

UNIVERSIDADE FEDERAL DE SÃO CARLOS
CENTRO DE CIÊNCIAS E TECNOLOGIAS PARA A SUSTENTABILIDADE
CAMPUS DE SOROCABA
DEPARTAMENTO DE ECONOMIA

ANDRÉ ALENCAR SILVA

**THE CULTURAL STRUCTURE OF CAPITALISM: A LITERATURE REVIEW OF
THE IMPACTS OF SOCIAL VALUES ON ECONOMIC GROWTH AND
DEVELOPMENT**

Sorocaba
2014

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Trabalho de Conclusão de Curso apresentado ao Centro de Ciências e Tecnologias para a Sustentabilidade da Universidade Federal de São Carlos, *campus* Sorocaba, para obtenção do título/grau de bacharel/licenciado em Ciências Econômicas.

Orientação: Profa. Dra. Robin Klay

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*If ye walk in my statutes, and keep my commandments, and do them;
then I will give your rains in their season, and the land shall yield its
increase, and the trees of the field shall yield their fruit. And your threshing
shall reach unto the vintage, and the vintage shall reach unto the sowing
time; and ye shall eat your bread to the full, and dwell in your land safely. -*

Leviticus 26:3-5

DEDICATORY

This paper is first dedicated to God, who, I am sure, gives me all the great opportunities I have experienced, so far; and from whom flows every single blessing that fills my life with great joy.

This work is also dedicated to my parents, Toninho and Socorro, whose diligent work gave me what was necessary to and made me capable of enjoying those opportunities

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I appreciate the great effort and support of Mrs. Robin Klay, who shared freely of all her knowledge, wisdom and experience with me to make possible the conclusion of this work. Her faith also contributed as an inspiration to the writing of each page here presented.

RESUMO

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Este trabalho consiste numa revisão de literatura que destaca o papel representado pela cultura no processo de desenvolvimento e crescimento econômico. Com base em autores como Max Weber, Michael Novak e Francis Fukuyama demonstra-se como o próprio capitalismo tem suas origens num processo de revolução religiosa-cultural, que culminou em um novo *ethos*, capaz de motivar (e até justificar) a busca pela constante acumulação de capital. Além de mostrar como certos valores sociais ainda servem como sustentáculos para esse sistema econômico hegemônico atual. Por fim, apresenta-se brevemente a abordagem da acumulação de capital social, como forma de promover confiança, um insumo para o desenvolvimento das estruturas produtivas dos países; juntamente com evidências empíricas desta teoria.

Palavras-chave: cultura. Teoria econômica. Capital social. Valores sociais. Confiança.

ABSTRACT

This work consists of a review of the literature that highlights the role played by culture in the process of economic growth and development. Based on the work of authors such as Max Weber, Michael Novak and Francis Fukuyama, this paper demonstrates how capitalism itself has its origins in a process of religious-cultural revolution, from which emerged a new ethos, capable of motivating (and even justifying) the search for constant capital accumulation. It demonstrates that a specific set of social values still works as a pillar, supporting the hegemonic economic system of today. Finally, it briefly describes the theoretical approach of social capital accumulation, for the creation of trust, considered an input in the development of the productive structures of the nations; with reference also to empirical evidence of that theory.

Keywords: culture. Economic theory. Social capital. Social values. Trust.

LISTA DE ABREVIATURAS E SIGLAS

IBGE Instituto Brasileiro de Geografia e Estatística
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1. INTRODUCTION

What if investment and savings, financial capital accumulation and machines and equipment were not the primary requirements for a strong national economy? What if these were themselves caused by something invisible to the naked eye and hard to measure through economic statistics?

Part of the literature on economics is dedicated to demonstrating that economic activity is strongly associated with the cultural backgrounds of societies. Religion, morality, habits and ideas, then, should play a relevant role in the economic outputs of nations.

