

# CULTURE

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# MATTERS

How Values Shape  
Human Progress

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Notes on a New Sociology of  
Economic Development

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#### INTRODUCTION: THE GROWTH PUZZLE

The greatest puzzle in economic development is why sustained economic growth is so hard to achieve. Before 1820, there was essentially no such thing as sustained economic growth. Angus Maddison (1995) estimates that world growth of GDP per capita averaged around 0.04 percent per annum from 1500 to 1820. Whereas Western Europe and its colonies in North America and Oceania had pulled ahead of other regions by 1820, the gap between Western Europe and the world's poorest region (sub-Saharan Africa) was only three to one, according to Maddison's estimates.

All regions of the world experienced a rise in per capita income after 1820, with world growth rising to 1.21 percent per year between 1820 and 1992, but the growth has been very uneven. The two groups of nations already ahead in 1820, Western Europe and what Maddison terms the Western offshoots (the United States, Canada, Australia, and New Zealand) pulled ahead still further, and today they constitute most of the developed world. Among the richest thirty countries in the world as of 1990, twenty-one were in Western Europe or were Western offshoots. Five were in Asia: Hong Kong, Japan, Korea, Singapore, and Taiwan. The other four countries include two

small oil states (Kuwait and United Arab Emirates), Israel, and Chile. These thirty countries account for about 16 percent of the world's population. By the 1990s, the gap between the richest region (the Western offshoots) and the poorest (sub-Saharan Africa) rose to around twenty to one.

Three broad explanations may help to account for the growth puzzle.

- **Geography:** Certain parts of the world are geographically favored. Geographical advantages might include access to key natural resources, access to the coastline and sea—navigable rivers, proximity to other successful economies, advantageous conditions for agriculture, advantageous conditions for human health.
- **Social Systems:** Certain social systems have supported modern economic growth, whereas others have not. Precapitalist systems based on serfdom, slavery, inalienable landholdings, and so forth, tended to frustrate modern economic growth. In this century, socialism proved to be a disaster for economic well-being and growth wherever it was attempted. Similarly, colonial rule in the nineteenth and twentieth centuries was generally adverse to high rates of economic growth.
- **Positive Feedback:** Positive feedback processes amplified the advantages of early industrialization, thereby widening the gap between rich and poor. First, the early European industrializers exploited the laggard regions through military conquest and colonial rule. Many of the laggard societies collapsed when they were challenged militarily or economically by the richer nations. Second, the technological gap between the advanced and lagging countries has tended to widen rather than narrow over time. Technological innovation operates like a chain reaction in which current innovations provide the fuel for future breakthroughs.

Neoclassical economic theory does not answer the growth puzzle because it neglects the roles of geography, social institutions, and positive feedback mechanisms. Even the dynamics of innovation have been under-studied until recently. In neoclassical economics, development is really not much of a challenge. Market institutions are a given. Countries are assumed to save and accumulate capital, whereas technology and capital is assumed to flow readily across national borders. Since the marginal product of capital is higher in capital-scarce countries than in capital-rich countries, and since the technologically lagging countries can import the technologies of the richer countries, the poorer countries are expected to grow faster than the rich countries.

Neoclassical economics therefore has an ingrained optimism about the prospects for economic convergence—the tendency for the poor country to grow faster than the rich country and to narrow the gap in income levels. Of course, classical and neoclassical economists since Adam Smith have recognized that flawed economic institutions may hinder growth, but the optimism of neoclassical economics is sustained by the view that flawed economic institutions will be swept away by institutional competition or through public choice.

Neoclassical economics certainly helps explain various important episodes of rapid economic growth in the modern period. The rise of the East Asian economies in recent decades owes much to the rapid accumulation of capital and technology in a market-based, capital-scarce region. Similarly, the narrowing of the gap between northern Europe and southern Europe in the postwar period is clearly related to the convergence mechanisms stressed by neoclassical economics, again because the assumptions of the neoclassical framework have applied well in the Western European circumstances. The main problem is that these convergence mechanisms apply only in specific circumstances, not as general processes.

