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Is there an endogenous relationship between culture and economic development?

Lauretta Conklin Frederking*

Department of Political Science, Washington University, 219 Eliot Hall, Campus Box 1063, One Brookings Drive, St. Louis, MO 63130 4899, USA

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Abstract

Evidence from two communities suggests diverging paths of economic development; one which integrates culture into economic activities, and a second path which does not. If endogeneity cannot be assumed, does the relevance of culture for economic activities influence its stability and sustainability? Despite the predominance of culture in the former community, the social norms, ethnic cues and symbols are neither more likely to thrive or survive. Against expectations, the latter group appears more successful in preserving culture through a strategy of separating social identity from economic activities.

JEL classification: O12: microeconomic analyses of economic development; P52: comparative economic systems; Z13: social norms and social capitals

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1. Introduction

It is widely accepted that the institutions and laws of a country affect economic opportunities and constraints. With the explosion of countries making the transition to democratic capitalism, political scientists and economists renewed the study of institutions and laws which promote democracy at the same time as they maximize economic efficiency and growth. As behavior does not conform to expectations, explanations frequently turn to the endogenous relationship between culture and economic development. While including culture in development is the right direction there is cause for careful consideration of the way it is included in analyses. It used to be that culture was treated as a residual category simply filling in what could not be explained by other variables. Today, we risk placing culture as an

* Tel.: +1-314-454-6530.
E-mail address: laconkli@artsci.wustl.edu (L.C. Frederking).

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omnipresent set of factors. This new wave of attention to culture carries the risk of pushing the pendulum of error from the absence or "black box" of culture to its ubiquity, and suffers to the extent that it assumes the relevance of culture for economic interaction and development.

To avoid treating culture as a residual explanation and assuming culture as relevant to all explanations, greater attention needs to be given to the specification of mechanisms by which culture interacts with political and economic development. Endogeneity is an empirical question rather than theoretical certainty and understanding the patterns, or mechanisms, which connect culture to economic factors is crucial for the study of development. At the same time, if it is the mechanisms which vary, rather than the cultures themselves, it may be possible to generalize beyond any one ethnicity. This paper focuses on the endogeneity between culture and economic development, but the emphasis on mechanisms applies similarly to studies of the endogeneity between culture and political development.

The study of the interaction between culture and economic development is not new. From Adam Smith, social science and legal scholars continue to debate economic efficiency across cultural groups as defined in recent work by Pagden (1988) and Fukuyama (1995), the relevance of uniform legal regulations to solve "market failure" in different cultural communities as explored in Chong (1996) and Sunstein (1996), and the apparent convergence of decision making processes and patterns within particular groups, for example, in Landa (1994) and Wright (1995).

Research on the endogeneity of culture and economic development include studies of culture's effects on economic development, and studies investigating the cultural consequences of economic development. In the first area, a dominant approach explores particular cultural traits and relationships between members which promote economic activities and success in competitive environments. Early beginnings with sociologist Max Weber (1930) evolved, and more recently political scientists Bates et al. (1998) and economist Grief (1994) specify those particular sets of norms and social patterns which foster economic development. Most recently, the collected volume edited by Lawrence Harrison and Samuel Huntington, Culture Matters revisited cultural prerequisites of progress and concluded that certain values were more conducive to development.

Cultural norms, for example, like trust are types of symbolic credit which enhance the ability of individuals to cooperate and to forgo short run gains in transactions. When individuals are closely connected they can avoid costly contracts, avoid enforcement and measurement costs, and tap into extensive information networks. When competing against businesses compelled to incur such costs, the social cohesiveness or social capital (Putnam, 1993) brings a competitive edge that translates into higher profits and long run success. In this area of research, authors emphasize the cultural criteria for development. Bonds between individuals sharing a culture can create economic advantage. The literature on the relationship between culture and development is replete with studies focusing on the impact of cultural characteristics on political, social and economic development.

A second focus of literature explores the relationship from the perspective of the impact of development on culture. The wide range of approaches include Knight's (1992, 1995) examination of institutions and the distribution of resources where asymmetries in power translate into the dominance of particular cultural norms. And through surveys and comparative cases, Inglehart's research (1990, 1998) explores the causal influence of culture, but also the impact of industrialization and post-industrialization on values. Generally, studies

with this focus fall into two groups: those adhering to the idea that culture converges towards a dominant model, and those maintaining the distinctiveness of culture throughout stages of development. Convergence theorists argue that culture changes with each stage of economic development. Furthermore, as countries and groups progress through the stages of development there is a convergence of values. In contrast, culturalists maintain that groups preserve their unique traits. Different cultures create and perpetuate models of development which may be similarly economically successful and simultaneously richly diverse in the norms and values which underlie those activities. A third approach to the cultural debate emerged with many social scientists making the methodological assumption of rational choice. From this assumption, theorists point to structural legal rules and the push of economic efficiency as sources for cultural change, and likely convergence. In this vein, individuals respond rationally to incentives, and community characteristics may either disappear or thrive depending upon whether or not the cultural features support the drive for maximization within constraints.

Contrary to assuming the presence or absence of an endogenous relationship between culture and economic development, my research approaches the relationship as an empirical question. As an empirical question I explore the relationship both in terms of culture affecting economic activities and the consequence of economic development on culture. Rather than particular cultural characteristics, the organization of culture is decisive in determining the relevance of culture in economic behavior. This shift in debate invites more rigorous comparative study of the differences across communities in the extent to which cultural characteristics interact with economic activities. In order to make effective generalizations about the type of cultural characteristics or quality of economic development which are assumed to be part of an endogenous relationship, social scientists need to establish the connection between culture and economic activities. My evidence suggests that this connection is not the same across cultures and communities.

