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STATE, CHURCH AND THE COMPETITION OF STATES:
On the Rise of the West

by

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The millennium just ended has seen the indisputable rise of the West over its Eurasian civilizational cousins. In particular it has been the triumph of the English speaking peoples, first in the small off-shore island where they originated and then of their descendants in the New World. To put this triumph in perspective it is useful to compare the end of the previous millennium. In 1000 AD, Hindu civilization was well past its climacteric. But China was about to see extraordinary developments under the Sung. It had only one other competitor the civilization of Islam which stretched from the Atlantic to the Indian oceans. This dominance of Islamic civilization is well captures by the historian Felipe Fernandez- Armesto, describing the world surveyed by the Syrian geographer al-Muqaddasi at the turn of the first millennium:

" The Islam he beheld was spread like a pavilion under the tent of the sky, erected as if for some great ceremonial occasion, arrayed with great cities in the role of princes, these were attended by chamberlains, lords and foot soldiers, whose parts were played by provincial capitals, towns and villages respectively. The cities were linked not only by the obvious elements of a common culture...but also by commerce and in many cases reciprocal political obligations. The strict political unity which had once characterized Islam had been shattered in the tenth century...yet a sense of comity survived, and travellers could feel at home throughout the Dar-al-Islam- or to use an image popular with poets- in a garden of Islam, cultivated, walled against the world, yielding for its privileged occupants shades and tastes of paradise" (p.35)

Yet Islam was to become a defeated civilization as was the Chinese which had its own climacteric in the middle of the last millennium. If anyone had suggested that a small, cold, fairly savage people on the edge of Eurasia would have pioneered the dominant civilization of the millennium they would have been laughed at. So how did it come about- this rise of the West?

This is a question which has intrigued scholars for at least a hundred years. I have provided my own answer in my recent book Unintended Consequences, and in this lecture I want to summarize some of my arguments and contrast them with those of

¹This is a somewhat abridged and modified version of a paper entitled "Culture and Development" presented at a panel on "The economic performance of civilisation", at the American Association meetings, New Orleans, January 2001.

others. My answer is in terms of culture. But what is culture, and can it, and if so how does it, effect economic performance? Many, including Marxists and most economists, would deny the relevance of culture, and seek to explain relative economic performance in purely materialist terms.¹ By contrast many non-economists (particularly in East Asia), in a neat reversal of Max Weber's famous thesis, they are claiming that it is unique Asian values (and the institutions they embody eg. etatist polities, and extended families) which are responsible for the East Asian economic miracles.²

In my book (Lal (1998)) I have tried to assess these views and attempted to show how from a broad historical survey of the civilizations of Eurasia through millennia, the role of culture in development cannot be ignored, and that moreover, once these cultural factors are taken into account, many surprising features of the contemporary world can be explained.

In this lecture I will therefore begin (Section I) by outlining a simple framework which allows us to think about culture and institutions. I then show how this framework can be put to work (section II) to show how the West diverged from its other Eurasian cousins, and the limits of materialist explanations. The third section uses the framework to examine the arguments for the transference of Western institutions - in particular democracy - to promote economic development in the Third World.

I ON CULTURE

(i) Culture and Institutions : There is growing agreement that the evolution of institutions is likely to be the central explanation of differing growth performances. Culture is the informal aspect of institutions which constrain human behaviour. I have found a definition adopted by ecologists particularly useful.³ 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 them by social custom. These social customs form the culture of the relevant group, which are transmitted to new members of the group (mainly children) who do not then have to invent these 'new' ways de novo for themselves.

This definition of culture fits in well with the economists notion of equilibrium. Frank Hahn⁴ describes an equilibrium state as one where 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." This routinized behavior is clearly close to the ecologists notion of social custom which fixes a particular human niche. On this

view, the equilibrium will be disturbed if the environment changes, and so, in the subsequent process of adjustment, the human agents will have to abandon their past theories, which would now be systematically falsified. To survive, they must learn to adapt to their new environment through a process of trial and error. There will then be a new social equilibrium, which relates to 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".

This equilibrium need not be unique nor optimal, given the environmental parameters. But once a particular socio-economic order is established, and proves to be an adequate adaptation to the new environment, it is likely to be stable, as there is no reason for the human agents to alter it in any fundamental manner, unless and until the environmental parameters are altered. Nor is this social order likely to be the result of a deliberate rationalist plan. We have known since Adam Smith 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 which the final outcomes can be very different from those intended.

It is useful to distinguish between two major sorts of beliefs relating to different aspects of the environment. These relate to what in my recent Ohlin lectures I labelled the material and cosmological beliefs of a particular culture.⁵ The former relate to ways of making a living and concerns beliefs about the material world, in particular about the economy. The latter are related to understanding the world around us and mankind's place in it which determine how people view their lives-its purpose, meaning and relationship to others. There is considerable cross-cultural evidence that material beliefs are more malleable than cosmological ones.⁶ Material beliefs can alter rapidly with changes in the material environment. There is greater hysteresis in cosmological beliefs, on how, in Plato's words, "one should live". Moreover, the cross-cultural evidence shows that rather than the environment it is the language group which influences these world-views.⁷

The primacy of one or other pole of this distinction has been fiercely contested by two warring factions we can call materialists and idealists. Marxists, with their distinction between the 'infrastructure' and the 'superstructure', believe that the latter is determined by the former. Many anthropologists and sociologists believe exactly the opposite, and contemporary deconstructionists represent the apotheosis of the idealist view. As a good Hindu, I naturally believe that the truth lies somewhere in between!