This paper is a brief review of that literature, and aims to reinforce the importance of incorporating the culture and moral values of societies in the economic analysis of nations. To do so, it starts with a general presentation of the most important concepts used by the authors referenced here, followed by the presentation of the classical approach of Max Weber to the origin and development of the capitalist system from a religious-cultural revolution that happened in the eighteenth century.

Michael Novak's work, entitled the "The Spirit of Democratic Capitalism", is used to introduce a perspective on that economic-political-social system which differs from most work in the mainstream of economics. According to this author, capitalism is a threefold system, sustained by free markets, democracy and a very specific set of moral-cultural components of societies, which is synthesized later.

Finally, some empirical evidence is presented to complement Fukuyama's analysis of the importance of the accumulation of social capital, generating trust, to the transformation of a nation's productive structure, and, then, impacting the economic development of nations.

The references used in this work indicate that economic development of nations has historically been marked by moral-cultural components of one society, and that the development of rationally managed companies, capable of expanding and operating internationally depends on the accumulation of social capital among the member of any

community. The empirical approach here cited gives evidence that the growth of the number of protestants in a society is positively related to the development of trust in a social structure.

2 THE CAPITALIST SYSTEM AND MAIN CONCEPTS

It is finally in place, a political-economic system that is capable of improving the quality of life of millions, producing riches as no previous system has ever done, while generating uncountable new possibilities to keep on doing so. Machines and methods, all new, were invented, transport systems created and science applied to production to make possible the life of greater populations and societies on a constant growth path.

In the twenty-first century humans are living longer and better, and chances are for most that they will improve their condition through years of dedicated work. People have come to believe that the more they acquire during life, the more fulfilled and better off they will be. For many, becoming wealthier is thought to be a good goal in life, and successful businesspersons are considered ideal models, examples to be followed by “good people”, people of good deeds and intentions.

Not in every period of history could such a picture be painted, neither were many people experiencing that reality. However, with capitalism, such things have become common. And, although the word “capitalism” is widely used, an adequate definition requires input from many experts, of whom a big part has decided to stand against it. They do not usually neglect the referenced achievements of that system, but miscomprehend the essence of capitalism.

Technological transformations, production, commerce, even profit, existed long before capitalism would become a consensual ideal to the economic intercourse of a majority. Work as a means to provisioning families was already part of the feudal order; mills were used to increase the productivity of manufacturing sugarcane before computers and networks would allow a robot to work in place of dozens of men; and economic gain was motivation for investments overseas by kings. Great transitions, however, were marked by one fundamental change: the benefits of capital accumulation were acknowledged once humans realized that men could work for more than subsistence, and that beyond the horizon there was more than just a cliff. (WEBER, 2004)

According to one line of thought, industrialization and the constant search for profits cannot explain what is a much more complex system. Authors such as Michael Novak, Francis

Fukuyama, Robert J. Barro, Deirdre McCloskey and many others, recognize that what it came to be, where it comes from, and the reasons for its prevalence and sustained development probably reside in an intangible foundation.

Weber, in one of his remarkable works, demonstrated that the capitalist system is the fruit of a “spiritual” transformation involving change in abstract ideas and values shared by pre-capitalist societies (their “*social capital*”, as will be properly defined later in this paper). “*The Protestant Ethic and the Spirit of capitalism*” is a classic in the fields of sociology and economics, written and published in two different parts from 1904 and 1920¹. Weber himself, like the people of his time, dealt with the conflict that people were going through in the beginning of the last century², during the industrialization and expansion of capitalism in western countries. Such struggles were caused not just by people moving into urban cities, or going to work inside factories, but especially by changes in their previous conceptions of what was good and acceptable, even to God, which were brought on by the new social-political-economic order.