In addition to arguing that the connectedness between culture and economic activities is an empirical question, the second theme of the paper emphasizes that the perseverance of cultural norms is also an empirical question. I test the hypothesis that culture is more likely to persist in communities where social norms are an integral part of economic activities. Intuitively, one expects that the persistence of cultural norms depends upon the relevance and presence in everyday activities. It would follow that culture is more likely to persist where it is a strong presence in economic development. In this comparative test, the Punjabis have created an ethnic enclave, and by separating the community geographically culture appears to be a consistent and integral part of economic activities. In contrast, the Gujarati neighborhood is multiethnic. Rather than a separation of the community, Gujaratis have developed institutions which ultimately define and constrain the exercise of culture in business activities. While culture does not appear to be part of economic development to the same degree, the effective institutionalization of culture shows signs of greater resilience for its sustainability.

2. The Punjabis in Southall, London

Southall covers an area approximately 10 square blocks. Commonly referred to as “Little India” in London, Southall hosts few white people (I counted three on the first day of

observation), English is rarely heard, and most stores provide uniquely Indian consumer goods. There are none of the large British chain department stores, none of the British chain food stores and instead, the streets are lined with small businesses, operated and owned by Indian merchants. Stores often advertise in both Punjabi and English but it is not uncommon to see signs in Punjabi only. In the neighborhood, the full range of consumer and service needs are met; there are food stores, spice stores, houseware stores, travel agents, marriage bureau, banks, grocers, insurance brokers, snack bars, clothing and jewelry shops, music shops, restaurants, and a government information center. On any given afternoon, but most particularly on the weekends, the sidewalks fill with tables extending existing stores out onto the walkways, people teeming in and out of stores, browsing through the wares of sidewalk vendors offering Indian tapes, books and trinkets. There are many newspaper stores and each one features Asian papers in Punjabi, Hindi and Urdu as well as the English language newspapers such as Asian Times and Asian Age. Southall has its own radio station, Sunrise Radio which boasts 24 h Asian broadcasting reaching 381,000 Asians in Greater London and more than three times that number beyond London.

Southall, in the London borough of Ealing, has one of five South Asian Members of Parliament in the United Kingdom, P.S. Khabra, who also serves as the chairman of the Indian Workers' Association which is centrally located in Southall. The Indian Workers' Association (IWA) was formed on 3 March 1957 and it was the creation of the very first immigrants to London who started the organization as a social and economic stepping stone for newly arrived Punjabi Sikhs. Today the IWA serves as a meeting center for Indian neighborhood residents to receive help with problems like immigration, travel visas, and to seek assistance from MP Khabra. Across the street from the IWA is one of the most elegant homes in the neighborhood. It is the Southall Chamber of Commerce, entirely operated and directed by Punjabi Indians. The Next Step Southall is an economic and social help center staffed exclusively by Indians. None of their many flyers were in English and indeed, it was only by pursuing one of the lawyers outside of the building that I was finally allowed to receive any information about the services. Until that point, the secretaries insisted that none of their services were intended to assist me and no one could meet with me.

Southall is not a large territory and can be traveled from end to end in approximately 1 h. At the west side of the unofficial boundary is a Burger King and store complex with furniture, office supplies and electronics stores. The north is largely residential while the south moves quickly from residences to industrial complexes and the airport. Finally, bordering on the east side is a McDonalds and then more residences and businesses that are distinct from Southall, and much more typical of central London. A very profound image of Southall which emerges from even a brief encounter with the area is the image of a self-contained, self-sufficient community. The neighborhood economy is entirely with stores catering to a South Asian lifestyle, while mainstream stores are conspicuously absent. And the economy seems to be a reflection of the ubiquitous presence of Punjabi Sikhs and apparent absence of non-Asians throughout the streets, in the stores and in the immediate surrounding residences of Southall.

South Asian culture thrives in Southall through dress, music, communication, interaction and generally, everyday life. This cultural presence is critical for the neighborhood economy, affecting the products that merchants sell, the process of business exchange, and the consequence of business activities. Every store in Southall carries some items that are distinctly catering to the perpetuation of Asian culture whether it is clothing, special pans for Indian

cooking, unique spices for flavor, halal meat for religious sanctity, or phone booths advertising discount rates to Asia. In terms of the processes of business exchange between customer and merchant it is always through a process of bargaining and settling—customers do not pay the price listed, and it is rare that a customer begins the bargaining process without ultimately walking away with the product. Exchange between sellers and between sellers and suppliers involve trust with informal lines of credit, advances of supplies, and expectations of reciprocity. And finally, although perhaps less frequently compared to a generation ago, individuals continue to send a portion of income back to India. To varying degrees the myth of return exists and many business owners expressed there intention to return to India once financially successful. One owner arranged an interview for the next week and when I appeared he was closing shop and with smile, announced that he was packing up to return home, Punjab, India.

3. The Gujaratis in Wembley, London

To the northeast, there is a second South Asian community, Wembley. Wembley is located in the London Borough of Brent and like Southall, the neighborhood is dominated by South Asians. Whereas the South Asians in Wembley are largely from the province of Gujarat India, Southall is largely made up of former residents from the province of Punjab, India. And whereas the Gujarati Indians are a majority in the Wembley neighborhood there is much more diversity in terms of individuals on the streets and businesses in the area. [1] Like Southall, there are numerous shops catering to distinctly South Asian tastes-sari shops, Indian kitchen shops, Indian gold shops and restaurants. Most of these shops, however, also offered Western variations of Indian products—for example, 'modern variations' of salwar kameez [2] in trendier more daring patterns and colors, writing paper, shawls, designer copies of purses and sweaters. One shop had pictures of Princess Diana shaking hands with the owner and wearing a Western version of salwar kameez. Supposedly, she had been a regular customer of the owner's store in Central London. The fruit sellers and houseware stores are owned and operated by South Asians and for an area covering approximately 10 square blocks Asians dominate the neighborhood environment. At the same time that Indians appear to be the majority group in the neighborhood it is far from being an exclusively Indian area. Even casual observation of the neighborhood and stores suggests evidence that Wembley is different from Southall.