What determines cosmological beliefs? I have argued that in part- particularly beliefs relating to political legitimacy- were determined by the material (largely ecological) circumstances of the areas in which these civilizations were

initially established (see Section III below). Also, as we shall see, there was at least one important case where there was a rapid change in cosmological beliefs which led, through a historically contingent process, to a change in material beliefs (Section II below).

(ii) On Human Nature : So what is the human nature, cosmological beliefs are supposed to constrain? Evolutionary anthropologists and psychologists maintain that human nature was set during the period of evolution ending with the Stone Age.⁸ Since then there has not been sufficient time for any further evolution. This human nature appears darker than Rousseau's and brighter than Hobbes' characterizations of it. 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." For 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" useful. Co-operation with one's fellows in various hunter-gatherer tasks yields benefits for the selfish human which can be further increased if he can cheat and be a free rider. In the repeated interactions between the selfish humans comprising the tribe, such cheating could be mitigated 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.⁹

Archaeologists have also established that the instinct to "truck and barter", the trading instinct based on what Sir John Hicks used to call the "economic principle" - "people would act economically; when an opportunity of an advantage was presented to them they would take it"¹⁰ - is also of Stone Age vintage.¹¹ It is also part of our basic human nature.

(iii) Agrarian Civilizations: With the rise of settled agriculture and the civilizations that evolved around them, however, and the stratification this involved between three classes of men - those wielding the sword, the pen and the plough-¹² most of the stone age basic instincts which comprise our human nature would be dysfunctional. Thus with the multiplication of interactions between human beings in agrarian civilizations many of the transactions would have been with anonymous strangers who one might never see again. The "reciprocal altruism" of the Stone Age which depended upon a repetition of transactions would not be sufficient to curtail opportunistic behavior.

Putting it differently, the 'tit for tat' strategy for the repeated Prisoners Dilemma (PD) game amongst a band of hunter-gatherers in the Stone Age would not suffice with the increased number of one-shot PD games that will arise with settled agriculture and its widening of the market.¹³ To prevent the resulting dissipation of the mutual gains from co-operation, agrarian civilizations internalized restraints on such 'anti-social' action through moral codes which were part of their 'religion'.¹⁴ But these 'religions' were more ways of life as they

did not necessarily depend upon a belief in God.

The universal moral emotions of shame and guilt are the means by which these 'moral codes' embodied in cultural traditions are internalized in the socialization process during infancy.¹⁵ Shame was the major instrument of this internalization in the great agrarian civilizations. Their resulting cosmological beliefs can be described as being 'communalist'.¹⁶

The basic human instinct to trade would also be disruptive for settled agriculture. For traders are motivated by instrumental rationality which maximizes economic advantage. This would threaten the communal bonds that all agrarian civilizations have tried to foster. Not surprisingly most of them have looked upon merchants and markets as a necessary evil, and sought to suppress them and the market which is their institutional embodiment. The material beliefs of the agrarian civilizations were thus not conducive to modern economic growth.

II

THE RISE OF THE WEST

The similarities between the great Eurasian civilizations were greater than their differences- until one diverged decisively about 200 years ago, and delivered the European miracle. All these civilizations experienced periods of intensive growth of what I term the Smithian kind, which is due to the widening of the market and the increased specialization it brings, primarily through the establishment or extension of empires. Thus there was Smithian intensive growth in India during the Pax Buddhism of the Mauryas and the Pax Hindu of the Guptas, in the Mediterranean world during the Pax Greco/Roman of the ancient world, in the areas under Pax Islam under the Abbasids, in Japan during the Pax Tokugawa and in China during the extension of the Pax Sung to the Yangtze valley.

But in none of these civilizations with the possible exception of Sung China was there any likelihood of what I term Promethean intensive growth, which involves transforming a land using agrarian economy into a mineral based energy economy. This was the essence of the Industrial Revolution as Wrigley has rightly noted, and for the first time, given the relatively unbounded supply of energy available from fossil fuels, opened up the prospect for humankind of unbounded intensive growth. This in turn opens up the possibility of alleviating that mass structural poverty which has been the bane of mankind for millennia. This was a unique event which led to the great divergence of these ancient civilizations. The reasons for this divergence are still in dispute. Technological, political and material reasons have been adduced by various authors for the Rise of the West.

(i) Technology: The failure of the Sung to initiate Promethean growth even though they had all the resource and technological ingredients available is one of the great puzzles of history, often labelled the Needham problem. But it does give the lie to various technologist explanations for the European miracle.¹⁷ Little (1981)¹⁸ and Scott (1989)¹⁹ have rightly argued that

'science and technology' are not an important dividing line between the West and the Rest.

Needham (1963) also argues that 'science and technology' cannot explain the rise of the West. As he writes:

"not to put too fine a point on the matter, whoever would explain the failure of Chinese society to develop modern science had better begin by explaining the failure of Chinese society to develop mercantile and then industrial capitalism. Whatever the individual prepossessions of Western historians of science, all are necessitated to admit that from the 15th century AD onwards a complex of changes occurred: the Renaissance cannot be thought of without the Reformation, the Reformation cannot be thought of without the rise of modern science, and none of them can be thought of without the rise of modern capitalism..we seem to be in the presence of a kind of organic whole, a packet of change" (p.139)

(ii): Polity: An essential part of this packet, it has been claimed in different ways by both North and Thomas and Jones (1981) was the decentralization and competition among polities in the European states system which replaced the western Roman empire which was due to geography. This limited the natural predatoriness of the State by making it more contestable²⁰ This in turn allowed intensive growth which Jones (1988) believes is just waiting to bubble forth except for the restraints imposed by the predatory state. But India like medieval Europe has also had political disunity with cultural unity (provided by the Hindu caste system in India and Christianity in Europe) but it did not obtain Promethean growth.