Brilliantly, Weber (1930) is dedicated to illustrating the rise of capitalism from a religious, cultural and moral reformation. He rightly says that this system, with its inherent eagerness to grow, expand and enrich, could only function in a world where people no longer choose to rest if the choice is made between “*either eat well or sleep well*”³. Indeed, capitalism can only exist where simple principles prevail, such as those that pop out from the words of Benjamin Franklin⁴, cited by Weber (1930)

“Remember, that *time* is money. He that can earn ten shillings a day by his labour, and goes abroad, or sits idle, one half of that day, though he spends but sixpence during his diversion or idleness, ought not to reckon *that* the only expense; he has really spent, or **rather thrown**

¹See the introductory notes of A. F. Pierucci in his edition of “A ética protestante e o ‘espírito’ do capitalismo” (2004).

²Novak (1982) points out, from the biography Max Weber (1864-1920), the fact that in his family of “‘evangelical’ protestant[s]” (p.37) Weber saw an uncle of his acquiring the “Capitalist Spirit”, “*to the dismay of the family*” (p.37), and implanting its fruits in the managing of his inherited linen business. Previously owned and managed by Weber’s grandfather, “*content to take a modestly comfortable living from it*” (p.37), the family business in the age of Uncle Karl administration was systematically “*(...)rationalize[d], modernize[d], and improve[d](...)*” (p.37). In addition, Weber’s father was one who “*(...) abhorred the disciplines of business (...)*” (p.37). (Highlighting by the author)

³ Weber (2004), p. 34

⁴ Hints to Those that Would Be Rich (1736), *apud* Weber (1930)

away, five shillings besides.” (Weber, 1930, p.14 – highlighting by the author)⁵

From the perspective of Weber (2004), the Protestant Reformation⁶ not only offered a new (for its time) concept of work, but also provided the moral weight that supported a new attitude toward work. The “spirit” of capitalism is, then, valuing labor as the practice of a professional vocation⁷. In other words, it is understood that the “duty of the individual [is] toward the increase of his capital” (Weber, 1930, p.17), fulfilling his calling. Moreover, this new “ethos” turns those who neglect that calling, or refuse to work, into “bad models”, who squander their possessions and time. Or worse:

“(…) He that kills a breeding sow, destroys all her offspring to the thousandth generation. He that **murders** a crown [loses money], destroys all that it might have produced, even scores of pounds.” (Weber, 1930, p.15 – highlighting by the author).

Such is the importance that economic gain and property accumulation have acquired in the age of this new “spirit” that no one should willingly deal with the moral consequences of *killing* opportunities afforded for profit making and enrichment.

At this point, it is possible to see how deep are the roots of the system in which all our “natural” beliefs find correspondence and coherence. Those roots are not in the technical methods developed to sustain division of labor, neither in the rules and institutions that assure stability in economic exchange, but in the very solid ground of intellectual and cultural bases of the societies in which capitalism established its foundation and extended its influence.

Still, one could question how strong is the influence of religious ideas over societies’ behavior. After all, skepticism and unbelief must have always had their followers, especially

⁵Benjamin Franklin presents with that example what is called “opportunity costs” in the Economic theory.

⁶ Although the Protestant Reformation may be considered, not erroneously, a religious revolution, Weber means to clarify that his analysis of the “spirit” of capitalism is exempt from any direct relation to religiosity and its “presuppositions”. See Weber (2004), p.42

⁷Weber’s use of that term is related to what he presents as the Lutheran conception of vocation – a direct product of the Reformation, which contrasts with the previous dominant emphasis on the moral superiority of “monastic asceticism” and defends work in a profession as the only way to live in accord with the will of God. See more at Weber (2004), p.72.

in modern nations, where it is common to doubt even the existence of a god. Weber (2004) himself refers to the fact that “the dominant doctrine”, by the time of the Protestant Reformation, “rejected [that] spirit of capitalistic acquisition (...) or at least could not give it a positive ethical sanction. (...) Even skeptics and people indifferent to the Church often reconciled themselves with it by gifts, because it was a sort of insurance against the uncertainties of what might come after death (...)”. (Weber, 1930, p. 35)