Rather than on the periphery, the Burger King is front and center in the neighborhood as well as numerous nation wide department stores. There is an upscale pizzeria restaurant and East European cafes. There are children's clothing stores owned by Sri Lankans and carrying Western clothes only. There are several stores selling upscale Western fashions. There are watchmakers, eye care centers, pharmacies and convenience stores none of which are discernibly Indian except for the employer and employees. The streets are filled with

[1] Population size (Indian and non-Indian) is similar in both boroughs (Ealing borough population is 275,257 with 16.1 percent Indians and Brent borough population is 237,063 with 17.2 percent Indians). However, for the Southall area within Ealing, the breakdown of the three wards with highest Indian concentration are 67.1, 59.9 and 56.2 percent Indian. This compares dramatically with Wembley area within Brent: here the breakdown of the three wards with highest Indian concentration are 37.5, 33 and 30 percent Indian.

[2] South Asian style clothing worn by women, especially in the north.

many colors, different languages and ethnic cultures. Recently there has been an influx of East European refugees.

In contrast with Southall, the economic and social help center is dominated by non-Indian employees. In Wembley, the Help Center offered a wide range of services from domestic abuse assistance, to tax assistance, to language aid and other social service oriented to the immigrant. Each flyer was printed in a variety of languages and collectively the assistants seemed to accommodate all ethnic groups.

This overview presents Wembley as a very different neighborhood community. Although both areas are predominantly South Asian, there is an entirely different dynamic that is apparent in initial observations. If Southall presents a picture of isolation and segregation from the wider population, Wembley suggests integration and adaptation. And in contrast to Southall, business in Wembley is very different. While there are numerous stores which carry Asian goods like those sold in Southall, each of these stores focus significantly on Western variations of Asian products and most also carry mainstream non-Asian goods; many businesses run by Asians carry non-Asian consumer goods only. Comparing interviews with both employers and employees in Wembley and Southall reveals profound differences. Among business owners in Wembley, the common sentiment is that the dollar rules, when asked to describe their culture they claim that their culture is the dollar, and when questioned about the extent of trust between Indians they respond that trust between individuals goes only as far as the currency exchanged. Largely, the owners here do not engage in bargaining; from my observations the prices labeled are the prices paid. Finally, it is rare to find an individual maintaining financial ties with family and friends from India. Money earned is invested in consumption and investment into current business activities.

4. Methods

I administered surveys and began interviewing employees, employers, and consumers in each area in order to obtain information about the two communities beyond the initial observations of difference. There were two types of surveys: the first was distributed to anyone living or working in the neighborhood; and the second was offered to individual members of particular economic and social organizations. Table 1 presents the response numbers for each survey and in each community:

Regarding the first type, I distributed the surveys throughout the neighborhood community over a period of 3.5 months. While it is impossible to generalize about the entire immigrant population of Punjabis and Gujaratis based upon this analysis, the survey is helpful

Table 1
Number of responses[a]

	Southall	Wembley
Neighborhood survey	154 (400)	146 (400)
Economic group membership survey	44 (121)	13 (112)
Social group membership survey	NA	22 (128)
Interviews	50	30

[a] The number in brackets is the total number of surveys distributed.

in highlighting the perspective of individuals living and working in this neighborhood economies. The only constraint on participants was that each respondent lived or worked in the neighborhood. Approximately 150 respondents obtained from each neighborhood provided the opportunity to gather information about the two communities and to explore whether the initial observed differences carry through in survey responses. While the survey results support some distinctions between the two communities in London, England, the results also indicate interesting similarities demanding further analysis.

The survey was extensive by addressing a range of social, economic and political questions. Of the four questions considered in this paper, individuals were asked for responses addressing beliefs, frequency of interaction with other Indians, and perception of the importance of beliefs. All the questions in this section of the survey can be found in Appendix A. There were two questions about beliefs: 'people of Indian origin share my economic beliefs'; and, 'fundamentally, non-Indians do not share my economic beliefs'. Arguably, if an individual claims to share economic beliefs with other Indians this is a measure of within group identification. And if the individual claims that he or she does not share beliefs with non-Indians then there is a sense of within group identification that is also exclusive to the ethnic group. This measure does not specify the qualitative characteristics of those beliefs, but it does measure shared expectations, and exclusive shared expectations among Indians suggests the presence of an Indian cultural identification.

By walking door to door to businesses I had the opportunity to distribute the survey, but also to talk with owners, managers and workers about business practices. Usually I would leave a survey and arrange to pick it up the following day, and often I successfully arranged a more in depth interview for that time. On the survey, respondents were not required to give their name although there was an option at the end for a follow-up interview. Interviews were face to face and typically, they were conducted at the place of business but in a room or at a time separate from other workers. At the time of interviews, individuals were given the option of anonymity. In addition to door to door distribution, I left surveys at local Sikh gurdwaras (temples) and in the neighborhood library. At the gurdwaras I made announcements to the community during the religious gathering and most popular gathering of the week. The president and executive committee translated my information to individuals. These surveys had a business reply stamp and I invited individuals to place them in the mail. Individuals were given the option of the survey in Punjabi, Gujarati, Urdu or English. As presented in Appendix B, the breakdown of respondents by age, income and gender is similar enough across neighborhoods to disregard these factors in the analysis which follows.