(iii) The 'New World' Bonanza: Recently Pomeranz (2000) has claimed that, the basic cause of the great divergence was Europe's discovery and exploitation- partly through trade- of the New World. There can be no doubt that this extended Europe's land frontier. But how decisive was it and why could China not do something similar?

Pomeranz, himself admits that, the increment to the supply of land- intensive products from the New World to Europe could not have been large, but then appeals to chaos theory to justify his thesis that they were the basis of the great divergence!

But it is the larger question- why did China not seek to exploit areas where free land was available overseas to overcome its growing land constraint- which points to the basic flaw in Pomeranz's and other purely materialist explanations for the great divergence. As Pomeranz shows, there were empty lands in South-East Asia which "like post-contact New World, was sparsely populated and capable of supplying vast quantities of land-intensive resources that were in demand 'back home'. Chinese went there in significant numbers, but South East Asia never became for coastal China what the New World was for western Europe" (p.200). Why? Because unlike Europe's New World empires, "the Chinese merchants.. established themselves in South East Asia without state backing" (p.200) This is the crucial point. To see why, it

is important to note two important points not taken into account by Pomeranz.

First, under Kublai Khan the Chinese had created a powerful navy. The famous admiral Cheng Ho took his 'treasure ships' on expeditions to the India Ocean in the 15th century, and McNeill (The Pursuit of Power) notes that these expeditions eclipsed anything that the later Portuguese explorers could muster. Nor did Cheng Ho desist from coercion. He sealed Chinese suzerainty everywhere he went if necessary by force. McNeill argues that, if the Chinese had continued to expand their overseas empire " a Chinese Columbus might well have discovered the west coast of America half a century before the real Columbus blundered into Hispaniola in his vain search for Cathay. Assuredly Chinese ships were seaworthy enough to sail across the Pacific and back. Indeed, if the like of Cheng Ho's expeditions had been renewed, Chinese navigators might well have rounded Africa and discovered Europe before Prince Henry the Navigator died (1460)" (p.45).

But instead-the second point- after 1433 the Chinese abandoned their navy and began to restrict foreign trade and contacts. The ship-building and sea going skills thereafter degenerated, and China continued in relative isolation till the 'new barbarians' came knocking at its doors in the 19th century.

To understand this shift in policy and the accompanying closing of the Chinese mind - and the comparable one in Japan following its adoption of the policy sakoku under the Tokugawa-one has to look at the 'cosmological beliefs' of the various Eurasian civilizations. As these cosmological beliefs are also related to the different polities, they also help to explain the divergences in state policy.

(iv) The Twin Papal Revolutions: The essential element missing in these various explanations for the rise of the West- though each forms part of Needham's 'packet' of explanation- is the role of cosmological beliefs. Uniquely for Eurasian agrarian civilizations, whose common cosmological beliefs can be broadly categorized as 'communalist', medieval Europe departed from the pattern and became individualist (Dumont). This was due to the reinterpretation of Pauline Christianity by St. Augustine in the 5th century²¹ in his "City of God" which converted the 'other-worldly' individualism of the Christian church (a trait which it shares with Hinduism) into an in-worldly one by demanding the Church be put above the State, (Dumont) a demand that Pope Gregory VII fulfilled in the 11th century with his injunction "Let the terrestrial kingdom serve-or be the slave of the celestial", and which led to the so-called Papal legal revolution.

This change in cosmological beliefs is of course the factor which Max Weber and more recently David Landes have identified as the cause of the Great Divergence, but as both base it on the Protestant Ethic, they have got their dates wrong. For as Hicks (1969) noted an essential element in the rise of capitalism was : "the appearance of banking, as a regular activity. This began to happen long before the Reformation; in so

far as the 'Protestant Ethic' had anything to do with it, it was practice that made the Ethic not the other way round" (p.78-9).

By contrast I have argued in Unintended Consequences that the change in cosmological beliefs was mediated by the Catholic Church in the 6th-11th centuries,²² through its promotion of individualism, first in family affairs by Pope Gregory the Great, and later in material relationships which 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 11th century.²³ These twin Papal revolutions arose because of the unintended consequences of the Church's search for bequests - a trait that goes back to its earliest days. From its inception it had grown as a temporal power through gifts and donations - particularly from rich widows. So much so that, in July 370 the Emperor Valentinian had 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 their bequests at the expense of the women's families and blood relations.²⁴ The Church was thus from its beginnings in the race for inheritances. The early Church's extolling of virginity and preventing second marriages helped it in creating more 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 (the Great) gave to some questions that the first Archbishop of Canterbury, Augustine, had sent in 597 AD concerning his new charges.²⁵ 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 a heir to inherit family property and allowed, marriage to close kin, marriages to close affines or widows of close kin, the transfer of children by adoption, and finally concubinage, which is a form of secondary union. Gregory amazingly banned all four practices. Thus for instance there was no adoption of children allowed in England till the 19th century. There was no basis for these injunctions in Scripture, Roman law or the existing customs in the areas that were Christianized.

This Papal family revolution made the Church unbelievably rich. Demographers have estimated that the net effect of the prohibitions on traditional methods to deal 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. Its accumulation was phenomenal. Thus for instance in France one third of productive land was in ecclesiastical hands by the end of the 7th century!

But this accumulation also drew predators from within and without to deprive the Church of its acquired property. It was to deal with this denudation that Pope Gregory VII instigated his Papal revolution in 1075, by putting the power of God - through

the spiritual weapon of excommunication-above that of Caesar's. With the Church then coming into the world, the new Church-state also created all the administrative and legal infrastructure which we associate with a modern polity, and which provided the essential institutions for the Western dynamic that in time led to Promethean growth. Berman has shown how the whole Western legal tradition really derives from the development of both canon and secular law during the 11th-13th centuries under the aegis of the Church. The most important for the economy was the development of the 'law of the merchant'- the lex mercatoria.