In this sense, one need not be a religious person to have one’s behavior influenced by the transformation in morality caused by the Reformation. It is now necessary to define what is here called “culture”, the field in which the fundamental revolution supporting modern capitalism took place:

“Culture is inherited habit.” (FUKUYAMA, 1995, p.34)

This definition is taken from Fukuyama’s work, “Trust”, which combines the idea of “culture” from Geertz⁸ with a general notion of “social structure”. The concept of culture used in this paper is: “an historically transmitted pattern (...) in symbolic forms by means of which men communicate, perpetuate, and develop their knowledge about and attitudes toward life”⁹ in the large variety of “concrete social organization” of which they are part.

People may not share any specific religious faith, but they embody the prevailing ideas of the society they compose. Thus, though a man would not believe in a heaven, or fear God, he still would *feel* the need of doing favors for the Church and accepting its dogmas. And that was such because he wanted to feel safe: not of salvation (about what he would not really care), neither from the wrath of God, but from being *condemned* by his fellows. Social acceptance would always play its part in the lives of human beings.

“(...) people (...) are educated to follow their society’s moral rules by simple habituation – in family life, from their friends and neighbors, or in school.” (FUKUYAMA, 1995, p. 35)

⁸ Geertz (1973), p. 89 *apud* Fukuyama (1995).

⁹ Fukuyama (1995), p.34

The ideas just reviewed point to the relevance of what has long been neglected in mainstream economic thought, namely: the success of capitalism in generating economic growth may be dependent on economic policies, but requires that certain moral and cultural rules be in place. Recent research has demonstrated that economic growth is associated with specific values and principles shared by societies.

Following the steps of authors such as Fukuyama, just as important as machines, equipment and financial resources, is the social capital of a society, needed to achieve and sustain strong economic growth. The reasons for this are to be described later. However, an essential definition must be given; according to Fukuyama (1995) social capital is:

“(...) the ability of people to work together for common purposes in groups and organizations.” (FUKUYAMA, 1995, p. 10)

Plus,

“(...) a capability that arises from the prevalence of trust in a society or in certain parts of it.” (FUKUYAMA, 1995, p. 26)

In other words, social capital is the capacity that people in a social structure have to associate with each other. Although it also depends on human capital, those two cannot be considered the same thing. Human capital is more related to “knowledge and skills of human beings” (Fukuyama, 1995, p.10), while social capital has much to do with the shared values and practiced habits that allow people to spontaneously cooperate.

Some societies do not foster spontaneous associations. The great contribution of “Trust: the Social Virtues and the Creation of Prosperity” (1995) is Francis Fukuyama's demonstration that without *trust*, it is very hard for people to establish stable connections, such as successful economic exchange beyond the natural bonds of their kin. However, trust, as much as social capital, is developed within the cultural bases of a people.

The following statement describes the significance of specific principles shared in a society that would lead it to economic prosperity in the process of capital accumulation:

“If institutions of democracy and capitalism are to work properly, they must coexist with certain premodern cultural habits that ensure their proper functioning. (...) **reciprocity, moral obligation, duty toward community, and trust** (...)” (FUKUYAMA, 1995, p.11 – highlighting by the author)

To emphasize the concept of social capital, it is relevant to consider that the associations it encourages find central support in the morality of those who choose to commit themselves to the aims of a particular association. Nevertheless, it is not a simple matter of character, or of pointing out who is a good or a bad person, just for being capable of associating. The cultural habits that promote trust within a society are not individual virtues, but social ones, which means they “emerge only in a social context” (FUKUYAMA, 1995, p. 43): “honesty, reliability, cooperativeness, and a sense of duty to others”. (FUKUYAMA, 1995, p. 43, 46)

According to Fukuyama (1995), “from an economic standpoint, some ethical habits clearly constitute virtues while other vices” (FUKUYAMA, 1995, p. 43). Virtues are those habits that promote trust, vices are the ones that end up ruining associations.

