A World Economic Order Based on Cultural Comparative Advantage

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Outline

- A new economic order.
  - Based on cultural comparative advantage.
  - Japan, India, Korea, China, the West
- Cultural deglobalization.
  - Economic and technological basis.
- Roots of cultural difference.
  - Conceptions of human nature.
- A multicultural future.
A new economic order

Movement toward a multi-polar equilibrium.
A new economic order

- Based on **comparative cultural advantage**.
  - Much more than "outsourcing."
  - Many countries have cheap labor.
  - Only a few have become economic powerhouses.
A new economic order

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Such as...
- Japanese quality.
- Indian information technology.
- Korean manufacturing.
- Chinese entrepreneurship.
- Western technological innovation.
A new economic order

Japanese quality

Continuous improvement

- Group oriented, rather than requiring individual reward.
- Maintain group harmony by honoring everyone’s ideas.
- Long time horizon.
- Nemawashi

Hanko stamp
Traditionally a part of nemawashi
A new economic order

Superior operations management

- Just-in-time inventory management
- *Kanban* systems minimize rework, maximize flexibility.
- Lean manufacturing, reduced setup times.

Toyota factory in Japan
A new economic order

- **Superior operations management**
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- **Outgrowth of *keiretsu* (formerly *zaibatsu*).**
  - Old-boy networks, trust relationships.
  - *Keidanren.*

Toyota factory in Japan
A new economic order

- Indian information technology
  - Pantheism vs. secularism
    - No need to maintain & manipulate nature.
    - Other coping mechanisms
  - Inner discipline
    - Get control of one’s mind rather than the environment.
    - Modern form: intellectual discipline, academic competition.
A new economic order

- Networking.
  - Efficient way to absorb technical knowledge.
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- **A verbal culture.**
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- **Case study: Software development.**
  - No need for technology, but well equipped to create it.
  - Create an orderly world of the mind rather than externally.
A new economic order

- Indians see themselves as Westernizing/globalizing
  - There is a reliance on rationality, as in the West.
  - But Indians are leveraging their own cultural traits.
A new economic order

Korean Manufacturing

Initially an imitation of Japanese *zaibatsu*.  
- High power distance culture allowed Park Chung Hee to create the *chaebol*.

Cozy relationship between leading industrial families and the government
- Allowed Korea to build major private corporations in a relationship-based culture.

Park Chung Hee
Korean dictator 1961-79
A new economic order

- Loyalty to the boss.
  - Paternal relationship.
  - Bottom line and short-term profitability are secondary.

Korean chaebol
A new economic order

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Korean chaebol
A new economic order

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- Highly competitive, masculine culture.
  - Strong national solidarity.

Korean chaebol
A new economic order

Chinese entrepreneurship

A cultural trait of coastal Chinese

- Particularly speakers of Yuè (Cantonese), Mǐn (Fujianese), and Wú (Shanghaiese) dialects.

Guangzhou
A new economic order

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Guangzhou
A new economic order

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Self-esteem tied to wealth and status.

- “To be rich is glorious” (Deng Xiaoping).

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Masculine culture, competitive.
A new economic order

- Relationship-based business.
  - Family-based investment financed the boom.
  - Guānxì is a time-tested mechanism.
  - World’s largest economy for 8 of last 10 centuries, soon to be again.

President Hosni Mubarak of Egypt with Chinese Trade Minister Bo Xilai, who headed a delegation of 150 Chinese businessmen.
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  - World’s largest economy for 8 of last 10 centuries, soon to be again.

- Making inroads into South America, Africa, Middle East.
  - More comfortable with Chinese relationship-based business style than Western rule-based transparency.

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A new economic order

- Western technological innovation
  - Disenchantment of nature.
    - Opened the way to manipulation of a secular world.
    - Greek rationality.

Max Weber
A new economic order

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- Technology as coping mechanism

  - Controlling the environment rather than oneself.
  - Support from family, friends less important.

Max Weber
A new economic order

- Individualism.
  - Individuals have the right to rethink everything.
  - Students asked to reason from first principles.
  - Do experiments, prove theorems.
  - Individual expression, originality valued.

- Payoff: new ideas for technological coping mechanism.
Cultural deglobalization

Economic basis

Successful countries will retain and emphasize the cultural traits that bring them success.

- Including their behavioral norms.
- They may see themselves as Westernizing.

Infosys, Electronics City, near Bangalore
Cultural deglobalization

Economic basis

- Successful countries will retain and emphasize the cultural traits that bring them success.
  - Including their behavioral norms.
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- We must understand their norms and value systems.
  - ...to succeed in the new world order.
Cultural deglobalization

- Technological basis.
  - Communication technology *reinforces* cultural divergence.
    - Rather than homogenizing the world.

“Orkut.com is an online community that connects people through a network of trusted friends.”

Wildly popular in Brazil.
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  - Television programming is regionalized.

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Roots of cultural diversity

Different behavioral norms derive from different conceptions of human nature.

- **Rule-based cultures**
  - Humans are autonomous, rational individuals.

- **Relationship-based cultures**
  - Human existence is defined by its relatedness to others.
  - Family, community.

Filipino family
Roots of cultural diversity

Rule-based cultures

- Autonomous, rational individuals must have equal status.
  - Ethic of justice, equality, human rights.
  - Grounded in rationality (e.g., Kant).
Roots of cultural diversity

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  - Ethic of justice, equality, human rights.
  - Grounded in rationality (e.g., Kant).

- ...and equal authority
  - Allegiance to persons rather than rules.
  - The rules must be self-evident and therefore universal.
Roots of cultural diversity

- Relationship-based cultures
  - Persons do not exist apart from their participation in a larger unit.
    - Family, ancestors, community, even the universe as a whole.

Ndebele village
Roots of cultural diversity

- Relationship-based cultures

  - Persons do not exist apart from their participation in a larger unit.
    - Family, ancestors, community, even the universe as a whole.

  - This leads to an ethic of care.
    - Self = the collective.
    - Justice and human rights are secondary and derivative.
    - Democracy may be inappropriate.
A multicultural future

We must change the focus of global commerce and politics.

Away from attempts to globalize Western norms.

Toward a deeper understanding of value systems that stem from different conceptions of human nature.
A multicultural future

How to reconcile different behavior norms?

Investigate how each cultural system deals with cross-cultural issues.

• For example, Western system can use a generalizability test.
• Avoid action that, if universally adopted, would undermine the cultural system that allows the purposes of the action to be achieved.

Immanuel Kant
A multicultural future

What to do about conflict?

Most cultural/ethnic conflicts are between peoples of very similar cultures.

- Perhaps because territorial conflict with neighbors was once ecologically sound.

Marvin Harris
A multicultural future

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Radically different cultural systems can coexist in a mutually beneficial way.

- Much as ecosystems.
- Through cultural comparative advantage.

Marvin Harris