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# Does Modernization Require Westernization?

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DEEPAK LAL

For the purposes of this essay, three types of liberty need to be distinguished: political, civil, and economic. Although it has become common, especially in America, to conflate the three, F. A. Hayek, among others, clearly distinguished them. As a development economist I am particularly concerned with the roles of these distinct types of liberty in promoting economic development.

For economic performance, economic and civil liberty are important because they underwrite the sanctity of private property. Moreover, the rule of law is fundamental in upholding both, as Hayek argued so eloquently in *The Constitution of Liberty*. But various political forms—including democracy, oligarchy, and autocracy—are compatible with maintaining the rule of law, as the example of Hong Kong attests. Indeed, hereditary monarchy, not democracy, delivered the Industrial Revolution. As the triumph of the market over central planning has demonstrated, economic liberty is essential for prosperity; but political liberty as embodied in majoritarian democracy is not—a point on which I concur with David Hume, Alexis de Tocqueville, and Hayek.

As defined by Hayek in *The Constitution of Liberty*, liberty or freedom is “that condition of men in which coercion of some by others is reduced as much as is possible in society” (11). This conception of individual liberty is closely related to the notion of individualism, a distinctly Western concept to which most other civilizations have not subscribed. But growing individualism, along with other elements of what the historian of Chinese science Joseph Needham called “a packet of change,” was responsible for the “European miracle” of modern economic growth.

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To promote in the rest of the world the material prosperity that this miracle has brought to the West, does the unique Western value system also need to be transferred, and if so, how? As a venerable debate in development studies has framed the question: Does modernization require Westernization? Hayek clearly seemed to think it did. He maintained that the market economy requires cultural underpinnings in the form of a set of “modern” values based on individualism (see the epilogue of his *Law Legislation and Liberty*). He even argued that a form of cultural evolution had, in an unplanned way, led from a Stone Age culture with its sense of communal bonds to a modern culture with respect for abstract rules, such as the rule of law, and a “detachment from communal, co-operative ends” (168). For him the process of cultural evolution involved forms of “group selection”—an idea currently scorned by sociobiologists—with the more successful cultural practices “winning out.” In this view it would seem that, even though the culture of liberty arose in the West, because of its success it should naturally spread across the world. A similar implicit belief underlies the current Western moral crusade around the world, in which a combination of the market and good governance (a euphemism for democracy) is increasingly offered as a panacea for poverty and war.

In my view, matters are not so simple. It was not some process of cultural evolution à la Hayek but contingent events linked to the actions of the medieval Western Christian Church that led to the rise of the West. Although individualism was an essential aspect of the West’s subsequent trajectory, it is not essential—or inevitable, as Hayek’s cultural evolutionary view would suggest—for the “Rest” to adopt this particular Western value in order to reproduce the West’s economic success. As I argue in support of the foregoing positions, I will also discuss related issues involved in continuing debates about whether democracy is necessary for development, about the role of so-called Asian values in the success of East Asia, and about whether “Asian” values—or, more specifically, Confucianism—are compatible with “human rights.”

## Culture and Social Equilibria

The role of culture remains at the center of these debates, but culture remains a murky concept. I have found particularly useful a definition adopted by ecologists (Colinvaux 1983). They emphasize that, unlike other animals, the human one is unique because its intelligence gives it the ability to change its environment by learning. It does not have to mutate into a new species to adapt to the changed environment. It learns new ways of surviving in the new environment and then fixes those ways by social customs. These form the culture of the relevant group and are transmitted to new members (mainly children) who then do not have to invent the “new” ways de novo for themselves.

This conception of culture fits in well with the economists’ notion of equilibrium. Frank Hahn (1973) describes an equilibrium state as one in which self-seeking

agents learn nothing new, so that their behavior is routinized. It represents an adaptation by agents to the economic environment in which the economy “generates messages which do not cause agents to change the theories which they hold or the policies which they pursue” (59). Such routinized behavior closely resembles the ecologists’ notion of social custom, which creates a particular human niche. In this view, the equilibrium will be disturbed if the environment changes, and therefore in the subsequent process of adjustment the human agents will have to abandon their past theories, which come to be systematically falsified. To survive, they must learn to adapt to their new environment through a process of trial and error. There will then arise a new social equilibrium: a state of society and economy in which “agents have adapted themselves to their economic environment and where their expectations in the widest sense are in the proper meaning not falsified” (61).

This equilibrium need not be unique or optimal, given the environmental parameters. But once a particular socioeconomic order is established and proves to be an adequate adaptation to the new environment, it is likely to be stable, because the human agents have no reason to alter it in any fundamental manner unless and until the environmental parameters change. Nor is this social order likely to be the result of a deliberate rationalist plan. We have known since Adam Smith’s time that an unplanned but coherent and seemingly planned social system can emerge from the independent actions of many individuals pursuing their different ends, and in that system the final outcomes can differ greatly from those intended.