Thus Pope Gregory VII's Papal revolution lifted the lid on the basic human instinct to 'truck and barter', and in time to a change in the traditional Eurasian pattern of material beliefs with their suspicion of markets and merchants, while Pope Gregory the Great's promoted that individualism first in family matters and then in thought which led to the scientific revolution. These changes in material and cosmological beliefs in time led to Promethean economic growth.

But the earlier Papal Revolution of Pope Gregory the First, which had precipitated that of Gregory VII, also led to a change in the traditional Eurasian family patterns which were based on various forms of 'joint families' and family values. In its quest to weaken the traditional Eurasian family bonds in its race for inheritances the Western Christian church came to support the independence of the young: in choosing marriage partners, in setting up their households and entering into contractual rather than affective relationships with the old. They 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.

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 is erroneous-romantic love is a universal emotion.²⁶ Moreover it has a biological basis. Neuro-psychologists 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 which also evince this emotion. However, it appears that this emotion is ephemeral. After a period of attachment the brain's receptor sites for the essential neuro-chemicals become desensitized or overloaded and the infatuation ends, setting up both the body and brain for separation- divorce. This period of infatuation has been shown to last for about 3 years. A cross-cultural study of divorce patterns in 62 societies between 1947-1989 found that divorces tend to occur around the fourth year of marriage!

A universal emotion with a biological basis calls for an explanation. Socio-biologists 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 period for those marriages which 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 maybe universal but its public expression is culturally controlled. For 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 requires settled households. If households are in permanent flux there could not be settled households on particular parcels of lands. Not surprisingly most agrarian civilizations sought to curb the explosive primordial emotion which 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 "love and marriage go together like a horse and carriage".

While this unleashing of Stone Age passions helped in alienating the young from their families, the Church also had to find a way to prevent the social chaos which 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, and then created a fierce guilt culture based on Original Sin. Its pervasive teaching against sex and the associated guilt it engendered provided the necessary antidote to the 'animal passions' that would otherwise have been unleashed by the Church's self-interested overthrowing of the traditional Eurasian system of marriage. But once the Christian God died with the Scientific and Darwinian revolutions, these restraints built on Original Sin were finally removed. The family, as most civilizations have known it, became sick in the West, as the Western humanoids reverted to the 'family' practices of their hunter-gatherer ancestors.

III THE STATE

The above account has I hope shown that, at least two of the important institutional developments which influenced the Rise of the West- the legal and commercial infrastructure of the market economy and the individualism of the Western family mode - were the result of greed and circumstance. There was nothing inevitable about them and while they have cast long shadows - a

benign one concerning the market and a less benign one concerning the erosion of the 'family'- there is no theory of institutional development that can be derived from it. At best they represent 'the cunning of history'.

Moreover, though in the West, the change in cosmological and material beliefs was historically conjoined, there is no necessity in this conjunction. As the examples of Japan, the 'Asian Tigers' and increasingly China and India show, once the change in material beliefs associated with Pope Gregory VII's legal revolution occurs, with the acceptance of the legal and commercial infrastructure it created, there is no need to embrace the cosmological beliefs- in particular concerning the family- that arose in the West from Gregory I's family revolution. It is possible to modernize without Westernizing.²⁷

Something closer to materialist explanations can, however, I believe, be provided for the third of the triad of institutions which are relevant for economic performance- the State. Just confining our attention to historical Eurasia, there is a wide variety of types of State that have existed since the rise of agrarian civilizations in the alluvial plains of Mesopotamia, Egypt, the Indus and the Yellow river. Though the most common form has been hereditary monarchy -but with important differences in its justifications- there have been democracies in ancient Greece and in the Himalayan foothills in ancient India where ecological conditions permitted.²⁸ But, besides these exceptions, the common form of State was determined by a common problem faced by the agrarian civilizations. These were labor scarce, land abundant areas, where as Domar has shown in a sadly neglected essay that in such an economy free labor, free land and a non-working upper class cannot co-exist. These great Eurasian agrarian civilizations were created by obtaining a surplus for use in the towns (civitas, being the emblem of civilization). This predatory purpose in effect ruled out a democratic state, and implied that the peasants in these land abundant areas would have to be tied down to the land to provide the necessary labor for the fairly labor intensive processes of plough agriculture that were feasible in these areas and which provided enough of a surplus above subsistence to support the wielders of the pen and the sword in the cities.

The wielders of the sword were also needed for another reason. The great Eurasian civilizations were sandwiched between the two great areas of nomadic pastoralism- the grasslands of the great steppe regions to the North, and the semi-desert of the Arabian peninsula. The nomads of these regions had maintained many of the warlike organizations and violent habits of big game hunters of their hunter-gatherer ancestors. They constantly preyed on the more numerous but sedentary populations of the agrarian civilizations of Eurasia. In the subsequent collisions between farmers and pastoralists, the inherent military advantages the latter enjoyed (because of their habits) made the wielder of the sword among the farmers essential in preventing the pastoralists

from conquering and exploiting them like their animals. There were thus important external exigencies for obtaining a surplus to support specialists in wielding the sword, commanded by some form of monarch.

This then meant that, to extract the surplus, labor had to be tied down to the land. The means employed- the caste system in India, various forms of serfdom in Europe and China, slavery in many civilizations - were determined more by ecology than ideology.

