Book: ECONOMIC GROWTH by David N. Weil

Pitfalls of Cultural Explanations for Economic Growth

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The Japanese are a happy race, and being content with little, are not likely to achieve much.

—a Western observer in 1881

To see your men [Japanese] at work made me feel that you are a very satisfied easy going race, who reckon time is no object. When I spoke to some managers they informed me that it was impossible to change the habits of national heritage.

—a Western observer in 1915*

These two quotations from Western observers show how silly cultural interpretations of economic growth can look in retrospect. By the end of the 20th century, the shoe was on the other foot: Not only were cultural traits being invoked to explain Japanese economic success, but the cultural characteristics attributed to the Japanese were the exact opposite of those that had seemed obvious a century earlier. A poll conducted in 1992 found that 94% of Americans characterized the Japanese as "hardworking," while only 15% of Japanese thought the same way about Americans.†

What happened?

Perhaps the culture of Japan changed dramatically over this period; still, such an explanation is not very attractive—especially because late-20th-century advocates of the superiority of Japanese culture believed that some ancient quality of the culture was important. It is also possible that Japanese culture did not change, but the circumstances in which the Japanese found themselves did. The cultural attributes that were useful in the context of a late-20th-century economy might somehow have been less useful a century earlier. The final possibility is that culture simply mattered less to the productivity of Japanese workers than the observers thought.

The sources of difficulty in interpreting culture as a determinant of economic growth are not hard to find. Because researchers cannot objectively measure many aspects of culture, they must rely on subjective measures. But there is a natural tendency for observation of a country's economic situation to affect the observer's assessment of its culture. Countries that are prospering economically naturally appear to have cultures that are good for growth, while those that are trailing economically seem to have cultures that are bad for growth.

This problem of **observer bias**—in which the assessment of some attribute variable is clouded by the observer's knowledge of how that variable is related to other things—is not unique to the problem of assessing culture's effect on economic growth. Indeed, it is a general problem in science. It is the reason, for example, that new medicines are tested using a double-blind methodology, in which doctors who assess whether a patient's condition has improved (as well as the patient himself) do not know whether the patient received the real medicine or a placebo.

*Both quotations appear in Landes (1998), p. 350.
†Reported in *Time* magazine, February 10, 1992.

example, a rural vegetable stand may be left unattended, with instructions that customers add up their own bills and deposit money in a box. It is here that we often suspect the workings of culture as a countervailing force that can explain why people act honestly, even when it is not in what appears to be their best interest.

If societies differ in their degree of trustworthiness, we would expect this variation to be reflected in economic outcomes.[8] But how do we measure trust?

[8] Knack and Zak (2001).