It is useful to distinguish two major sorts of beliefs about the environment: the *material* and the *cosmological* beliefs of a particular culture. The former relate to ways of making a living and encompass beliefs about the material world, particularly about the economy. The latter are related to understanding mankind’s place in the world; they determine how people view the purpose and meaning of their lives and their relationship to others. There is considerable cross-cultural evidence that material beliefs are more malleable than cosmological ones. Material beliefs can change rapidly with changes in the material environment. There is greater hysteresis of cosmological beliefs, that is, of ideas about how, in Plato’s words, “one should live.” Moreover, the cross-cultural evidence shows that these worldviews correlate more closely with language groups (and thus with cultural origins) than with environments (Hallpike 1986).

The distinction between material and cosmological beliefs is important for economic performance because it translates into two distinct types of transactions costs that are important in explaining not only market failure but also government or bureaucratic failure (Lal 1997). Broadly speaking, transactions costs can be usefully categorized as those associated with making exchanges and those associated with policing opportunistic behavior by economic agents. The former relate to the costs of finding potential trading partners and determining their supply-demand offers, the latter to enforcing the execution of promises and agreements. These two aspects of

transactions need to be kept distinct. The economic historian Douglass C. North and the industrial organization theorist Oliver Williamson have evoked transactions costs to explain various institutional arrangements relevant for economic performance. These analysts are concerned primarily with the cost of opportunistic behavior, which for North is associated with the more anonymous, nonrepeated transactions that accompany the widening of the market and, for Williamson, with the asymmetric information of principals and agents, a situation that allows crucial characteristics of the agent relevant for measuring performance to be concealed from the principal.

To appreciate the relevance of the distinction in beliefs and the related kinds of transactions costs for economic performance, it is useful to briefly delineate the broad changes of material and cosmological beliefs since the Stone Age in Eurasia.

### Changing Material and Cosmological Beliefs

Evolutionary anthropologists and psychologists maintain that human nature was set during the period of evolution ending with the Stone Age. Since then the time lapse has been insufficient for any further evolution. This human nature appears darker than Rousseau's characterizations of it and brighter than those of Hobbes. It is closer to Hume's view that "there is some benevolence, however small . . . some particle of the dove kneaded into our frame, along with the elements of the wolf and serpent" (Hume [1750] 1975, 271). Even in the hunter-gatherer Stone Age environment the supremely egotistical human animal would have found some form of what evolutionary biologists term "reciprocal altruism" to be useful. Cooperation with one's fellows in various hunter-gatherer tasks yields benefits for the selfish human that can be further increased if he can cheat and be a free-rider. In the repeated interactions between the selfish humans composing the tribe, people could mitigate such cheating by playing the game of "tit for tat." Evolutionary biologists claim that the resulting reciprocal altruism would be part of our basic Stone Age human nature.

Archaeologists have also established that the instinct to "truck and barter," the trading instinct based on what John Hicks (1979) called the "economic principle"—"people would act *economically*; when an opportunity of an advantage was presented to them they would take it" (43)—is also of Stone Age vintage, and part of our basic human nature.

With the rise of settled agriculture and the related ancient civilizations, as well as the stratification this involved between men wielding the sword, the pen, and the plow, most of the Stone Age basic instincts that constitute our human nature became dysfunctional. As interactions multiplied between human beings in agrarian civilizations, many of the transactions took place among anonymous strangers who might never see one another again. The "reciprocal altruism" of the Stone Age, which depended on repetition of transactions, was no longer sufficient to curtail opportunistic behavior.

Put differently, the tit-for-tat strategy for playing the repeated prisoners' dilemma game among a band of hunter-gatherers in the Stone Age would not suffice, given the increased number of one-shot prisoners' dilemma games that arose with settled agricultural civilization and its widening of the market. To prevent the resulting dissipation of the mutual gains from cooperation, agrarian civilizations internalized restraints on such "antisocial" action through moral codes embedded in their "religions." But those belief systems were more ways of life than true religions, inasmuch as they did not necessarily depend on a belief in God.

The universal moral emotions of shame and guilt are the means by which the moral codes embedded in cultural traditions are internalized through the socialization process during infancy. Shame was the major instrument of this internalization in the great agrarian civilizations. Their resulting cosmological beliefs can be described as communalist.

The basic human instinct to trade would have been disruptive for settled agriculture, for traders are motivated by instrumental rationality to maximize economic advantage. Such behavior would threaten the communal bonds that all agrarian civilizations have tried to foster. Not surprisingly, most such civilizations have looked upon merchants and markets as necessary evils and sought to restrict them. Thus, the material beliefs of the agrarian civilizations were not conducive to modern economic growth.

### **Communalism versus Individualism**

The ethic of the two remaining great agrarian civilizations, the Sinic and the Hindu, was distinctly communalist rather than individualist. But there were important differences in the cosmological beliefs of these two ancient civilizations.