But in many cases (like the Indian caste system) an ideology-or as I have called it a set of cosmological beliefs- became an essential instrument in maintaining the necessary social controls. Such cosmological beliefs are necessary because even the most savage predatory state, ultimately, has to face the question of political legitimacy. For, as is evident from the dramatic events of 1989, the role of the military or police in maintaining the institutional structures of the State is greatly exaggerated. Ultimately, like other institutions, any State also depends upon general acceptance of its right to rule. As Searle (1995) notes, one cannot usually provide some rational basis for this acknowledgment. It is largely a matter of habit. But as a result it can collapse quite suddenly when people lose confidence. These conjectures have been formalized, most notably in a recent book by Timur Kuran called Private Truths, Public Lies, whose title gives a succinct description of its thesis. It provides a direct link between cosmological beliefs and the polity.

In Unintended Consequences I provide cross-cultural evidence that these cosmological beliefs of differing Eurasian polities were determined by the ecological conditions in the areas when their ancestral States were set up. Given the hysteresis in cosmological beliefs, the peoples of these areas still find political legitimacy in terms of these ancient cosmologies. A few illustrations might help to make the point.

(i) India : In India as I argued in The Hindu Equilibrium,²⁹ Hindu civilization developed on the vast Indo-Gangetic plain. This geographical feature (together with the need to tie down the then scarce labor to land) accounts for the traditional Indian polity, which was notable for its endemic political instability amongst numerous feuding monarchies, because of the difficulties of any one establishing hegemony over the vast plain for any sustained period- given the existing means of transportation and communication. It also explains why a decentralized system, based on an internalized set of cosmological beliefs embodied in the caste system, developed as a way of tying labor down to land. This institution, moreover, by making war the trade of professionals saved the mass of the population from being inducted into the deadly disputes of its changing rulers. While the tradition of paying a certain customary share of village output as revenue to the current overlord, meant that the victor had little incentive to disturb the daily business of its newly acquired subjects. The democratic practices gradually introduced by the British in the

late 19th century fit these ancient habits like a glove. The ballot box has replaced the battlefield for the hurly-burly of continuing 'aristocratic' conflict, while the populace accepts with ancient resignation that its rulers will, through various forms of 'rent-seeking', take a certain share of output to feather their own nests. These ancient cosmological beliefs, in my view, explain why- unlike so many other developing countries- democracy has thrived in such a vast, diverse and poor country, and taken deep root- as was shown by Indira Gandhi's aborted attempt to stifle it during her Emergency.

(ii) China: By contrast the Chinese polity, in its origins in the relatively compact Yellow river valley, constantly threatened by the nomadic barbarians from the steppes to the north, developed a tightly controlled bureaucratic authoritarianism as its distinctive polity which has continued for millennia to our day. To give some idea of the extent of this authoritarianism and its resilience over the millennia note that from the reference manuals of a petty bureaucrat of the Chin regime in about 217 B.C. (which were discovered with his body in Dec. 1975 at Shuihudi in Yunmeng) it appears that the Chin regime "kept detailed, quantified central records of the state of the crops almost field by field in every county of the empire. Maintaining that sort of control would be a daunting task for a government equipped with computers and telecommunications. Doing it before the invention of paper, when all the data had to be gathered and stored on strips of wood or bamboo, would have been impossible without an enormous bureaucracy" (Jenner (1992)p.22). Little has changed in this polity since. Thus Jenner notes the continuity between the attitudes and values of the imperial Chinese state and the contemporary Communist one.³⁰

(iii) Western Europe: By contrast, democracy arose in the West on the foundations of feudal societies which had grown out of the weak states which succeeded the Roman Empire, in which medieval lords had succeeded in obtaining property rights in exchange for the materiel the princes needed to maintain their highly contestable natural monopolies-their states. With the consolidation of these fragmented polities into the absolutist nation states of Renaissance Europe, "the increase in the political sway of the royal state was accompanied, not by a decrease in the economic security of noble ownership, but by a corresponding increase in the general rights of private property" (Anderson, (1979),p.429). On this material base the Reformation provided the cosmological beliefs leading to the rise of Demos.

The Reformation in England was the logical conclusion of the problem that Gregory I's family revolution had set for Henry VIII. He took the step no other medieval king had thought of taking: "and that was to cast off the authority of Rome, to keep the Churches open on his own authority, and to accept papal excommunication as a permanent condition" (Southern (1970) p.21). Once that happened the church-state was dead and the nation-state was born. It also meant the end of the unity of Christendom and

opened up the question of political legitimacy. Till then both rulers and ruled were bound by the common law of Christendom. But after the Reformation, who represented God's law- the Catholics or the Protestants- and whose law should you obey if you were a Catholic in a Protestant kingdom or vice versa? Equally momentous was the Protestant claim of the sinfulness of the Catholic church. If the traditional interpreters of God's will appointed by the Pope were sinful where were the true interpreters of his will to be found? "If not the Church, then only the congregations" (Minogue (1995) p.175). These became self-governing, choosing and dismissing their pastors. But if the Church is to be governed by its members why not the State? Thus were the seeds for the rise of Demos sown in north western Europe.

(iv) The Americas: This pluralist democratic political form took immediate root in the North America of the Pilgrim fathers, where ecology further helped in creating a unique egalitarian and democratic society. We cannot go into its genesis and development on this occasion,³¹ but it provides a striking contrast to the outcome in the southern part of the hemisphere, where it was the southern Europeans of the Counter-Reformation who established their outposts. Spain after the reconquest from the Moors had developed a patrimonial state justified in terms of the neo-Thomist ideology which saw society as a hierarchical system in which every person and group "serves the purpose of a general and universal order that transcends them" (Morse, (1964) p.146). It was a centralizing state without the manorial system with its decentralization of rights that had developed in Northern Europe. The economic correlate of this set of cosmological beliefs and the polity they supported was corporatism.