The second survey was sent to individual members of organizations. My expectation was that the institutions would be formal manifestations of the relationships between culture and economy for each neighborhood. Certainly, if culture was separated from economic activities I expected stronger signs of instrumental, economically driven attachment to the group, particularly within specifically economic organizations. On the other hand, social groups should exhibit stronger signs of personal, social connections. In order to attempt to uncover this difference, I asked members how they felt about other members on 10 dimensions. Some of the dimensions capture a distinctly social connection and other dimensions give the respondent the opportunity to clarify a purely economic relationship.

Membership lists were obtained for economic and social organizations in both neighborhoods. Title and mission statement determined the groups' primary orientation and served

as the method for identifying economic and social groups. By this classification a religious gurdwara, for example, did not qualify as a social organization in spite of the fact that individuals participate in social activities. When conducting my research in both communities I was struck by the contrast in numbers of social, economic and political organizations and clubs. In Southall, I could only locate two explicitly social groups, the Royal Legion and the Conservative Club. Both organizations were entirely non-Asian and interviews with members as well as surveys completed by the members suggested a sentiment that the clubs were "havens from the overwhelming and unpleasant Asian surroundings". In contrast, there were numerous social groups in Wembley which catered explicitly to Indians. From women's groups to elderly groups to literary groups to athletic groups to caste groups the organizations focused on bringing together Indians from the area and beyond in a social setting. I attended numerous group events and found individuals participating in social activities, often speaking Gujarati, sharing Indian food, and discussing topics like children, and family news in the community births, deaths and travel. [3]

In terms of economic groups, there was a major organization in both areas. For each economic organization, the membership was randomly divided into two groups. Each respondent received the cover letter of introduction with a survey and 10 days later each respondent received a second request with the same survey. Respondents were guaranteed confidentiality and a numbered code on each survey was used only to track membership responses. Each economic organization was Indian managed and excepting two or three, all members were also Indian. Within each group, and for every other member on the list, respondents were asked whether they interacted with the other member socially, economically and politically; and whether or not they shared social, economic and political beliefs. In addition respondents were asked about reciprocity, liking and trusting each of the members on the list. The social group in Wembley was administered the same set of questions on 10 dimensions. Appendix C presents the structure of the survey for all three of these organizations. While the social membership was similarly divided into two groups, the organization's membership extended beyond Wembley and so I included only those members who lived in Wembley area.

5. Survey responses

The central focus of the neighborhood survey was an exploration of the beliefs, expectations and preferences which underlie behavior in immigrant communities. However, from the survey responses a puzzle emerges: despite the initial picture of dramatic variation in terms of the presence of culture in economic activities, individual responses to questions

[3] The differences between the two communities in terms of religious organization is interesting. It is widely known that members of the Hindu religion practice caste with individuals separated in terms of socio-economic categories. Behavior among and between individuals is highly dictated by these distinctions with an emphasis on deference and entitlement. In Wembley, the area dominated by Gujarati Hindus, the temple is a converted school. Individuals come and go, and like the London community more generally, it appears as though there is a blend of all classes and castes. In sharp contrast, there are four Sikh temples in Southall each representing a separate caste. While there is a certain extent of blending as new class alignments override some caste distinctions, the religious, social separations from India persist in the host country.

Table 2
Survey responses

	Southall respondents ($n = 154$)	Wembley respondents ($n = 146$)
Percent respondents who share beliefs with Indians	54	55
Percent respondents not sharing beliefs with non-Indians	25	23
Percent respondents claim sharing beliefs is important	71	76
Percent claiming most economic interactions are with Indians	58	43 ($F = 5.83$, $P = 0.0163$[a])

[a] Respondents could Strongly Agree, Agree, Disagree, or Strongly Disagree. From ANOVA this is the only question with a statistically significant difference between communities.

reveal some striking similarities. For several questions which were intended as thermometers of cultural association, belief identification, perception of the importance of beliefs, and relevance through regular interaction, the Gujaratis seem similarly connected with their ethnic group, not unlike the Punjabis.

Table 2 compares Southall and Wembley communities for these two questions. Observe that there is striking similarity in responses for this measure of identification. In order for beliefs of cultural identification to affect action I needed to establish whether or not the individual perceived beliefs to be important. Another question asked about the importance of economic beliefs: 'with regards to economic interaction, it is important that people share beliefs'. If an individual agrees with the statement that sharing beliefs is important for economic activities then there is strong indication that beliefs affect economic activities when shared. Again, the particular qualities of those beliefs was left unspecified in order for the respondent to self-interpret how beliefs are important—from interviews I gathered clear impressions of these interpretations: beliefs may be relevant in terms of affecting who individuals choose to do business with, how they do business, and what products they choose to buy or sell. Table 2 illustrates the comparative responses for this question and again it is curious that the figures continue to emphasize similarity rather than difference.

Finally, the survey asked individuals if most of their economic interactions were with people of Indian origin: 'most of my daily economic interactions are with other people of Indian origin'. Asking about the frequency of interaction is an important measure of the relevance of sharing beliefs; culture can only affect economic development of the ethnic neighborhood in any significant way if those individuals who share beliefs actually interact. Table 2 presents the evidence of relevance.

An examination of the table suggests that differences between the two communities are not apparent in terms of beliefs, and the responses concerning the importance of beliefs. So despite the fact that one neighborhood virtually functions by and for Asians while the second neighborhood is distinctly multicultural, responses from both areas suggest strong Indian identification with similar levels of exclusivity. A critical question, therefore, is how similar levels of group identification, group expectations, and belief importance are maintained in both neighborhoods. How have the Gujaratis maintained beliefs, ties and ethnic bonds, in spite of the multiethnic context, and in spite of the lack of endogeneity between culture and economic development? In Section 6, I explore evidence from organizations

in each neighborhood, and develop the argument that Punjabis and Gujaratis have different mechanisms for preserving culture. One mechanism capitalizes on culture in the short run, but separates culture from economic activities in the long run. The second mechanism preserves culture as an integral part of economic decisions and development.