The Hindu civilization, unlike the Sinic, did have a role for a form of individualism reminiscent of that found among the Greek Stoics. The anthropologist Louis Dumont has labeled this individualism "out-worldly" in contrast to the "in-worldly" individualism that is the hallmark of the "modern" individual. Hinduism allows the person who renounces the world and becomes an ascetic to pursue his own personal salvation without any concern for the social world. Like the Greek Stoic, this Hindu "renouncer is self-sufficient, concerned only with himself. His thought is similar to that of the modern individual, but for one basic difference: we live in the social world, he lives outside it" (Dumont 1986, 26).

For a Hindu who has not renounced the social world, Western individualism is impossible, as Ernest Gellner (1988) tellingly illustrates by imagining a Hindu Robinson Crusoe, a polyglot called Robinson Chatterjee. "A Hindu Crusoe," he notes, "would be a contradiction. He would be destined for perpetual pollution: if a priest, then his isolation and forced self-sufficiency would oblige him to perform de-

meaning and polluting acts. If not a priest, he would be doomed through his inability to perform the obligatory rituals” (121).

The Sinic civilization did not even have this “out-worldly” individualism of the Hindus and the Greeks. Its central cosmological beliefs have been summarized as optimism, familialism, and bureaucratic authoritarianism (Hallpike 1986; Jenner 1992). The strategic custom or institution is “ancestor worship and its social and political correlates involving hierarchy, ritual deference, obedience and reciprocity” (Keightley 1990, 45). There is little room for even the out-worldly individualism of the Hindus or Greeks in these cosmological views, which have been labeled Confucianism despite continuing controversy over whether the ancient sage should be implicated as originator of the distinctive features of Chinese civilization.

More recently, provoked in part by the events at Tiananmen Square, there has been an attempt to reconcile Confucianism with Western notions of human rights (de Bary 1988; de Bary and Tu 1998). The notion of rights is murky even within the Western philosophical tradition, but, as Henry Rosemont rightly points out, within the Confucian framework

rights-talk was not spoken, and within [that framework] I am not a free, autonomous individual. I am a son, husband, father, grandfather, neighbor, colleague, student, teacher, citizen, friend. I have a very large number of relational obligations and responsibilities, which severely constrain what I do. These responsibilities occasionally frustrate or annoy, they more often are satisfying and they are always binding. . . . And my individuality, if anyone wishes to keep the concept, will come from the specific actions I take in meeting my relational responsibilities. (1998, 63)

As Rosemont notes, the attempt to reconcile a different “way to live” with the universal claims of Christianity has been a constant factor in the West’s encounter with China. Those who found the Chinese way incompatible with universal Christian beliefs sought to convert the Chinese, while others of a less imperialist bent tried to find ways of making Chinese beliefs fit the universal Christian ethic.

### *Christianity and the Rise of the West*

In this context it is worth noting the important difference between the cosmological beliefs of what became the Christian West and those of the other ancient agrarian civilizations of Eurasia. Christianity has a number of distinctive features, shared with its Semitic cousin Islam but not entirely with its parent Judaism, that are not found in any of the other great Eurasian religions. The most important is its universality. Neither the Jews, the Hindus, nor the members of the Sinic civilizations had religions claiming to be universal. You could not choose to be a Hindu, a Chinese, or a Jew; you were born as one. Hence, unlike Christianity and Islam, those religions did not

proselytize. In addition, only the Semitic religions, being monotheistic, have been egalitarian. Nearly all the other Eurasian religions endorsed some form of hierarchical social order. By contrast, alone among the Eurasian civilizations, the Semitic ones (though least so the Jewish) emphasized the equality of men's souls in the eyes of their monotheistic deities. Dumont has characterized the resulting profound divide between the societies as one between *Homo aequalis*, which believe all men are born equal (as the *philosophes* and the American Declaration of Independence proclaimed), and *Homo hierarchicus*, which believe no such thing.

Thus Christianity, as we shall see, is and remains at the heart of the West's beliefs and at the heart of that "clash of civilizations" posited by Samuel Huntington. There can be little doubt that neither the Hindu nor the Sinic civilization has adhered to the Western notions of liberty and equality based on individualism.

But, for a long time, neither did the West. For although Christianity came inadvertently to promote the "in-worldly" individualism that is a hallmark of Western civilization, in its basic teachings it did not differ from the communalism found in the other great ethical beliefs systems of the ancient world. Like the Greeks and the Hindus, Christianity did provide a place for "out-worldly" individualism. As Dumont notes, "there is no doubt about the fundamental conception of man that flowed from the teaching of Christ . . . man is *an individual in-relation-to God*; . . . this means that man is in essence an out-worldly individual" (1986, 27). So, how did the "in-worldly" individual arise in the West?

The rise of the West was mediated by the Catholic Church, from the time of Pope Gregory I (the Great) in the sixth century to the time of Pope Gregory VII in eleventh century, through its promotion of individualism, first in family affairs and later in economic relationships. Church actions included the introduction of all the legal and institutional requirements of a market economy as a result of Gregory VII's papal revolution in the eleventh century (Berman 1983).

