust to the entire society. South Asia did not have such institutions.

Conclusion

For those interested in promoting the development of South Asia it is important to recognise three things. One, culture is an important contributor to development. However, culture usually is a narrow concept, confined to small communities not to entire societies. An environment is supportive when it has rich institutional base. Two, for culture to spread across the entire society what is required is a supportive environment. Three, an environment also becomes supportive when there is interest on the part of those who are prominent in the society to develop general respect for the law by giving it respect themselves. If this conclusion is acceptable it explains the South Asia conundrum: why do certain communities do so much better than others in an even non-supportive environment and why individuals from the sub-continent do so well when they move into supportive environments. The answer is to be found in the development of institutional infrastructure and respect for law.

Perhaps a good way to conclude this discourse on culture, social environment and economic development provoked by the Kelley blog is to quote from a review by Benjamin Friedman of Gregory Clark's above cited book. "Let's hope that the human traits to which he attributes economic progress are acquired, not genetic, and the countries that grow in population over the next fifty years turn out to be good at imparting them".⁹

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⁷ Francis X. Hezel, *Strangers in Their Own Land: A Century of Colonial Rule in the Caroline and Marshall Islands*, Honolulu, University of Hawaii Press, 2003.

⁸ Hanna Papanek, "Muslim Separatism, Entrepreneurship and Pakistan's Modernization", *Economic Development and Cultural Change*, Vol. 21, No.1 October, 1972.

⁹ Benjamin Friedman, "Industrial Evolution" *The New York Times Sunday Book Review*, December 9, 2007, p. 12.