For anyone influenced by classical, dominant economic thought, it is important to learn that Adam Smith, pioneer of modern economics, himself

“(...) well understood, economic life is deeply embedded in social life, and (...) cannot be understood apart from the customs, morals, and habits of the society in which it occurs. It cannot be divorced from culture.” (FUKUYAMA, 1995, p. 13)

In fact, Smith had an important work published on what would fit better the field of social behavior (and the cultural influence on it), called “*The Theory of Moral Sentiments*”, written in 1759.

However, the present age of hegemony of neoclassical economic theory, based on utility-maximizing agents making always-rational choices, follows paths distant from the one described by Smith. “Culture” is but the residual in neoclassical economics, representing whatever mathematical laws cannot account for. Neoclassical models overlook the possibility that faith in a life in a world still to come may lead a person to sacrifice the maximum benefit in a present situation, if acting otherwise would mean losing that person's place in the world to come. Similarly, such a person might forgo a present benefit if doing so would earn him or her the respect of others. (FUKUYAMA, 1995)

With these ideas in mind, it is necessary to describe what is conceived in this work as the capitalist system. A more detailed introduction of what composes this very complex structure, which dictates rules for the economic dealings of many people, is required in order to demonstrate where culture, values and social capital make their contribution to economic growth.

3 THE PLACE OF CULTURE IN AN ECONOMIC SYSTEM

At first glance, the writings of Novak (1982) and Fukuyama (1995) seem like a weird ode to capitalism. They take into account all the inequalities that exist and can be deepened by the way exchanges happen in the capitalist system, but still choose to defend it. They recognize the existence of people in misery, hunger and woe in the very same societies where a few delight in the benefits of comfort, affluence and health. Nevertheless, they reasonably take their position siding with (liberal) capitalism. Why this is so finds an answer in the clear (and different) conceptions they have of that system.

Novak (1982) is responsible for approaching capitalism with a completely new perspective. Describing it as a threefold system, the author directs the attention of anyone willing to learn about it to: (1) the free market base of the economic side of capitalism; (2) the political base that supports individual liberty and individual rights (including the “pursuit of happiness¹⁰”); and, finally, (3) its moral-cultural foundation, frequently ignored in most descriptions or efforts to conceptualize it. The three parts combined, as Novak points out, define “Democratic Capitalism”.

Passages like the following, extracted from Weber (1930), demonstrate what is the general and most widely used definition of capitalism:

“[It is] (...) identical with the pursuit of profit, and forever renewed profit, by means of continuous, rational, capitalistic enterprise. (...) A capitalistic economic action (...) rests on the expectation of profit by the utilization of opportunities for exchange, that is on (formally) **peaceful chances of profit.**” (WEBER, 1930, p. XXXI – italics from the original text; highlight from the author)

¹⁰ Happiness for Novak (1982) is very different from the neoclassical concept of “utility”. The author even says that individual happiness is incomparable to the other’s, and that “with material achievements [it] is unobtainable, except through renunciation and detachment(...)” (NOVAK, 1982, p. 125)

However, not even capitalist economic activity, in its most superficial sense – production for profit making – can be explained by just repeating words such as “enterprise”, “exchange” and “profit”. The excerpt itself says why; they all need “peaceful chances” to happen.

Capitalism had its roots historically founded on the ground of free markets. Novak (1982) says that its very origin aimed “(1) to limit the power of the state, in defense against tyranny and stagnation; and (2) to liberate the energies of individuals in independently organized communities”. (NOVAK, 1982) Thus, the development of that system has been oriented by the search for freedom, or minimal constraint on human action. Indeed, one’s sense of opportunity for success must not face, in this environment, limitations imposed by regulatory agencies of any kind of government. According to Novak (1982), it is the role of government to create an environment where people have incentives for the development of their abilities to their greatest, as a way to bring forth maximum return on investment and constant growth to their economic initiatives.