The twin papal revolutions arose because of the unintended consequences of the Church's search for bequests, a trait that marked it from its earliest days. From its inception the Church had grown as a temporal power through gifts and donations, particularly from rich widows. So much wealth had the Church acquired in this way that in July 370 the Emperor Valentinian addressed a ruling to the Pope that male clerics and unmarried ascetics should not hang around the houses of women and widows and try to worm themselves and their churches into the women's bequests at the expense of the women's families and blood relations. The early Church's extolling of virginity and its discouragement of second marriages helped it to increase the number of single women who would leave bequests to the Church.

This process of inhibiting a family from retaining its property and promoting its alienation accelerated with the answers that Pope Gregory I gave to some questions posed in 597 A.D. by Augustine, the first Archbishop of Canterbury, concerning his new charges. Four of these nine questions concerned sex and marriage. Gregory's



answers overturned the traditional Mediterranean and Middle Eastern patterns of legal and customary practices in the domestic domain. The traditional system was concerned with the provision of an heir to inherit family property. It allowed marriage to close kin, marriages to close affines or widows of close kin, the transfer of children by adoption, and concubinage, a form of secondary union. Amazingly, Gregory banned all four practices. In consequence, for instance, the adoption of children was not allowed in England until the nineteenth century. There was no basis for these injunctions in Scripture, Roman law, or the existing customs of the Christianized areas (Goody 1983).

This papal family revolution made the Church immensely rich. Demographers have estimated that the net effect of the Church's prohibitions of traditional methods of dealing with childlessness was to leave 40 per cent of families with no immediate male heirs. The Church became the chief beneficiary of the resulting bequests, accumulating vast wealth. Thus, for instance, in France one-third of the productive land was in ecclesiastical hands by the end of the seventh century.

But this accumulation also drew predators who worked from within and without to deprive the Church of its acquired property. To deal with this predation, Pope Gregory VII instigated his papal revolution in 1075 by putting the claims of God, enforced by the spiritual weapon of excommunication, above those of Caesar. As the Church projected itself boldly into the world, the new Church-state created all the administrative and legal infrastructure we associate with a modern polity—the essential institutional infrastructure for the Western dynamic that in time led to Promethean growth. Gregory VII's papal revolution lifted the lid on the basic human instinct to “truck and barter” and in time led to a change in the traditional Eurasian pattern of material beliefs with its suspicion of markets and merchants. The ultimate result was modern economic growth.

But the first papal revolution also led to a change in traditional Eurasian family patterns, which were based on various forms of joint families and related family values, and thereby released other opportunistic basic instincts that the shame-based moral codes of Eurasia had held in check. To counter the potential threat this release posed to its way of making a living—settled agriculture—the Church created a fierce guilt culture in which Original Sin was paramount and morality was underwritten by the belief in the Christian God (Delumeau 1990).

### *The Course of Western Individualism*

Although the course of individualism in the West has been complicated, the importance of St. Augustine's “City of God” must be noted. The West has been haunted by its cosmology. From the Enlightenment to Marxism to Freudianism to Eco-fundamentalism, Augustine's vision of the Heavenly City has had a tenacious hold on the Western mind. The same narrative, with a Garden of Eden, a Fall leading to Original Sin, and a Day of Judgment for the Elect and Hell for the Damned, keeps recurring.

Thus, the *philosophes* displaced the Garden of Eden by classical Greece and Rome, and God became an abstract cause—the Divine Watchmaker. The Christian centuries were the Fall, and the Christian revelations a fraud, as God expressed his purpose through his laws recorded in the Great Book of Nature. The Enlightened were the elect, and the Christian paradise was replaced by Posterity (Becker 1932). By this updating of the Christian narrative, the eighteenth-century philosophers of the Enlightenment thought they had salvaged a basis for morality and social order in the world of the Divine Watchmaker. But when, in the wake of Darwin, the Watchmaker was understood to be blind, then, as Nietzsche proclaimed from the housetops at the end of the nineteenth century, God was dead, and the moral foundations of the West thereafter lay in ruins.

Subsequent attempts to found a morality based on reason are vulnerable to Nietzsche's fatal objection in his aphorism about utilitarianism: "Moral sensibilities are nowadays at such cross purposes that to one man a morality is proved by its utility, while to another its utility refutes it" (Nietzsche [1881] 1982, 220).<sup>1</sup> Nietzsche's greatness lies in his clear vision of the moral abyss that the death of its God had created for the West. Kant's attempt to ground a rational morality on his principle of universalizability—harking back to the biblical injunction "therefore all things whatsoever ye would that men should do to you, do even so to them"—founders on Hegel's two objections: it is merely a principle of logical consistency without any specific moral content, and, worse, it is as a result powerless to prevent any immoral conduct that captures our fancy. The ink subsequently spilt by moral philosophers has merely clothed their particular prejudices in rational form.