This chapter sketches a more extended sociological framework for understanding the uneven nature of world economic growth. I stress that an adequate theory must address physical geography and the evolution of social institutions, both through internal social change and through the interaction of societies across national borders.

### THE ROLE OF GEOGRAPHY

If social scientists were to spend more time looking at maps, they would be reminded of the powerful geographical patterns in economic development. Two basic patterns stand out. First, the temperate regions of the world are vastly more developed than the tropics. (In the list of the thirty richest countries, only two, Hong Kong and Singapore—accounting for less than 1 percent of the combined population of the richest thirty countries—are in a tropical zone.) Second, geographically remote regions—either those far from the coasts and navigable rivers or mountainous states with high internal and international transport costs—are considerably less developed than societies on coastal plains or navigable rivers. Landlocked states in general face the worst problems. They are both distant from the coast and must cross at least one political border on the way to international trade. Although Europe boasts some rich landlocked economies (especially Austria, Luxembourg, and Switzerland), those countries have the advantage of being surrounded by

rich coastal economies. In other regions of the world, landlocked countries are almost uniformly poor.

The reasons for the widespread impoverishment in the tropics are complex, but the phenomenon is general, occurring in all parts of the world. We don't really have a North-South division in the world; instead, we have a temperate-tropical division.

There are probably three major explanations for the persisting impoverishment of the tropics: agricultural factors, health factors, and factors relating to the mobilization of scientific resources. Tropical agriculture faces several problems that lead to reduced productivity of perennial crops in general and of staple food crops in particular: weak soils and high soil erosion and exhaustion under tropical rain forest conditions; difficulties of water control and risks of drought in the wet-dry tropics; very high incidence of agricultural and veterinary pests; high rate of food spoilage in storage; and reduced rates of net photosynthetic potential in regions with warm nighttime temperatures. The result seems to be an intrinsic limit on food productivity in large regions of the tropics. Exceptions include the alluvial and volcanic soil regions, such as the Nile Delta and Java, and intermontane valleys, where nighttime temperatures are lower. Highly populated tropical highland regions include Central America, the Andes, the Great Lakes and Rift Valley regions of East Africa, and the Himalayan foothills.

The burden of infectious disease is similarly higher in the tropics than in the temperate zones. Most infectious diseases in temperate zones are transmitted directly between humans (e.g., tuberculosis, influenza, pneumonia, sexually transmitted diseases). In the tropics, there are also major vector-borne diseases (malaria, yellow fever, schistosomiasis, trypanosomiasis, ochocerciasis, Chagas' disease, filariasis, among others), in which animals that flourish in the warm climate, such as flies, mosquitoes, and mollusks, play the critical role of intermediate hosts.

The combination of poor agricultural productivity and high incidence of infectious disease has had manifold adverse effects: a high proportion of the population in agriculture because of the absence of an agricultural surplus; low degree of urbanization; a high concentration in remote high-altitude regions (e.g., the Andean altiplano and the Great Lakes region of Africa) seeking to escape the problems of the hotter, tropical plains; lower life expectancy and a smaller accumulation of human capital.

A third disability may be associated with the tropics. Temperate regions have been more populated than tropical regions for at least 2,000 years. On very rough calculation, using the data in McEwedy and Jones (1978), the tropics have had about one-third of the world's population during the past two millennia. If productivity growth is related to the size of population and

if productivity advances in one ecological zone do not easily cross into another zone, then the temperate zone might be advantaged by having a higher share of world population. Both of these assumptions seem realistic. Productivity growth is spurred by larger demand, and it is facilitated by a larger supply of potential innovators. Similarly, productivity advances in the temperate zone in areas such as agriculture, health, and construction are unlikely to be directly applicable to the very different ecological conditions of the tropics. Thus the higher rate of productivity advance in the temperate zone might not easily diffuse to the tropics.

From this perspective, commenting on Hong Kong and Singapore, two small economies in the geographical tropics (though only Singapore is in the ecological tropics), is worthwhile. These are, indeed, exceptions that help prove the rule. Both island city-states are concentrated in manufacturing and services. They don't have to grapple with low agricultural productivity or disease-carrying vectors.