6. Cultural preservation through segregation versus institutionalization

Well over half of the business owners in the Southall neighborhood belong to the economic branch of the Chamber of Commerce, and in speaking to numerous members they continually cited the pressures to participate—not one mentioned economic benefits associated with participating in the organization. The Southall Chamber of Commerce has a membership that is 95 percent Asian and specifically, Punjabi Indian. During several interviews with the Secretary of the Chamber and President as well as attending their executive business meeting, it seems to function as much as a vehicle for preserving social ties in the neighborhood as pressing economic issues. Several members took the opportunity to passionately announce the moral degeneration of one or more members. One young man had a relatively new clothing store and he was explicit that he felt compelled to join the organization in order to establish his reputation among the older business men in the neighborhood. He was also quite depressed as he spoke about doing business in Southall: as expressed during many of my other interviews, he felt that business owners did not respect the need to invest in their businesses to attract new customers: “people here are interested in a quick dollar and not improvement in quality or service”. He felt pressured to bargain with customers and to compete with price rather than attending to “fashion, quality and style”. In the competition of price, rather than quality, many owners shift from business to business in the short run rather than developing long run plans through investment. Often, interviewees discussed numerous previous business attempts and did not suggest that their current business represented their long run niche. For example, one entrepreneur began as a cab driver, now works as a baker and owns a clothing shop with a side business of property renting. While the clothing shop was only 2-year-old he was talking about closing it at the same time as he was bringing in cloths to shift the business away from ready-made clothing. A revolving door of business activities pervades the Southall neighborhood economy whereas slow, steady and stable development generally depicts business in Wembley.

During a luncheon of Board members, the particular focus was who should be president during the next term. There was no discussion of competition for the position but rather negotiation to determine whose single name would be put on the ballot. Early on it became clear that this negotiation was elaborate and delicate. The meeting was intended to encourage the President to step down but to do so while allowing him to save his honor. The current President was a real estate agent who had moved his office outside of the neighborhood while the prospective President is owner of several stores in the center of the neighborhood. After several hours, it was the current President who professed that he felt it was time for the Vice-President to become the new President and the other board members shifted from peer pressure, adopting a veneer of grudging consent.

In Wembley, when I tried to locate the Brent Chamber of Commerce I found that it had been a primarily Asian organization which then merged with the greater West London

Table 3
Southall group member responses on 10 dimensions

	Know	Interact economically	Interact socially	Share economic beliefs	Share social beliefs	Share political beliefs	Like	Respondent helped member	Respondent been helped	Trust
Economic group	15	0.44	0.47	0.45	0.47	0.4	0.64	0.39	0.4	0.63

Chamber of Commerce. At the time of my interviewing, the Ealing Road Association which was entirely Indian was similarly in the process of negotiating a merge with the Chamber. The vision was to make the Chamber stronger, and therefore, effective in negotiating with Central London. Those individuals that I interviewed at the Chamber of Commerce were all non-Asians but spoke keenly of bringing the significant numbers of Asian employers into the organization. When I interviewed members of the Ealing Road Association there was very little information provided beyond members articulating that they participate because they want a cohesive voice concerning economic matters in the neighborhood. Zaverchand was a typical Gujarati business man in the area. He arrived in the 1970s and immediately began to build his clothing business. Unlike Southall, all of his business exchanged with suppliers are based on contracts, and loans have come from the local banks primarily, rather than pooling of resources among relatives and friends. Over time, he has expanded his business from one store to three with relatives managing the other stores on the block. For him, joining the Ealing Road Association was an important vehicle for establishing business in the early days and for addressing neighborhood concerns. Today, he sees the Association as an opportunity to represent the neighborhood economy to the wider non-Asian community, and ultimately to expand business potential.

In Table 3, from the economic organization data, the results from respondents reveal additional distinctions between the two neighborhoods. After the average number of members known, the columns record the percent of the number known which also affirm the particular dimension. So column two of the economic organization in Southall states that 44 percent of the members known were also members with whom the respondents claimed to interact socially.

In comparing members' responses within the economic organizations two distinct patterns emerge. For the Southall group, individuals tend to interact with other members socially as much as they do economically.[4] Similarly, respondents from the Southall organization

[4] Statistical tests for significant differences between the proportions confirm the described trends. Specifically within the Southall economic group the proportion who interact economically is not statistically significantly different from the proportion who interact economically. In the Wembley social group the proportion who interact economically is statistically significantly different from the proportion who interact socially ($z = -0.7994$, $P = 0$). For beliefs, within the Southall economic group the proportion who share economic beliefs is not significantly different from the proportion who share social beliefs whereas in the Wembley social group, the proportions are significantly different ($z = -4.288$, $P = 0$). As expected, across economic groups, the proportion who interact economically is significantly different ($z = 1.574$, $P = 0.0577$) as is the proportion who interact socially ($z = 1.48$, $P = 0.0695$). Finally across economic groups, the proportion who claim that they have helped the particular member, have been helped by the particular member, and trust the particular member reveal statistically significant differences ($z = 1.522$, $P = 0.064$; $z = 2.758$, $P = 0.0029$; $z = 4.892$, $P = 0$, respectively).

Table 4
Wembley group member responses on 10 dimensions

	Know	Interact economically	Interact socially	Share economic beliefs	Share social beliefs	Share political beliefs	Like	Respondent helped member	Respondent been helped	Trust
Economic group	18.25	0.49	0.38	0.32	0.3	0.23	0.63	0.28	0.15	0.31
Social group	11.95	0.25	0.81	0.27	0.6	0.14	0.95	0.26	0.19	0.89

claim to share social beliefs more than either economic or political beliefs. In contrast, individuals of the Wembley economic group express more interaction economically than socially (Table 4). Furthermore, they share economic beliefs with other members more than social or political beliefs. Whereas Southall's formal economic institution appears to represent social connections as much economic ones, as well the overlap of social and economic beliefs, Wembley's economic institution is predominantly a vehicle for economic interests and interaction and the emphasis on sharing beliefs is much less than in the Southall group. While both groups maintain a similar percent of members known that are also liked, they differ when it comes to reciprocity and trust, two areas where the tight relationship between culture and economic activities would be evident. In Southall, individuals present much higher levels of reciprocity and trust confirming the social bonds between members.