The death of the Christian God did not, however, put an end to variations on the theme of Augustine's "City," which proceeded through two further mutations in the form of Marxism and Freudianism and a more recent and bizarre mutation in the form of Eco-fundamentalism.<sup>2</sup>

Marxism, like the old faith, looks to the past and the future. There is a Garden of Eden—before "property" relations corrupted "natural man." Then comes the Fall as "commodification" gives rise to class societies and a continuing but impersonal conflict of material forces, which leads in turn to the Day of Judgment with the Revolution and the millennial paradise of communism. This movement toward earthly salvation would be mediated not as the Enlightenment sages had claimed, through learning and the preaching of goodwill, but by the inexorable forces of historical materialism. Another secular "city of God" had been created.

Eco-fundamentalism is the latest of these secular mutations of Augustine's "City of God" (Lal 1995). It carries the Christian notion of *contemptus mundi* to its logical

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1. A point only reinforced by the contributions to Sen and Williams 1982.

2. That Freudianism follows the same narrative is argued by Gellner 1993 and Webster 1995.

conclusion. Humankind is evil, and only by living in harmony with a deified Nature can it be saved.

The West's current cosmological beliefs, inadequately summarized by the word *liberty*, are thus, at present, incoherent. As the philosopher Alasdair MacIntyre (1990) has powerfully argued, the current Western notion of self has three contradictory elements. The first, derived from the Enlightenment, is a view of individuals as being able to stand apart from the social influences that undoubtedly mold them and able to shape themselves in accordance with their own true preferences. The second component of the Western self concerns the evaluation by others of oneself. Here the standards are increasingly those of acquisitive and competitive success, in a bureaucratized and individualist market economy. The third element of the Western self derives from its remaining religious and moral norms, and is open to various "invocations of values as various as those which inform the public rhetoric of politics on the one hand and the success of *Habits of the Heart* on the other" (MacIntyre 1990, 492). This aspect of the self harks back to the Christian conception of the soul and its transcendental salvation.

These three elements constituting the Western conception of self are not only mutually incompatible; they are incommensurable and lead to incoherence, because there are no shared standards by which the inevitable conflicts between them can be resolved.

So rights-based claims, utility-based claims, contractarian claims, and claims based upon this or that ideal conception of the good will be advanced in different contexts, with relatively little discomfort at the incoherence involved. For unacknowledged incoherence is the hallmark of this contemporary developing American self, a self whose public voice oscillates between phases not merely of toleration, but admiration for ruthlessly self-serving behavior and phases of high moral dudgeon and indignation at exactly the same behavior. (MacIntyre 1990, 492)

## The Family

As we have seen, the family revolution instigated by Gregory the Great is largely responsible for the individualism that characterizes the West, and a major manifestation of the divergence in cosmological beliefs between the West and the Rest may be found in the domestic domain. Will a process of cultural evolution—as postulated by Hayek, for instance—entail that as the Rest embraces the market it will also find itself being Westernized in the domestic domain?

From about the late sixth century, the Western Christian world, particularly in its northwestern region, deviated from what had been the traditional family pattern in Eurasia (Macfarlane 1986). The Church came to support the independence of the

young in choosing marriage partners, setting up their households, and entering into contractual rather than affective relationships with the old. The Church promoted love marriages rather than the arranged marriages common in Eurasia. Friar Lawrence in *Romeo and Juliet*, egging on the young lovers against their families' wishes, is emblematic of this trend. But why did the Church promote love marriages?

It has been thought that romantic love, far from being a universal emotion, was a Western social construct of the age of chivalry in the Middle Ages. Recent anthropological and psychological research, however, confirms that this belief is erroneous: romantic love is a universal emotion (Jankowiak 1995; Fisher 1992). Moreover, it has a biological basis. Neuropsychologists have shown that it is associated with increased levels of phenylethylamine, an amphetamine-related compound. Interestingly, the same distinct biochemicals are also to be found in other animal species, such as birds, that also evince this emotion. However, it appears that the emotion is ephemeral. After a period of attachment, the brain's receptor sites for the essential neurochemicals become desensitized or overloaded, and the infatuation ends, setting up both the body and brain for separation or divorce. The period of infatuation has been shown to last for about three years. A cross-cultural study of divorce patterns in sixty-two societies between 1947 and 1989 found that divorces tend to occur around the fourth year of marriage.

A universal emotion with a biological basis calls for an explanation. Sociobiologists maintain that in the primordial environment it was vital for males and females to be attracted to each other to have sex and reproduce and also for the males to be attached enough to the females to look after their young until they were old enough to move into a peer group and be looked after by the hunting-gathering band. The traditional period between successive human births is four years, which is also the modal duration of marriages that end in divorce today. Darwin strikes again! The biochemistry of love, it seems, evolved as an "inclusive fitness" strategy of our species.