Another major dimension of geography is the endowment of mineral resources, especially energy resources and precious minerals (e.g., gold, diamonds). In the nineteenth century, when transport costs were still very high in comparison to today, coal was a sine qua non of heavy industrialization. The Nordic countries, southern Europe, North Africa, and the Middle East were disadvantaged in heavy industry relative to the countries of the coal belt that stretches from Britain across the North Sea to Belgium, France, Germany, and Poland and into Russia. Of course, other regions could develop on the basis of agriculture and light industry, but they could not develop metallurgy, transport, and chemical industries. In the twentieth century, falling transport costs and the use of oil, gas, and hydroelectric power for the generation of energy have relaxed this constraint.

Geography is, no doubt, just one part of the puzzle. Several temperate-zone regions have not done well, as least not as well as Western Europe, East Asia (Japan, South Korea, Taiwan), and the Western offshoots. The lagging temperate-zone regions include North Africa and the Middle East, parts of the Southern Hemisphere (Argentina, Chile, Uruguay, and South Africa), and large parts of Central and Eastern Europe and the former Soviet Union that until recently were under communist rule. To understand these cases, we need to turn to social theory.

## SOCIAL SYSTEMS AND ECONOMIC GROWTH

As an empirical matter, economic growth has been related to political, cultural, and economic factors and has been intimately connected with capitalist social institutions characterized by a state subject to the rule of law, a culture

that supports a high degree of social mobility, and economic institutions that are market based and support an extensive and complex division of labor. Few societies have displayed this combination of political, cultural, and economic institutions. Moreover, history suggests that there is no strong tendency for societies to develop such institutions through internal evolution.

Indeed, so powerful are the barriers to evolutionary social change that fundamental institutional change typically results from external shocks rather than internal evolution. Most important in the past two hundred years have been the tumultuous interactions between economically advanced and economically lagging societies. These interactions cause profound social turmoil in the lagging societies that break the internal social equilibrium. The resulting turmoil may produce a reorientation of social institutions in a way that supports economic growth. Often, though, the result has been economic collapse and even the loss of sovereignty.

Max Weber's monumental sociology was the first to lay out an adequate description of the social institutions of modern capitalism. Weber drew "ideal type" distinctions between precapitalist and capitalist societies. In precapitalist societies, political authority is traditional and arbitrary, unbound by legal restraints. Social norms support hierarchical distinctions. Major markets do not exist, and the lesser markets that do are constrained by social or legal barriers. In capitalist societies, the state is bound by the rule of law. Social mobility is high. And economic exchange is heavily mediated through market institutions.

Weber's sociology was written at the start of the twentieth century. His field of inquiry was the emergence of capitalism in Western Europe and the reasons for its absence in other parts of the Old World. It is timely to update Weber's sociology at the beginning of the twenty-first century, asking a somewhat different question: Why did capitalism spread unevenly to other parts of the world?

Weber's comparative institutional analysis provides part of the framework for such an inquiry. Weber did not, however, deal adequately with three issues. First, he presented relatively static portraits of capitalist and non-capitalist societies, not the principles that govern their social evolution. Second, he did not deal adequately with intersocietal interactions, including institutional imitation or rejection, colonial rule, and military conflict. Third, he focused on precapitalist and capitalist societies. His sociological maps would have to be extended to at least three other broad types of social organization: colonial rule, socialist society, and collapsed societies. Let me offer a brief description of each.

In colonial societies, the essence of politics is exclusionary rule with the state apparatus controlled by the colonial power, the principal objective be-

ing maintenance of order. Traditional cultural institutions are systematically undermined in the interests of economic exploitation. Economic institutions are designed to ensure the terms of trade of the colonizer. Colonial rule was not a very good "school" for modern capitalism.

In socialist societies, politics is dominated by a repressive single-party organization. Traditional culture, especially religion, is suppressed, as are all private market activity and accumulation of private wealth. With the benefit of hindsight, we can now see clearly that socialism was economically destructive almost everywhere, with the possible exception of a few heavily subsidized remote areas within the Soviet empire.