These statements imply that economic activity consists in totally independent interactions of agents, determined in accordance with rules agreed upon and expressed in contracts. However, firms and governments, or simply individuals, deal with each other in ways that are only made possible by the set of institutions responsible for keeping communal order amidst the natural conflict of opposing interests¹¹; and for assuring each party in that interaction the liberty and equal opportunity to reach its goal. The pillar of capitalism standing on politics is founded here: on democracy. (NOVAK, 1982)

Law and judges clarify what are the rights and obligations of each party in their social dealings (including commercial trading). Courts defend the rights, military forces enforce the obligations and the free market is kept stable. Justice, protected private property and liberty of expression, action and entrepreneurship find their place in the democratic political system, which has “covenants, suffrage, the separation of powers¹², and the declaration of individual

¹¹ The Hobbesian idea of “war of all against all” makes democracy come to seem unworkable”. (NOVAK (1982), p. 16) The author defends that the possibilities for self-accomplishment brought on by economic growth keep the conflict controlled.

¹² The author points out that “It is a distinctive invention of democratic capitalism to have conceived a way of differentiating [the political, economic and moral-cultural] spheres of life, and to have assigned to each relatively autonomous networks of institutions (...)” (Novak, 1982, p.56), but without losing the strong connections.

rights”¹³ as their foundations. In fact, “(...) the natural logic of capitalism leads to democracy”, as seen by Novak (1982). And democracy, too, “(...) is compatible in practice only with a market economy. (...)”¹⁴.

“(...) Democratic polities depend upon the reality of economic growth (...), [and] for its legitimacy, (...) upon a sense of equal opportunity (...) [plus] the belief (...) that they can better their condition.” (NOVAK, 1982, p. 15)

Novak (1982) highlights the fact that “(...) no society in history (...) has ever produced strict equality among individuals or classes”. (p. 15) However, sustained development of the capitalist economic system has been strongly supported by rational expectations of improving one’s life conditions, through access to consumption of an always larger variety of goods¹⁵; and by the possibility of social mobility, which is a novelty brought about by the rise of democracy. Still, the reciprocal is also valid: if democracy has established dominance it is because the possibility for social climbing could occur with the free market structure. “[Democracy] yields freedom to dream and realistic fulfillment of dreams. (...) Liberated by economic growth, democracy wins common consent.” (Novak, 1982, p.16)

That same author, referring to Brazil as it was during the first years of the 80’s, declared: “(...) the social structure of Brazil is heir to an aristocratic mode in which (...) few families (...) own most of the land and most of the instruments of production.” He also suggests that “should such [a nation], over time, manage to diffuse property rights (...) and extend literacy, mobility, and opportunity, they may evolve into something [it] now [is] not.” (Novak, 1982, p.57) Evidently, he said this to demonstrate how the effort to build up a free market economy could not overcome some constraints on the Brazilian capitalist development, due to the authoritarian government then in place.

¹³ Novak (1982), p.14.

¹⁴ Novak (1982), p.15.

¹⁵ Again, the utilitarian idea of “the greatest product of the greatest number” (Novak, 1982, p.59) is not the one referenced here. Instead, it is the association of “gains in liberty of personal choice – in more varied diet, new beverages, new skills, [and] new vocations(...)” (Novak, 1982, p.17) with the concept of “agency achievement” by Sen *apud* McCloskey, year), which “(...) is not reducible to ‘enhancement of well-being’, (...) [but] the need for an identity that strives”. (McCloskey, year, p.124)

Nevertheless, free market and democracy do not suffice to create the “peaceful chances” for the development of capitalism; neither do they explain how culture, morality and social capital can leave their mark in the path toward economic growth of nations. Therefore, one final pillar of the threefold capitalism is now to be presented.

“Not only do the logic of democracy and the logic of the market economy strengthen one another. Both also require a special moral-cultural base. (...) Under some moral-cultural conditions, they are simply unachievable.” (NOVAK, 1982, p. 16)

According to Novak (1982), this moral-cultural base consists of socially shared definitions of central concepts that sustain democratic capitalism. Specific ideals of work, savings, “liberty and justice for all” are required to keep in movement and progress modern capitalism, and to assure its hegemony.