The same battery of questions posed to members of one of Wembley's social institutions confirms a separation of economic activities from social activities. In the social group, members claim much greater frequency of interacting socially than economically. Further distinction between the two communities appears when comparing the dimension of liking, trusting and reciprocity. On the dimension of liking other members that they know, there is a marked difference with the Wembley social group where respondents liked 95 percent of members known. With regards to trust, a form of social capital, the social group in Wembley shows the highest degree of trust for members known, much higher than either Southall group, and in significant contrast to the level of trust in the Wembley economic group. Evidence from the social organization does confirm the presence of social bonds between members in Wembley but suggests that it is restricted to the social sphere of activities.

Earlier I presented figures revealing similarities across communities at the aggregate level. While the aggregate figures offered impressions they miss the opportunity to understand the relationship between beliefs and behavior from the individual perspective. Specifically, if we consider the individuals sharing economic beliefs with other Indians, are they the same individuals who claim that sharing beliefs is important? With regards to the neighborhood communities and the integration of culture and economic activities we might expect different types or categories of individuals within the neighborhoods. Of particular interest are those individuals who are loyal to symbols, cues, and attachments to the traditional way of life, through both behavior and the layers of shared beliefs.

Those who answered affirmatively to sharing beliefs with other Indians, not sharing beliefs with non-Indians, agreeing that beliefs are important for economic activities, and then

finally also affirming that most of their economic activities are with other Indians, confirm relationships between culture and economic development. While each dimension of culture can be considered separately, a loyal member is one who simultaneously associates with Indians, disassociates with other Indians, agrees with importance of the beliefs and the relevance of these beliefs in economic activities. Some understanding of these individuals who maintain exclusive identification, importance and relevance of shared expectation in both realms gives additional insight to the comparative study of Punjabis and Gujaratis.I presented evidence on these four questions concerning economic activities, but I also asked each of the same questions addressing social activities. My purpose in distinguishing between economic and social behavior as well as economic and social beliefs in the survey, was to allow for the possibility that individuals feel cultural identification and association in one realm, but not necessarily both. If responses reveal that individuals share expectations and maintain the perspective that shared beliefs are important in both the economic and social realm then the community is characterized by a denser pattern of relationships. Arguably denser relationships suggest stronger endogeneity between culture and economic development.

Fig. 1 illustrates the loyal group on the basis of those who affirm all four dimensions in the economic and social spheres. When compared, the Southall respondents show a high percent of people who exhibit these characteristics of ethnic loyalty in the social activities as well as economic activities. In contrast, the social sphere in Wembley contains a higher percent of respondents fitting into the loyal category in the social sphere while significantly fewer respondents fit into the loyal category for the economic sphere ($F = 9.6310$, $P = 0.0021$) (Fig. 2). The evidence reveals ethnic exclusivity in social activities but not to the same degree as economic activities, confirming a separation of culture and economic development. Culture remains preserved in and through the social realm while widespread integration dominates economic activities.

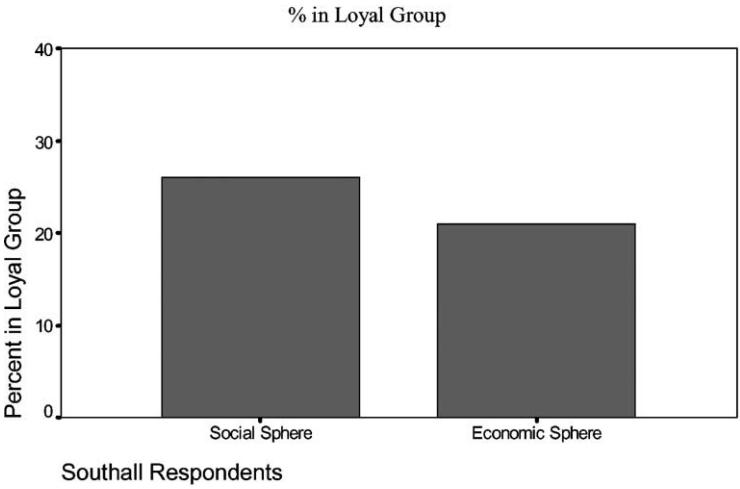

Fig. 1. Southall respondents categorized as loyal in social and economic spheres.

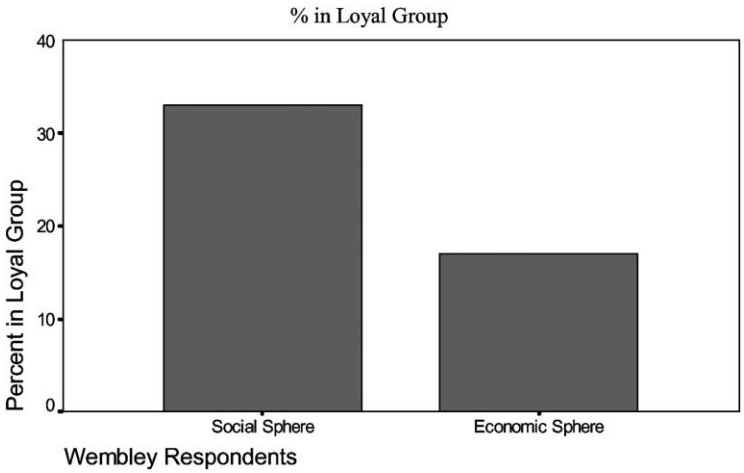

Fig. 2. Wembley respondents categorized as loyal in social and economic spheres.