This led to very different polities in the two parts of the New World, where even when after their Independence the Iberian colonies adopted US style formal constitutions, the real form was still governed by the patrimonial legacy of Philip and Isabella of Spain. The hierarchical polity justified by neo-thomism also permitted the accommodation of the unavoidable economic inequalities engendered by the land abundance and the demands of tropical agriculture given their climate which was only viable with some form of coerced labor.

But these inequalities- arising from its ecological and political heritage- create a dissonance between Latin America's social realities and its Christian cosmological beliefs emphasizing equality- which of course it shares with the North. There is no such Northern dissonance, as both for ecological and political reasons, a uniquely egalitarian social and political society developed there.³²

(v) Differences in civilizational cosmologies: In this context it is worth noting the important difference between the cosmological beliefs of what became the Christian West and the other ancient agrarian civilizations of Eurasia. Christianity has a number of distinctive features which it shares with its Semitic cousin Islam, but not entirely with its parent Judaism, and which

are not to be found in any of the other great Eurasian religions. The most important is its universality. Neither the Jews, nor the Hindu or Sinic civilizations had religions claiming to be universal. You could not choose to be a Hindu, Chinese or Jew, you were born as one. This also meant that unlike Christianity and Islam these religions did not proselytize. Third, only the Semitic religions being monotheistic have also been egalitarian. Nearly all the other Eurasian religions believed in some form of hierarchical social order, which for instance in Hindu India - with its belief in reincarnation- was rationalized as resulting from the system of just deserts for one's deeds in the past life.

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 rightly characterized the resulting profound divide between the societies of Homo Aequalis which believe all men are born equal (as the philosophes, and the American constitution proclaim) and those of Homo Hierarchicus which believe no such thing. This matters for the polity. With the rise of Demos, those societies infected by egalitarianism have a greater propensity for the populism which damages economic performance than the hierarchical societies. If, as in Europe, the granting of democratic rights can be phased in with the growing economic and social equality that modern growth helps to promote, then the political effects of the dissonance between an unequal social reality and egalitarian cosmological beliefs can be avoided. In the colonial and 19th century patrimonial states of Latin America this dissonance was avoided by restricting the polity- in effect to the property owning classes. But if as in this century, while still in the early stages of modern growth, the polity is expanded by incorporating the "dangerous classes" with an extension of democratic rights to the whole populace, then this dissonance can, as it has, lead to political cycles of democratic populism followed by authoritarian repression as the distributional consequences of the populist phase are found unacceptable by the Haves. By contrast hierarchical societies can more easily maintain majoritarian democracies, however corrupt and economically inefficient- as the notable example of India shows- despite continuing social and economic inequalities. Thus, as many Latin American commentators³³ have noted, the historic and continuing inequalities in Latin America make democracy there insecure, largely I would argue, because of the social and cosmological dissonance noted above.

Thus questions of income distribution, I would argue, are only of relevance in those societies and polities which have been infected by one or other Semitic religion- in particular Christianity.³⁴ Egalitarianism as so many of the other of its 'habits of the heart' being touted as universal values by so many in the West are no such thing- they are the culture specific outcomes of a particular trajectory of a particular Semitic religion!

CONCLUSIONS

I have argued that culture cannot be ignored in explaining economic performance. Of the two aspects of culture I have identified, historically, cosmological beliefs have been as important as material beliefs in determining economic outcomes. Material beliefs can change rapidly as can the institutions based on them, eg. systems of property rights, with changing factor and commodity prices.³⁵ Cosmological beliefs influence the polity. The initial resource endowments of the ancestral states of Eurasian civilizations governed the form of their polities and engendered cosmological beliefs which provided political legitimacy. There is great hysteresis in cosmological beliefs, and ipso facto in transferring one type of polity into a region with a differing cosmology. But, paradoxically, the multiplicity of political forms as long as they do not represent an 'enterprise association' (in Oakeshott's sense) in themselves do not hinder economic growth. Thus a particular political form such as democracy is not essential for development. After all it was a corrupt hereditary monarchy not democracy which delivered the Industrial Revolution. What matters for intensive growth is that the market should be allowed to function. Here the sages of the Scottish Enlightenment were clearheaded about the link between the polity and the economy.

They recognized the importance of good governance, which for them was provided by a government which promoted opulence through promoting natural liberty by establishing laws of justice which guaranteed free exchange and peaceful competition. The improvement of morality being left to non-government institutions. But they were quite undogmatic about the particular form to promote these characteristics of the State seen as (Oakeshott calls it) a 'civil association'. On this view of the State it is not seen as the custodian of laws which seek to impose a preferred pattern of ends (including abstractions such as the general (social) welfare, or fundamental rights), but which merely facilitates individuals to pursue their own ends.

But as Oakeshott emphasizes, this classical liberal view which goes back to ancient Greece has been challenged in Western political thought and practice by a rival conception of the State, which has its roots in Judaeo-Christian tradition, and views the State as an enterprise association. The State on this view is seen as the manager of an enterprise seeking to use the law for its own substantive purposes, and in particular for the legislation of morality. Since the truce declared in the European wars of religion, the major substantive purposes sought by States seen as enterprise associations are 'nation-building' and 'the promotion of some form of egalitarianism'. In our time, Khomeini's Iran represents the religious version of an enterprise association of another Semitic religion.