One must not underestimate the importance of ideas to the achievement of material results. Recall what was demonstrated by Weber, that an entire new order for economic and social life was created by what was first a religious revolution. During medieval times, people full of talent and vitality would keep themselves from using their creativity and vigor in the market if that would make them be seen as greedy. On the other hand, after the Protestant Reformation, the same kinds of people would be dedicated to work, ambitiously moved by opportunities in their jobs¹⁶. (WEBER, 2004)

Evidently, the consequences of such a change were very practical and tangible. Economic growth, which is a product and the pursued objective of capitalism emerged from the religious revolution, can be and is measured by economic statistics. Moreover, the transformation of habits, techniques of production and of products can be noticed at first sight. It is important to recognize that, although culture and (human) values, the objects of this research, are intangible things, what must be considered in this work are the “real” effects they

¹⁶The text from Weber (2004) gives the idea that probably the main contribution to the economy brought up by the Reformation was the substitution of the catholic idea of “asceticism”, by the novelty of “wordly asceticism”. This concept consist on the idea that the working in a profession, in dedication to non-religious institutions, became the “call of God”. Before the Protestant Revolution, the life inside de monastery, refusing the pleasures and cares of the men’s world, and in diligent work for the church, was had as the only way of living the will of God. See more in Weber (2004)

have in the economic structure of nations. Later, some empirical evidence found in the literature will be presented on the products of social capital in the economies of developed and developing countries.

All this is important because that is what economic development under capitalism is made of. This system was never planned or conceptualized before being put into action. Its original concepts were not drafted in scientific papers before they would create business, commerce and work in the way they came to be in capitalist societies. In fact, the birth of economics in the late eighteenth century, with the publication of “The Wealth of Nations”, by Adam Smith in the year of 1776, can be considered an academic description and analysis of what was already in development in the first capitalist nations or of what was coming up in the mercantilist ones that remained.

The philosophers of original capitalism were “philosophers of practice”, who “wanted the ‘new order’ (...) to grow by experience, by concrete collaboration, and by **trial and error**”. (Novak, 1982, p. 19 – highlighting by the author)¹⁷.

Just as “realistic” is what is going to be presented here as the moral-cultural base of that system. Fukuyama (1995) and Novak (1982) notice that most of the criticism directed to capitalism relies on the judgment that it is amoral. After all, how could a system come from a Christian historical revolution and still leave plenty of space for poverty, injustice, inequalities so great as those which paint in dark colors the history of so many in capitalist societies?

“(...) many Christians are deeply troubled by conditions in the world, by the vast gap between wealthy, affluent peoples and desperately poor ones, by vast expenditures on military weapons and luxury goods, while basic human needs go unmet, by the growing power of giant corporations, and by a culture that undermines Christian values and true human needs.” (MCGOVERN, 1980 *apud* NOVAK, 1982, p. 26)

¹⁷ “After the divisiveness and bitterness of the religious wars (...) [they] wished to avoid theological disputes”. (NOVAK, (1982), p. 19) And, as can be seen, it is not easy to embody philosophical questions as one of the economic variables of economic models.

Novak (1982), being himself a Christian, recognizes that it is his objective to create in the world, what he calls the “City of God”, a place in the “kingdom of God”, as it is found in the scriptures. “[N]or thieves, nor covetous, nor drunkards, nor revilers, nor extortioners, shall inherit the kingdom of God” is written in I Corinthians 6:10. That should be a place without all that causes trouble and suffering to men. Still, the author also asks: “If Jesus could not effect that, [while he lived on Earth,] how shall we?” (NOVAK, 1982, p. 341)

Responding to this question, Novak points out that the moral-cultural structure of capitalism assumes the reality of sin. Capitalism is not a system intended for a world of depraved morality, but neither is it dependent upon uniformly high moral character. Because this system is founded upon experience, it assumes that participants are “errant human[s]”, whose liberty (...) [is to be] respect[ed]”. (NOVAK, 1982, p. 81).