7. Cultural stability through segregation versus institutionalization

How have the Gujaratis maintained beliefs, ties and ethnic bonds, in spite of the multi-ethnic context, and in spite of the lack of endogeneity between culture and development? By observing the two communities one can see different degrees of culture affecting economic activities. The surveys suggested, however, that individuals maintain a strong sense of shared identification which is ethnically based despite different environments. In explaining this puzzle, I explored the possibility that the two groups use different mechanisms to preserve culture. In the surveys, but also in the study of the formal economic and social organizations in each neighborhood, there is evidence that Punjabis have preserved an endogenous relationship between culture and economic development through the geographical separation of the community. In contrast, through social institutions the Gujaratis preserve cultural identity and association. At the same time, institutionalization constrains culture in the short run, and effectively separates culture from economic development in the long run. At the beginning of the paper, I posed the question whether or not cultural identity is more likely to be preserved when culture is an integral part of economic activities. At this point, I turn to my evidence which suggests that this intuitive claim may not true.

Two questions addressed general perception of the importance of preserving culture and then the difficult of preserving culture in a non-Indian society. While approximately 90 percent of respondents in both neighborhoods maintain that it is important to preserve Indian culture twice as many respondents in Southall claim that they strongly agree that it is difficult to preserve Indian values in a non-Indian society. The survey was a first cue to search beyond my assumption that culture was more likely to endure in Southall compared to Wembley. Furthermore, responses to questions about preferences raised additional skepticism. Specifically, I asked individuals whether or not they preferred to have friends of Indian origin, and

whether or not they preferred to interact with people of Indian origin in economic activities. For both questions, the Southall responses suggested some instability. A majority of respondents disagreed (52.94 percent) that they prefer to interact with Indians in spite of behavior which is mostly with other Indians. The fact that preferences do not coincide with behavior in Southall emphasizes the possibility of constraints, self-imposed or external, which have contributed to the segregation of the community. In 1995, Timur Kuran presented an intriguing theoretical argument that there are consequences from this type of contradiction between preferences and behavior. While 'preference falsification' allows disliked contexts to persist, there is an inherent vulnerability which permits dramatic and comprehensive change of those very contexts. Because Punjabi separation may be based on these constraints rather than preferences, and because preferences are not compatible with separation, the evidence conforms to Kuran's thesis and suggests instability. And since Punjabi cultural preservation and economic activities seem dependent upon geographical separation, rather than institutionalization as for the Gujaratis, it is not clear that culture is more likely to endure.

While it appears that many of those who interact with Indians hold preferences not to, there is also support for instability when one considers those who disagreed that they interact mostly with Indians socially and interact mostly with Indians economically. Respondents in this Punjabi group expressed uncertainty of beliefs with regards to both economic and social activities. In contrast, of the Wembley respondents who claimed that most of their interactions were not with other Indians, there is much less uncertainty. In other words, Gujaratis who interact mostly with non-Indians nevertheless have a stronger sense of sharing beliefs with Indians and the importance of beliefs; in contrast, those Punjabis who interact mostly with non-Indians answer with uncertainty as to the issue of sharing beliefs and the importance of beliefs.[5] Perhaps because Gujaratis have institutionalized the preservation of culture it is easier for individuals to identify with the ethnic group in spite of not interacting often or regularly. Where culture is preserved largely through the day to day activities in a geographically defined neighborhood as in Southall, individuals interacting infrequently with other Indians or those outside of the neighborhood, are unable to identify with other members of the ethnic group.

8. Discussion

While this paper presents evidence to suggest that these two communities have different mechanisms preserving culture, it does not answer definitively why the two mechanisms evolved. Certainly an obvious claim comes from study of responses highlighted in Table 2—the frequency of interaction with Asians and non-Asians—as well as the descriptive data presented earlier in the paper. Contextual constraints play a significant role in accounting for the differences between communities. In Wembley, the fact that individuals live

[5] An ANOVA test reveals the difference between the two communities is statistically significant in the economic sphere ($F = 13.5348$, $P = 0.0003$). While the numbers fitting into this group are different between communities in the social sphere (10 in Southall compared to 4 in Wembley), the difference is not statistically significant.

in an ethnically mixed neighborhood affects how people do business, ultimately decreasing the relevance of ethnic based norms of reciprocity, trust, cultural cues and symbols. In Southall, on the other hand, economic activities may reflect cultural norms simply by virtue of the homogenization and concentration of the ethnic population in the neighborhood. In other words, individuals adapt to the environments within which they are located. An individual in Southall observes the replication of South Asian atmosphere and conducts business activities accordingly whereas in Wembley adjustment away from cultural norms is necessary for dealing with diverse clientele, and therefore, economic survival. In summary, context likely plays a significant role in explaining variation in the presence and relevance of culture for economic activities. At the same time, the pervasiveness of culture in Southall does not clearly correspond with preferences for interaction based on this shared culture. As Kuran's theory of preference falsification suggests, the Southall case suggests neighborhood instability, potentially threatening culture's sustainability in the long run.

Rather than explaining the evolution of these contrasting mechanisms, the central focus of this paper presents evidence that the relationship between culture and economic development is not necessarily endogenous. Furthermore, rather than the specific qualities of any one culture, it is the pattern of cultural organization which determines the short and long run consequences for development. In a multiethnic environment, individuals are more likely to adopt long run non-ethnic strategies to maximize profit. Therefore, the endogenous relationship between culture and economic development may be present only temporarily if there is a conflict between profit maximization and cultural specific strategies for doing business. If the environment is ethnically homogenous, however, there is less advantage to shifting strategies and within some immigrant communities, like the Punjabis in Southall, culture continues to be an integral part of the economy affecting products, process and consequences of economic development.