There is another frequently occurring social condition, which we might call "social collapse," in which social institutions cease functioning and society is thrust into a Hobbesian war of all against all. Recreating any form of social order is typically very difficult after such an internal collapse. Since so much of the developing world has passed through such a state of social collapse, it is worth specifying its main features.

With respect to politics, state authority does not exist or is extremely limited, a condition often accompanied by violence. Cultural mechanisms of social trust break down, as do the market mechanisms of the economy. Black markets appear and monetary transactions may be replaced by barter.

One major goal of a revised sociology would be to explain the movements of society among these states (precapitalist, capitalist, colonial, socialist, and collapsed society). Why did some parts of the world make a relatively smooth transition to capitalism while others were colonized and still others collapsed? In which ways did the colonial experience prepare societies for capitalism, and in which ways did it frustrate the transition even beyond the colonial period itself? We are not yet in a position to answer these questions. The next section merely sketches some hypotheses.

#### PATTERNS IN THE DIFFUSION OF CAPITALISM

Marx and Engels were prescient in understanding the dynamism of the new capitalist system in Western Europe. They surmised, correctly, that capitalism would eventually spread to the entire world, based on the superiority of its economic productivity.

The bourgeoisie, by the rapid improvement of the instruments of production and the immensely expanded means of communication, draws all nations into civilization. The cheap prices of capitalism's commodities are the heavy artillery with which it batters down all walls and forces the "barbarians" to capitulate. It compels all nations, on pain of extinction, to adopt the bourgeois mode of

production. It compels them to introduce "civilization" into their midst, that is, to become bourgeois themselves. It creates a world after its own image.

Yet the process was anything but rapid and smooth. We need a better sociological theory of institutional change if we are to understand this long, frequently bitter, and often violent process. Since we don't have a general theory of social evolution, or even a mapping of how capitalism did or did not diffuse from Western Europe to the rest of the world, I think it is most useful to offer some hypotheses, or at least informed speculation.

- Capitalist institutions are generally resisted by elites of non-capitalist societies because of the implications of capitalism for increased social, political, and economic competition. Thus, in virtually every type of society (precapitalist, socialist, colonial), elite actors try to frustrate or limit the institutionalization of the rule of law, the norms of social mobility, and the introduction of market institutions.
- Capitalist reforms are least likely to progress in highly stratified societies (e.g., Russia or the Ottoman Empire in the nineteenth century), since social elites are better positioned to resist change.
- Capitalist reforms tend to be resisted especially fiercely by political elites that have a weak claim on their own legitimacy. For example, the fact that nineteenth-century China was ruled by a foreign dynasty with dubious legitimacy (the Manchus) no doubt raised barriers to internal institutional change.
- Internal reforms in many regions were cut short by colonial rule. In general, colonial powers did not carry out market reforms in the colonized society, since this would have empowered local inhabitants and undermined foreign rule. Thus, the spread of capitalism was short-circuited by the European capitalist powers themselves, often for a century or more.
- Threatened societies often experienced internal collapse rather than reform, mainly because the outside threat leads to a financial crisis and hence a collapse of political power or because the outside threat delegitimized the internal rulers, or both.
- Internal collapse can be followed by a bewildering array of outcomes, including chronic chaos (à la Haiti). Social collapse is often the occasion of revolutionary change. In the wake of the financial and political collapse of the tsarist regime in 1917, Lenin was able to seize and consolidate power despite the absence of any broad-based political support. The Soviet system was then spread through military power into Eastern and Central Europe.
- The adoption of capitalist institutions is strongly favored by certain geographical conditions:

coastal states rather than hinterland states, states proximate to other capitalist societies, states on major international trade routes, regions with fertile agriculture, which in turn supports a high level of urbanization.

- Capitalist institutions are favored in societies linked to world markets through cultural connections (e.g., a dominant religion or a minority diaspora with links to other countries).

Modern capitalism began in the North Atlantic societies, especially England and Holland, after centuries of active trade and development in the Mediterranean. It was carried naturally to the lands of new settlement in North America and to Australia and New Zealand. These regions were distinguished by several factors, the most important of which were that they shared the same temperate zone ecological conditions as Britain and that native populations were sparse, even more so after decimation by European disease. Within Western Europe, capitalist institutions spread from west to east, carried by Napoleon's armies, by the Revolution of 1848, and by the example of British industrialization. By 1850, modern capitalism existed in Western Europe and the Western offshoots.