In the Third world, both nation-building and egalitarianism were the aims of the leaders who saw the State as an enterprise. As in the past, this led to dirigisme and the control of the

market. The 'nation-building' aim was particularly badly served, as the dirigisme it entailed led, as in 18th century Europe- where the mercantilist system of the post Renaissance absolutist states was established for similar motives- to national disorder. (see Hecksher). For dirigisme bred corruption, rent-seeking, tax evasion and illegal activities in underground economies. The most serious consequence for the State was an erosion of its fiscal base and the prospect of an unMarxian withering away of the State. In both cases economic liberalization was undertaken to restore the fiscal base, and thence government control over ungovernable economies. In some cases the changeover could only occur through revolution- most notably France.³⁶

Egalitarianism, as I have been at pains to emphasize is a value unique to Christendom. It was incorporated into the polities of the non Christian Eurasian civilizations by Westernized elites infected with its various variants (Fabian socialism in India and Marxist communism in China). But, with the inevitable economic failure of the dirigisme it promoted, these great Eurasian civilizations are eschewing these imported creeds and turning back to their traditional polities- which were concerned with maintaining some form of civil association and social order rather than promoting some enterprise. Though the political forms these take could diverge- for the reasons given earlier- they are more likely to be closer to the old classical notion of the State seen as a civil association than the various enterprises versions promoted by variations on the theme of St. Augustine's "City of God".

Given the uneasy tension in Western thought and action between these two rival conceptions of the State, it is those regions of the Third World (Latin America, Africa) which are outposts of Christianity, where the problems of governance pace Smith and Hume are likely to be most acute. The problems in Africa being compounded by the artificiality of the States created, which has pitted tribe against tribe within and without the arbitrary boundaries resulting from the European scramble for Africa.³⁷ Following the logic of my argument that, traditional political forms have a legitimacy which imported ones do not, as they are in consonance with the people's cosmological beliefs, and that in themselves political forms do not matter for economic performance, the best outcome for Africa would be to create states which coincide with tribal homogeneity with a polity ruled as in the past by some form of tribal chief.³⁸

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ENDNOTES

1... Even the Chicago school which until recently ignored culture based on the Becker- Stigler (1977) manifesto "De Gustibus Non Est Disputandum" seems to be coming around to this view. Thus Becker (1996) now emphasizes the notion of social capital first developed by the sociologist James Coleman (1990). Becker notes that culture is part of social capital and is only likely to change slowly (p.16), and that his and Stigler's 1977 view only applied to meta-preferences, and that his later work shows "that the past casts a long shadow on the present through its influence on the formation of present preferences and choices" (p.132). I have little quarrel with this 'new' Chicago viewpoint. Moreover for those who are only persuaded by cross-country regressions a recent study by Knack and Keefer (1997) provides some evidence that 'social capital' measured by indicators of trust and civic norms from the World Value Surveys for a 29 country sample does matter for measurable economic performance.

2... The controversy about the sources of East Asian success continues unabated. After Young (1994) (1995), had purportedly shown on the basis of careful growth accounting that this success could be largely explained by the growth of the primary factors of production (including human capital), with little contribution from productivity increases (a conclusion in consonance with the cross-country regressions based on the Summers-Heston data set by Mankiw, Romer and Weil (1992)), a recent study by Klenow and Rodriguez (1997) which has used a different human capital variable, and sought to explain differences in growth of output per worker, rather than just output find that productivity growth is at the center of explanations for the E.Asian miracle, as it is for the differing growth performance of the Summers- Heston set of 98 countries in the cross-section regressions which have become the norm. But like Young they find that neither for East Asia nor for the larger sample is the growth in human capital per worker important in explaining growth. This last conclusion is also in consonance with the evidence from the historical comparative studies of 25 developing countries synthesized in Lal-Myint (1996). The differences in productivity growth of course will reflect differences in institutions.

3...see Colinvaux (1983). This was the definition adopted in Lal (1988) and in Lal (1998).

4...see F.Hahn (1973).

5...see Lal (1998).

6... see Hallpike (1986), Boyd and Richardson (1985).

7... see C.R.Hallpike (1986)

8...See Lal (1998) for references. Two popular surveys of the recent developments in evolutionary biology, psychology and anthropology are Ridley (1996) Wright (1994).

9...see R.Axelrod (1984), and Hirshleifer and Martinez-Coll (1988) for a discussion on the restrictive assumptions on which the Axelrod results depend. For a lucid and accessible account of evolutionary game theory see Skyrms (1996). Also in a perceptive review of Ridley (1996), Hirshleifer (1997) points out that reciprocity cannot be sufficient to generate the virtues which are normally identified with unreciprocated generosity, and that social order requires more than just reciprocity. He writes reciprocity "cannot by itself explain the extent of co-operation among non-kin. A system of exchange based on property rights must rest on more than self-defense and tit for tat responses. In particular, disinterested third parties have to be willing to engage in what has been called 'moralistic aggression' to defend victims and punish defectors. If so, reciprocity is not the origin of virtue. Rather, true morality- pro-social propensities motivated by principle or compassion rather than by expected compensation - must be there already if a system of trade and exchange is to be viable" (p.58). On the origins of virtue Hirshleifer states : " morality might be a human cultural development [or the result of]..'group selection', a concept currently scorned by most socio-biologists...but to my mind the evidence [for its] power..seems overwhelming" (ibid). These views are very much in consonance with those expressed in this article.

10...Hicks (1979), p. 43. But as Harold Demsetz has rightly pointed out to me, of course Adam Smith said this long before Hicks!

11...see Ridley, op.cit. for references

12...see E.Gellner (1988)

13... Also it should be noted that though there are some evolutionary biologists and anthropologists who seek to provide an account of cultural evolution (see Boyd and Richardson (1985)) the time scale over which evolutionary processes of 'inclusive fitness' work- about 10,000 years to produce a new species- means that the evolutionary process is unlikely to explain historical cultures. These are human creations.