9. Conclusion

This paper began with the theoretical debate concerning whether or not there is an endogenous relationship between culture and economic development. My research suggests that the debate must shift towards studying variation in the endogenous relationship rather than assuming the presence or absence of the connection. In 1999, the edited volume of Culture Matters concluded theoretically that variation in cultural values and behavior corresponded with different levels of progress. The empirical solution for undeveloped countries, therefore, is the promotion of "progressive cultural change". However, by examining groups in different contexts my study demonstrates that an important component of the relationship between culture and development is the various mechanisms which define the relationship between culture and economic activities. In contrast with the conclusions in Culture Matters, it is these mechanisms, rather than the characteristics of a particular culture, which affect the endogeneity of culture and economic development.

The Punjabi case presents geographic separation as one mechanism preserving the integration of culture and economic activities. On the other hand, the Gujaratis' institutionalization of culture, is another mechanism with the effect of limiting the role of culture

in development. In Wembley, culture is of limited relevance, and it served as a temporary foundation to cultivate business in the short run and as a springboard for expansion into other areas. Owners start up businesses within the ethnic community, but then once capital is established, they expand opportunities by investing elsewhere and developing a broader consumer base. In the early stages, Wembley entrepreneurs earn necessary capital by appealing to a market that captures Gujaratis, but is not limited to their consumption products or patterns. In contrast, Southall businesses have captured Punjabi consumption but they have been unable to develop appeal beyond the immediate neighborhood, or localized cultural population. There are strong signs of economic stagnation. Not only are the stores themselves in desperate need of renovation, but there is so much turnover that it is difficult to establish long terms growth. As cited in earlier examples, within a span of 1 or 2 years, an owner of a ready-made clothing store becomes an owner of a cloth retail store or kitchenware store and then he or she may become a property rental manager. Punjabis have cultivated their cultural attachments and in the early stages it seems that these bonds facilitate early investment and business relationships. In the long run, however, these attachments prevent the necessary accumulation of profit for reinvestment, expansion of products to attract non-Indian customers, adjustment of practices to accommodate non-Indians similarly, and the legalization of business deals to establish objective standards and expectations.

Furthermore, there is indication that the geographic separation of Southall is not stable in terms of individual's preferences, and cultural identification appears unsustained by those outside of regular interaction in the neighborhood. Beyond long run economic development, it appears as though the Gujaratis' institutionalization of culture severely and formally defines the individual experience of culture but nevertheless, allows for its sustainability in a non-Indian environment.

While the evidence supports the importance of studying culture in order to understand development, it is not thereby concluded that culture is relevant during the process of development. Contrary to the current theoretical resurrection of culture, it is not culture's characteristics which determine impact, but rather the way in which culture is organized. As it happens, this perspective offers optimism theoretically and practically. Theoretically, there is a much greater possibility of generalization when the mechanisms of organization are the focus of explanations rather than the specific cultural values. And practically, evidence from this study suggests that the politically charged and empirically suspect activity of measuring and comparing development potential behind different cultural values is irrelevant. Regardless of content, cultures can persist without negative consequences for development. In this way, economic progress is possible and can be reconciled with cultural diversity. Few would argue with the social merit of this empirically grounded conclusion.

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Appendix A. Section II: This section addresses how you see yourself and with whom you interact with on a day to day basis

For each statement, do you Strongly Agree, Agree, Disagree, Strongly Disagree
I think of myself as British.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

Fundamentally, I do not think of myself as Indian.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

When I meet with my friends, they are mostly people of Indian origin.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree
- I prefer to have friends of Indian origin.
- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

Most of my daily economic interactions are with other people of Indian origin.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

With regards to economic interaction, I prefer to interact with people of Indian origin.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

I am a person who enjoys watching Indian films.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

I am a person who enjoys listening to Indian music.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

I really like British films.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

I really like British music.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

People of Indian origin share my social beliefs.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree
- Do not know

Fundamentally, non-Indians do not share my social beliefs.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree
- Do not know

With regards to social interaction, it is important that people share beliefs.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

People of Indian origin share my economic beliefs.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree
- Do not know

Fundamentally, non-Indians do not share my economic beliefs.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree
- Do not know

With regards to economic interaction, it is important that people share beliefs.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

Preserving Indian culture is very important to me.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

Integrating into British culture is very important to me.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

It is difficult to preserve Indian values in a non-Indian society.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

It is possible to preserve Indian values in a non-Indian society.

- Strongly Agree
- Agree
- Disagree
- Strongly Disagree

Appendix B. Distribution of survey responses by age

	Southall (percent)	Wembley (percent)
18–29	39.6	34.9
30–39	26.6	20.5
40–49	14.9	22.6
50–59	7.1	6.8
>60	11.7	10.3
No answer		4.8

Distribution of survey responses by income

	Southall (income in pounds) (percent)	Wembley (income in pounds) (percent)
<10000	31.8	35.6
10000–19999	31.2	27.4
20000–29999	9.1	8.9
30000–39999	5.2	2.7
40000–49999	4.5	2.7
>50000	1.9	1.4
No answer	16.2	21.2

Distribution of survey responses by gender

	Southall (percent)	Wembley (percent)
Male	62.3	55.5
Female	32.5	37.9
No answer	5.2	6.2

Appendix C

Name of business	Do you know the owner/ manager of the following businesses?	Do you interact with the owner/ manager regarding economic issues?	Do you interact with the owner/ manager socially?	Do you share similar economic beliefs?	Do you share similar social beliefs?	Do you share similar political beliefs?	Do you like the owner/ manager?	Have you helped this person in any way?	Has this person helped you in any way?	Do you trust the owner/ manager?

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