The remainder of the Americas deserves a special word. The Caribbean was settled as slave societies, mostly for sugar production. It remained colonized, with the important exceptions of Hispaniola (Haiti and the Dominican Republic) until the end of the nineteenth century (in the case of Cuba) or the middle of the twentieth century (in the Lesser Antilles and Jamaica). Most of the region was long characterized by white rule over an impoverished population of former slaves, and environmental degradation due to exhaustion of the tropical soils.

The Spanish colonies varied considerably. Argentina, Chile, and Uruguay, in the Southern Hemisphere temperate zone, are most similar to the lands of new settlement in North America and Oceania. Native populations were sparse. The climate was similar to that of Spain. Although these countries were politically unstable in the first decades of independence (from around 1820 to 1870), by 1870 they had become more or less capitalist societies with formal democratic structures, albeit with extremely unequal land distribution. In tropical Central America and the Andean countries, the situation was very different. Most of these societies had much larger indigenous Amerindian populations. Societies therefore developed with inequalities and social stratification between European-descended whites and native inhabitants plus imported slaves. These societies resisted capitalist institutions for much longer, due no doubt to their extreme inequalities.

The fiercest nineteenth-century battles over economic reform were fought in the Old World, in the great empires of China, Japan, Russia, and the Ottomans. Here the general principles observed earlier seem to be helpful. In three of the four cases (all but Japan), societies proved to be strongly resistant to capitalist reform, even when fundamentally threatened by Western European encroachments. Japan alone experienced a swift “capitalist revolution” after a coup in 1868. This transformation was favored by Japan’s pre-existing commercial society; its cultural homogeneity; its coastal orientation, which allowed export-led growth; and even its coal deposits, which permitted early industrialization. In the other societies, a combination of political and cultural obstacles frustrated attempts at reform. Politics and culture worked in the same direction: Social elites resisted reforms that threatened their favored positions within long-standing social orders.

Almost all of the rest of the world—essentially the Old World tropics—fell under colonial rule. This was uniformly true in Africa after the spread of quarantine opened the way for European settlement and conquest in malarial sub-Saharan Africa. North Africa, the Indian subcontinent, and Southeast Asia similarly fell under European rule. Japan colonized Korea and Taiwan, and Central Asia was absorbed within the Russian empire.

By 1900, there was a discernible if crude tally. Capitalism was prevalent in Western Europe, the Western offshoots, and, with some qualifications, the Southern Cone (Argentina, Chile, and Uruguay), and Japan. These countries accounted for approximately one-fifth of the world’s population. The New World tropics (the Caribbean, Central America, and South America) were generally highly stratified, white-ruled societies in which much of the population lacked freedom, education, and social mobility. The Old World tropics and the Indian subcontinent were colonized by European powers. The three great empires—the Ottomans, tsarist Russia, and Ch’ing China—were all collapsing under the weight of European encroachments, declining legitimacy at home, and growing fiscal burdens from the external challenges.

Let me jump ahead sixty-five years—past the Bolshevik revolution, two world wars, and the Great Depression. Socialism had spread to much of the world. Decolonization was under way in Africa and was completed in the Indian subcontinent and much of Southeast Asia. I want to stress that little of the world, as late as 1965, was capitalist in orientation. Indeed, we could make the following rough tally:

- capitalist world: Western Europe, Western offshoots, Japan, Korea, Taiwan, Hong Kong, Singapore (21 percent of world population);

- socialist world: Soviet Union, Central and Eastern Europe, North Korea, China, Cuba (32 percent of world population);
- highly statist and in some cases one-party socialist rule: Argentina, Chile, Egypt, India, Indonesia, Iran, Mexico, Turkey (23 percent of world population);
- mixed capitalist/non-capitalist societies with extreme internal inequalities: tropical Americas, South Africa, Rhodesia (6 percent of world population);
- others: still colonized, traditional, and so on (18 percent of world population).