The capacity to love may be universal, but its public expression is culturally controlled. As everyone's personal experience will confirm, it is an explosive emotion. Given its relatively rapid decay, with settled agriculture the evolved instinct for mates to stay together for about four years and then move on to new partners to conceive and rear new young would have been dysfunctional. Settled agriculture required settled households. If households were in permanent flux, there could not be settled households on particular parcels of lands. Not surprisingly, most agrarian civilizations have sought to curb the explosive primordial emotion that would have destroyed their way of making a living. They have used cultural constraints to curb this dangerous hominid tendency by relying on arranged marriages, infant betrothal, and the like, restricting romantic passion to relationships outside marriage. The West stands alone in using this dangerous biological universal as the bastion of its marriages, as reflected in the popular song lyric "Love and marriage go together like a horse and carriage."

The reason for this Western exceptionalism goes back to the earliest period of the Christian Church, as we have seen. But the Church also had to find a way to prevent the social chaos that would have ensued if the romantic passion its greed had unleashed as the basis for marriage had been allowed to run its course in what remained a settled agrarian civilization. First it separated love and sex; then it created a fierce guilt culture based on Original Sin. Its pervasive teaching against sex and the associated guilt it engendered provided the necessary check on the “animal passions” that otherwise would have been unleashed by the Church’s self-interested overthrow of the traditional Eurasian system of marriage.

Once the Christian God had died in the scientific and Darwinian revolutions, however, the restraints built on Original Sin were loosened and, in the 1960s sexual revolution, finally removed. The family as most civilizations have known it became sick in the West as people reverted to the “family” practices of their hunter-gatherer ancestors.

Karl Marx and Friedrich Engels promoted with some success the view that as modernization proceeds, the traditional extended family identified with preindustrial societies is doomed. Modern families will become more and more like Western families, characterized by love marriages, nuclear family units, and a cold-hearted attitude toward the old. Others maintain that, because the Western-style family seems to go back at least to the Middle Ages in Northern Europe, this modern family pattern must be not merely the consequence but the cause of the Western Industrial Revolution. Research by the Cambridge anthropologist Jack Goody (1990) casts serious doubts on both these positions.

First, the historical evidence shows that the Western family revolution predated the Industrial Revolution; therefore, the latter could not have caused the former. Second, as Goody shows at length, the purported advantages of the Western system, leading to a greater control of fertility, were also inherent in many other Eurasian family systems, but those systems did not deliver the Industrial Revolution.

Western cosmologies contained, however, a different way to deal with the death of the Christian God, which did not rely on still another secular variation on Augustine’s “City” to provide the moral cement of its society. These views sprang from the Scottish Enlightenment, in particular from its most eminent sages, David Hume and Adam Smith.

Hume, unlike the *philosophes*, saw clearly that Reason could not provide an adequate grounding for morality. He was also clear about the role of morality in maintaining the social cement of society and understood that morality depended on a society’s traditions and forms of socialization. Neither God nor Reason need be (or can be) evoked to justify these conditioned and necessary habits. This view of ethics resembles that of the older non-Semitic Eurasian civilizations whose socialization processes are based on shame.

However, as this account shows, there is no reason whatsoever for the rest of the world to follow the peculiar and particular Western trajectory. It is not modernization but the unintended consequences of Pope Gregory I's family revolution that have led to the death in the West of the Eurasian family values that the Rest rightly continue to cherish. The Rest do not have to embrace this cosmology. Even their Westernized elites can heal their fractured souls by embracing the Scottish sages: Hume's morality based on tradition and Smith's material beliefs based on the market. This classical liberalism provides a means of modernizing without succumbing to the moral emptiness of the current Western cosmology.

## Democracy and Development

Is there any necessary link between democracy and development? A number of cross-sectional statistical studies claim to have found such a relationship. But the statistical proxies used for the political variables in these studies do not inspire much confidence, and the studies are further plagued by the econometric problem of identification. In our recent book, Hla Myint and I found no relationship between the form of government and economic performance during the thirty-year economic histories of the twenty-five developing countries that we studied (Lal and Myint 1996). Rather than the polity, the initial resource endowment, in particular the availability or lack of natural resources, was a major determinant of policies that impinged on the efficiency of investment and thereby the rate of growth. This effect was basically due to the inevitable politicization of the rents that natural resources yield, with concomitant damage to growth performance. By contrast, resource-poor countries, irrespective of the nature of their government, were forced to develop their only resource, their human subjects. Thus, the economic performance of resource-poor countries such as the Far Eastern Gang of Four (South Korea, Singapore, Hong Kong, and Taiwan) tended to be much better on average than that of countries with abundant natural resources, such as Brazil and Mexico. Countries such as India and China, whose factor endowments fall between these extremes, swerved between following the policies of their resource-abundant and their resource-poor cousins, with a resultant intermediate economic performance. The difference in performance was further explained by the other major determinant of growth, the volume of investment. For example, although the efficiency of investment in India and China during both their dirigiste and their more economically liberal periods was about the same, China's investment rate has been about twice India's, resulting in a growth rate also about twice as high.