14... It might also be asked why for the cheating human animal it doesn't also pay to feign belief in moral codes? But of course it does, as the ubiquity of Private Truths, Public Lies, documented by Timur Kuran in his important book of that name on preference falsification attests. However, as he shows that if there are enough believers in particular 'public lies' people will conceal their private truths, and follow the common norms. This is sufficient for the arguments that follow.

15...see Ekman and Davidson (1994). For economists who have discussed the role of emotions see Hirshleifer (1987), and Frank

(1988).

16...see T.C.Triandis (1995). I have relabeled Triandis's collectivism as 'communalism' to avoid confusion with collectivism as a contemporary economic system.

17... Mokyr (1990) is the major proponent of the view that differences in technical creativity explain the different wealth of nations. But his evolutionary theory of technical creativity is not very persuasive. Furthermore, what he identifies as the West's technical creativity remains a 'black box' unless as in Lal (1998) it is identified with a unique trait which led to it, which I claim was individualism. Many of the historical puzzles Mokyr alludes to can then be more readily explained. Instead of trying to explain why something as nebulous as 'technological creativity' was sustained in the West, the question becomes as posed in Lal(1998) the old Weberian question : " why did individualism uniquely arise in the West. My answer is that Weber got his dates wrong but the role of the Western Christian church was crucial, but in surprising ways not noted by economic historians! In this context mention should also be made of White (1978) who is also a 'technologist', but whose linkage between the West's technological exceptionalism and the medieval Christian church has resonances with the story told in Lal (1998).

18...As Little notes, until the 18th century technological:

" improvements and dissemination seem to have been almost incredibly slow. The breastplate harness of horses, which tended to throttle them, reduced their efficiency, as compared with a padded collar, from 15 manpower to 4 manpower. It took 3000 years or more for a rudimentary padded collar to evolve, and another 1000 years for it to develop and become general. It similarly took thousands of years for fore and aft rigging and a swinging boom to appear. Yet such improvements did not have to wait upon new materials, or concentrated power; nor did they require, by way of 'science', more than observation, wit, and ingenuity. Glancing through the 3000 odd pages of the "Oxford History of Technology", one finds dozens of statements like-'the general form of war galley had not changed very greatly 1500 years later (i.e. in AD 1500), or 'thus by c. 1500 B.C. three basic glass-making techniques were in use. It was not for another 1500 years or so that a new process was developed (glass blowing)" (p.66)

19... Scott (1989) provides a more radical departure in endogenizing the role of investment in growth by making three departures from the Solow-Swan framework. First, he argues that depreciation is essentially a transfer of income from capitalists to workers in a progressive economy. Were the 'appreciation' (in workers' income) which results not excluded, as it is in conventional national income accounting, then 'net' investment for society as a whole is (approximately) equal to gross investment as conventionally measured and not to gross investment minus depreciation. Second, he argues that there are no diminishing

returns to cumulative gross investment, but there could be diminishing returns to the rate of investment. Third, he argues there is no need to invoke any independent or exogenous technical progress to explain growth. Defining investment as the cost (in terms of foregone consumption) means that all activities (including technical progress) associated with growth are covered by it. Hence in his model there is only change (growth) due to investment and population growth. He shows that the growth experience of developed countries conforms to his model, while Lal-Myint (1996) show this is also the case for the 25 developing countries in their sample.

20... see Lal(1988), and Lal-Myint (1996) for a model of the predatory state which uses the notion of contestability as a central analytical device. Recently Olson (2000) has rediscovered this predatory state model, but it is incomplete as it does not take account of the contestability of the 'natural monopoly' which is the State, and thus the equilibrium tax-take of the predator.

21... This dating gets over the Max Weber problem. Also see Kurt Samuelsson (1961)'s devastating critique of the Weberian thesis.

22...see LaL (1998).

23...see H.J.Berman (1983).

24... see Robin Lane-Fox (1988)

25... see Goody (1983)

26...see Jankowiak (ed):Romantic Passion; and Fisher:Anatomy of Love.

27...see Eisenstadt (1996), Waswo (1996), Lal (2000).

28... see Lal(1988), (1998)

29... Lal (1988)

30... As he notes:" The communist state is in many ways a reinvention of the bureaucratic monarchy...The founders of the Communist party were products of Qing China, educated in its schools and culture and soaked its values. To them it was only natural that the state should be absolute and that a bureaucratic monarchy was the natural form it should take...Attitude to state power remain heavily influenced by traditional values. The state's power remains absolute and sacrosanct. Though it can often be got around, it cannot be challenged. Politics at the top is played by the rules of palace struggles, which owe more to the political pundit of the third century BC Ha Fbi than to Marx" (pp.35-6).

31... see Lal (1998b)

32.. see Lal (1998), (2000a)

33... see for instance Castaneda (1995)

34...In Lal-Myint (1996) one major finding was that 'equity' defined in terms of income equality between the richer and poorer sections of the population has not been a major concern, particularly in Asia. What has been of concern are distributional problems between groups that cut across the conventional notion of income equality. thus in Malaysia it is not income inequality per

se but that between the Malays and Chinese which has been of concern, or in Sri Lanka between the Sinhalese and Tamils.

35... For examples see Demsetz, Feeny.

36... see Lal (1987), Lal-Myint (1996)

37.. see Easterly and Levine (1997); M.Wrong (2000) shows the unholy brew the 'precious bane' of natural resources and the exigencies of holding a multi-tribal state together have created in the Congo.

38.. It is not surprising that the one African state- Botswana- which has by and large kept its traditional polity, has both overcome the 'precious bane' of natural resource riches, and delivered an economic growth performance which outshines that of the 'Asian Tigers'. (see Samatar (1999)).