The general lesson, in summary, is that most of the world in modern history has been governed by non-capitalist institutions. The process of social reform was stymied in four ways: by the resistance of traditional Old World societies (mainly the major empires—the Ottomans, Russia, and China), by a period of colonial domination, by the adoption of socialism, and by social collapse. As late as 1965, only about one-fifth of the world could be counted as operating according to capitalist social institutions.

#### INCREASING RETURNS TO SCALE AS ANOTHER SOURCE OF WIDENING INEQUALITY

Another likely reason for the growing gap between rich and poor is that a major part of the economic development process—technological innovation—is characterized by increasing returns to scale. In theories of endogenous growth, new innovations are produced by the stock of existing technological “blueprints” in society. Ideas beget ideas. The dynamics of innovation may be characterized by increasing returns to scale, in which a kind of chain reaction takes place in response to an initial stock of ideas. Societies that have a critical mass of technological ideas may experience a takeoff into self-sustaining growth, whereas societies that fall short of that critical mass may experience continuing stagnation. The rich get richer because existing ideas are the source of new ideas.

There is surely some merit in this view. World science is even more unequally distributed than world income. The high-income regions (Western Europe, North America, Japan and the NICs, and Oceania) contain around 16 percent of world population and 58 percent of world GDP but account for around 87 percent of scientific publications and an astounding 99 percent of all European and U.S. patents.

### SOME ECONOMETRIC EVIDENCE ON THE SOURCES OF ECONOMIC DEVELOPMENT

There are sixty-one countries in the world with half or more of the population in temperate plus snow climatic zones. Of these, twenty-four countries were socialist during much of the post-World War II period. That leaves thirty-seven non-socialist temperate/snow zone countries. Of those, six are landlocked outside of Western Europe (Lesotho, Malawi, Nepal, Paraguay, Zambia, and Zimbabwe). Thus we have thirty-one temperate/snow zone economies that were neither landlocked nor socialist.

Of these thirty-one, all but seven are developed, if we use the threshold of \$10,000 per capita in 1995 purchasing power parity (PPP) adjusted prices. The seven include four countries in North Africa and the Middle East (Lebanon, Morocco, Tunisia, and Turkey), and three Southern Hemisphere countries (Argentina, South Africa, and Uruguay). These seven countries are anomalous from a geographical viewpoint. Why have they not achieved economic development? Among culture, politics, economic institutions, which have been the major culprits?

The tantalizing possibility from a cultural point of view is that the lagging development of North Africa and the Middle East demonstrates a strong cultural component. Is there evidence here that, controlling for climate and geography, these Islamic countries face deeper internal obstacles to economic growth? Note that the cultural obstacles could be internal (e.g., opposition to market-based institutions emanating from within society) or they could be externally imposed (e.g., European discrimination against the region in trade policies). It is not possible at a macroeconomic level to disentangle such interpretations, assuming that either or both is actually correct.

The case for cultural factors in the other three countries is more dubious. Argentina and Uruguay are largely immigrant countries, sharing the cultural norms mainly of southern Europe. However, since these countries lag far behind southern Europe, we should suspect that geography and politics rather than culture *per se* is the predominant explanation of the lagging performance. Indeed, this is made more clear by the fact that Argentina was well above the income level of Italy as of 1929 (\$4,367 compared with \$3,026 in 1990 PPP adjusted dollars, according to the Maddison data). The shortfall in Argentina's performance occurred during the past half century and is clearly related to changes in domestic politics and economic strategy during and after the Perón regime. Uruguay's economic development followed closely upon that of its much larger neighbor. South Africa, finally, must be viewed mainly through the prism of colonial and racial policies rather than culture.

What about success stories among the tropical countries? Sadly, there are precious few. Only one tropical country (Singapore) plus one former colony now part of China (Hong Kong) rank among the top thirty countries. Suppose we focus our attention on the relative success stories: tropical countries that have a 1995 per capita income level at \$6,000 or above. There are, in addition to Singapore and Hong Kong, eight such cases (out of a total of forty-six tropical countries), listed in order of income per capita: Malaysia, Mauritius, Gabon, Panama, Colombia, Costa Rica, Thailand, and Trinidad and Tobago. Two of these countries make the list mainly because of oil resources (Gabon and Trinidad and Tobago). Panama no doubt benefits mainly from its geographical distinctiveness rather than good government or cultural advantages. The more interesting anomalies therefore include Malaysia, Mauritius, Colombia, Costa Rica, and Thailand. Again, we should ask whether culture rather than politics has been decisive in the relatively strong performance of these countries.