If differences in the polity cannot explain differences in economic performance, is there any reason to prefer one type of polity over another, in particular, to prefer democracy over some authoritarian alternative? As usual, Alexis de Tocqueville was both succinct and prescient. In his *Ancien Regime* he wrote:

It is true that in the long run liberty always leads those who know how to keep it to comfort, well-being, often to riches: but there are times when it impedes the attainment of such goods; and other times when despotism alone can momentarily guarantee their enjoyment. Men who take up liberty for its material rewards, then, have never kept it for long . . . what in all times has attracted some men to liberty has been itself alone, its own particular charm, independent of the benefits it brings; the pleasure of being able to speak, act, and breathe without constraint, under no other rule but that of God and law. Who seeks in liberty something other than itself is born to be a slave.

Democracy, then, is to be preferred as a form of government not because of its instrumental value in promoting prosperity, for at times it may not do so, but because it promotes the different but equally valuable end of liberty. However, as the experience of many countries—not all of them in the Third World—attests, democracy is a frail flower. India is unique in having successfully nurtured it in such a vast, diverse, and poor country. The assault on democracy during the Emergency only showed how deeply rooted it had become in the Indian soil.

Whether such success will be achieved depends upon the political habits of different cultures, which have been formed as much by the geography of the territory where the relevant culture was formed as by any ideology. Thus, China, originating in the relatively compact Yellow River valley, constantly threatened by the nomadic barbarians from the steppes to its north, developed a tightly controlled bureaucratic authoritarianism as its distinctive polity which has continued for millennia to our day. By contrast, Hindu civilization developed in the vast Indo-Gangetic plain, protected to a greater extent by the Himalayas from the predation of barbarians to the north. This geographical feature (together with the need to tie the then-scarce labor to the land) accounts for the traditional Indian polity, which was notable for its endemic political instability among numerous feuding monarchies and for its distinctive social system embodied in the institution of caste (Lal 1988). The latter, by making war the work of professionals, saved the mass of the population from induction into the deadly disputes of its changing rulers. The tradition in which a certain customary share of the village output was remitted to the current overlord discouraged any victor from disturbing the daily business of his newly acquired subjects.

The democratic practices gradually introduced by the British have fit these ancient habits like a glove. The ballot box has replaced the battlefield for the hurly-burly of continuing “aristocratic” conflict, and the populace accepts with weary resignation that its rulers will through various forms of rent-seeking take a certain share of output to feather their own nests.

Given the differences among countries in their historically determined political habits, it is by no means certain that democracy will be viable in many climes. But

because democracy is not necessary for prosperity, countries can prosper by allowing economic freedom while maintaining their ancient habits, favoring various modes of maintaining social order over political systems based on individual political liberty.

### Asian Values and Economic Performance

What role did Asian values play in the East Asian economic miracle? The conventional economic explanation maintains that this success arose entirely from very high rates of savings and from investment deployed efficiently, most importantly by making use of the gains from the international division of labor.<sup>3</sup>

Moreover, the factor-endowment story about the political economy of countries where labor is abundant and land is scarce (briefly outlined in the preceding section) can explain why those countries adopted outward-oriented policies. Nothing about authoritarianism or democracy per se can be adduced as necessary for development. This interpretation leaves us to consider the role of familial values, in particular those of the overseas Chinese and their family-based networks of *guanxi*, in explaining East Asia's success.

As regards the success of the overseas Chinese and these purportedly neo-Confucian societies, W. J. F. Jenner (1992) is surely right in stating that their success has little to do with China's past but owes much to "European economics, commercial law, science and technology" (172). It was the interaction of these Western institutions with some inherited Asian values that brought about successful development. In the absence of the

dynamic, alien, Western institutions and forms of economic organization . . . that have transformed these other countries the familistic values [of the mainland] are more likely to impede than to support change and development. In particular, China is still under the rule of a thinly disguised, pre-modern imperial bureaucracy, unlike those former colonies. (172–73)

A similar explanation and prognosis for different parts of the Chinese world is provided by L. W. Pye (1985). For Japan, M. Morishima (1982) argues that, in large part, *deviations* from Japan's Confucian past explain its extraordinary economic success.

Finally, E. F. Vogel's (1991) argument that the meritocratic bureaucratic tradition of China, based on entrance exams, has been an important contributor to East Asia's success can be countered by two examples. India and the United Kingdom established modern meritocratic bureaucracies, with considerable social cachet in the late nineteenth century. They compare favorably on every dimension with those of East Asia. But the mandarins certified by those examinations have not been able to improve the economic prospects of their respective countries.

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3. See Lal and Myint 1996 and Lal 1998 for details and references.



The most heated debates surround the role of the Chinese family as the agent of a distinctive and productive familial capitalism in the Sinic world. As M. K. Whyte notes in an excellent survey of the literature on the role of the Chinese family (1996), there has been a complete reversal of views. The traditional view, associated with Max Weber and various modernization theorists, held that the Chinese family acted as a major brake on economic progress because its nepotism, initiative-sapping patriarchy, and personal rather than universalistic value system would make enterprises based on it inefficient. Now, by contrast, the same Chinese family is being hailed as the engine of growth in the Sinic world, based on the undoubted success of the family-based businesses of Hong Kong and Taiwan and the growth of family-based industry in the private sector in China. Many of these arguments in favor of familialism, for instance, that the form of cronyism known as *guanxi* is efficient, are just not persuasive, particularly in a broad comparative framework (Greif 1994). The argument that Chinese families have always been entrepreneurial but have been “cabin’d cribb’d and confin’d” by predatory states, has more merit. The most important reason for taking the optimistic view of the role of the Chinese family in development is the undoubted success of the family mode of production in the Sinic world. This needs an explanation.