Thailand and Malaysia have benefited strongly from export-led growth in the past thirty years, disproportionately concentrated among the overseas Chinese communities in those countries, and the links that the overseas Chinese communities have made with foreign investors from the United States, Japan, and Europe. More generally, the trade and financial linkages in Asia among the Chinese diaspora communities (especially Indonesia, Malaysia, Singapore, and Thailand) and Greater China (Hong Kong, Taiwan, and the Mainland) may well constitute a case in which cultural factors have contributed to successful development. (As always, there is an important ambiguity about the role that culture may play here. It may involve intrinsic factors within the belief systems of the community or it may rather provide a network of trusted economic connections). It is ironic, of course, that Weberian sociology pointed to China as a case of culturally arrested development set in contrast to growth under Protestant cultural norms. The evidence of the past half century, including China's own opening to market forces after 1978, strongly suggests that political factors and poor economic institutions, rather than culture *per se*, lie behind the many centuries of China's lagging economic development.

To summarize these points, the great divisions between rich and poor countries involve geography and politics (especially whether or not the country was socialist in the postwar era). If culture is in fact an important determinant of cross-country experience, it seems to play a subsidiary role to these broader geographical and political/economic dimensions. Nonetheless, there are indeed some hints of culturally mediated phenomena. Two are most apparent: the under-performance of Islamic societies in North Africa and the Middle East and the strong performance of tropical countries in East Asia

that have an important overseas Chinese community. In each case, there is a deeper ambiguity of interpretation. Is the cultural signal related to beliefs within the community or rather to the international relations (and therefore trade prospects) of the countries in question?

Space limitations preclude a detailed treatment here of a regression analysis undertaken in 1999 to test these hypotheses. The conclusions: The basic variables are as expected—economic policy affects growth rates, temperate/snow zone economics grow faster than tropical countries, regions with falciparum malaria grow less rapidly than regions without the disease, and landlocked countries grow more slowly than countries with a coastline. The coefficients on Hindu and Muslim societies are small and statistically insignificant. There is, in short, no evidence that Hindu or Muslim populations achieved lower growth rates, controlling for economic policy variables or geography variables.

The same methodology can be used to show that former colonies do not demonstrate any sign of residual adverse effects of the colonial period in the sense that growth during 1965–1990 is not strongly affected by colonial status before 1965. Thus, although the colonial period was probably adverse for economic growth, there is no evidence of a longer-term adverse legacy. Clearly, though, more careful work should be carried out on that important question.

#### SUMMARY AND CONCLUSIONS

This chapter has discussed an approach to the sociology of economic development, including the possible role of cultural institutions in economic performance. It has argued that modern economic growth is intimately connected with capitalist institutions and favorable geography. There is only slight evidence that religious categories add explanatory power above those two broad classes of explanation of economic growth. There is some evidence that the Muslim countries of North Africa and the Middle East have underperformed over the long term relative to their favorable geography (temperate zone, specifically Mediterranean climate, and coastal orientation). However, there is no evidence that such under-performance has continued after 1965, and, at least in the past ten years, several Muslim countries have sharply outperformed the world average.

The cultural explanations of economic performance may be helpful in some circumstances, especially in accounting for resistance to capitalist reforms in the nineteenth century, but such explanations should also be tested against a framework that allows for other dimensions of society (geography, politics, economics) to play their role. Controlling for such variables sharply

reduces the scope for an important independent role of culture. More broadly, there is considerable historical work remaining to develop a sound framework for measuring and studying the evolution of social institutions and the interactions of politics, culture, and economics in the course of social change. Equally important, we must better understand the role of cross-border factors in social evolution. The weight of international factors in social change has been extremely high for at least two centuries, and it is bound to increase in the future under the pressures of increasing globalization of society, politics, and economics.

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