Whyte argues that as the Chinese family has changed over the last century, many aspects of it—for example, the strict patriarchy—have altered. At the same time, particular features of the Chinese family have proved valuable in the emerging world division of labor as the nature of production relations in that economy has changed. In particular, small-scale family-based enterprises enjoy an advantage because of the flexibility with which they can switch seamlessly from one activity to another.

Whyte’s argument can be put into a wider perspective. John Hicks (1969) characterized the major feature of the Industrial Revolution as the substitution of fixed for circulating capital, as epitomized by the replacement of the “putting-out system” by the “factory system.” The putting-out system, of course, involved mainly household enterprises. Today, we witness a substitution of human for fixed capital in many aspects of industrial production.

Unlike heavy industry, much of the industry supplying consumer goods is becoming almost bespoke. Instead of mass-producing consumer goods on large production lines—called “Fordism” by some in recognition of the revolution in standardized mass production of consumer durables achieved by Henry Ford—the current tendency is to produce differentiated versions of the same good more closely tailored to differing individual tastes. Variety rather than standardization is the objective in this “designer” world of commodities in the affluent West. Shifts in its variegated tastes are increasingly reflected in differentiation of products to meet the volatile demand. Such demand conditions have created the need for highly flexible production enterprises that can quickly shift from producing one type or variety of the good to another. Because scale economies have less importance in manufacturing such designer

goods than in the production of the old standbys of Fordist consumerism, small-scale enterprises that can react flexibly to shifts in tastes (designs) are not only not at a disadvantage but are likely to have a comparative advantage over more traditional and bureaucratically organized firms.

Into this emerging economic niche the Sinic family-based enterprises in both mainland China and its smaller outposts in Southeast Asia have moved. In this modern version of the putting-out system, the design capacity, which is human-capital intensive, is located in the rich countries. Enterprises establish “virtual factories,” with their production bases spread across the world, and use modern telecommunications to convert the designs into the differentiated custom-made goods increasingly demanded by consumers in the West. The design centers are not a monopoly of the West. Witness the transformation of Hong Kong from a manufacturing to a service economy that mediates this fickle affluent-consumer economy between the designers in the West and the flexible production lines based on family-type enterprises in southern China. This is an ideal environment in which to unleash the entrepreneurship of the familial business, and the Sinic family has taken advantage of it in a spectacular manner. But without modern communications and modern legal and commercial codes, it would come to nought.

The importance of Hong Kong for the development of southern China lies as much in its colonial institutional and legal system, which has allowed this late-twentieth-century division of labor to be adopted, as in its traditional role as an entrepôt and financial center. Thus, as Whyte emphasizes, the particular conjunction of economic, technological, and institutional circumstances at the end of the millennium, not any essential Confucian attributes of the Chinese family, has made it an engine of growth today that it was not in the past.

Cultural factors may have played a part in the processes of socialization using shame to inculcate Sinic cosmological beliefs. These have provided the cement of their societies, and to the extent that they are based on the ancient veneration of the family in Chinese culture, they can also explain the widespread prevalence of “delayed gratification” that has led to extraordinarily high rates of saving (and thus investment) in these countries. The more dynastic family interests govern individual choices, the lower is likely to be the private rate of time preference and hence the higher the saving rate. Although the same argument should apply to the joint-family-based society of India, that country’s saving rate has been about half of its Far Eastern neighbor’s, although this situation seems to have changed with the recent acceleration in growth rates associated with the 1991 liberalization. More important perhaps is that, as Lee Kwan Yew has noted, the family-based societies can still rely on the social safety nets of the family rather than having to create welfare states like those in the West, which, paradoxically, have been both a symptom and an indirect cause of the accelerating erosion of the cement of societies in the West.

## Conclusion

Gregory VII's eleventh-century papal revolution played a crucial role in propagating the material beliefs that promoted the institutional changes required for the growth of the market economy. By now these beliefs have been embraced around the world. However, to promote the modernization sought worldwide, there is no need for the non-Western world to accept the cosmological beliefs promoted by Gregory the Great's papal revolution of the sixth century. Societies can modernize without Westernizing. Rather than heed the continuing Western moral crusade in pursuit of its "habits of the heart"—which, far from being universal, remain the culture-specific, proselytizing, and egalitarian ethic of what is still, at heart, Western Christendom—the non-Western world, observing the social decay that the West's cosmology has caused, might well invoke the ancient biblical injunction, "Physician heal thyself."

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