“It is (...) the chief virtue of democratic capitalism that (...) its political economy, while depending upon a high degree of civic virtue in its citizens (...), is designed for sinners. That is for humans as they are.” (NOVAK, 1982, p. 85)

“(...)[H]umans are equipped with desires for both the sacred and the profane, mutually reinforcing and competing.” (MCCLOSKEY, 1997). According to Novak (1982), selfishness moves individuals in their action as economic agents, and gives orientation to their decisions, so it cannot be neglected in any attempt to analyze that system; neither should it be ignored in the development of any theory.

To make this point clearer, it may be important to consider a presupposition of the socialist political-economic system, as presented by Novak (1982):

“In socialist societies, the enemy of human development is thought to lie in inequalities of economic wealth and power. These being removed, it is imagined that society will be cooperative and the human breast at peace with itself.” (Novak, 1982, p. 83)

However, considering selfishness and egoism as the motives of human (economic) action, as inherent to human personality¹⁸, what would be the incentive for people's cooperation in socialism? If a person will not have any kind of extra gain or return to one's goodness, what then would lead one to engage in social cooperation? It is important to recognize that even if a person decides to work more for the benefit of his community, one may be doing so to assure personal advantage. Thus, reporting a theft to the police not only gives the victim a chance to escape without loss and damage, but also may guarantee greater security in the future for both himself and the community.

From the perspective of works such as those from Novak (1982) and McCloskey (), human beings are made of both kinds of impulses. "Bad and good behavior in buying low and selling high can be found anywhere, any time." (MCCLOSKEY, 1997) Still, "[i]n the human breast, commitments to benevolence, fellow-feeling, and sympathy are strong." (NOVAK, 1982, p. 93)

The capitalist system "does not promise to eliminate sin" (NOVAK, 1982, p. 85), but is also based on the doctrine of "unintended consequences", as found in the work of Novak (1982). That idea means not every result of an action can be foreseen and unpredicted events may occur, maybe resulting in good for one or for all.

According to this principle, men are not judged by their morality (for that kind of judgment can only be made by God, seen perfect and above all), instead, by the product of their actions and choices.

The expression "virtuous self-interest" found in Novak (1982) implies the inherent ambiguity of human character as it is reflected in one's attitudes. Any good action, in capitalism, may be rewarded with "power, fame, and money (...)" (p. 93). Then, a sinful intent may produce good to both the parties in an exchange, even though it may not always be a monetary return, such as public recognition of oneself as a good person. This kind of return sometimes satisfies.

In that sense, the reality of sin does not destabilize the moral-cultural structure of capitalism, but only makes its definition more realistic and applicable in the analysis of real life.

¹⁸ Novak (1982), p. 82

Order in the capitalist system does not emerge from a unitary order, made of every man sharing the same imposed “sense of what is good and true”¹⁹ (NOVAK, 1982, p. 49). In fact, Novak (1982) explores the principle that the greatest novelty of modern times is pluralism.

That component of the moral-cultural structure of capitalism affects both the economic and political fields of capitalist societies. Instead of causing chaos, it establishes limits on action by each individual and institution. The same liberty and rights are assured to everyone to enjoy, and respect for others’ properties and honor determines the constraints on one’s free choices and deeds. (NOVAK, 1982)

Economic models and scientific reasoning may face some difficulties accounting for the combination of so many disruptive forces with the stability of economic development. How can stable order, which is necessary for the economic growth of nations and constant development and expansion of capitalism, be found in the pluralist setting full of sinful individuals, with the liberty to choose bad goals and to even take bad actions? To deal with that difficulty, another component of the moral-cultural structure of the capitalist system plays its role: the focus on practical wisdom.

Sermons and classes have an important part in the dissemination of knowledge throughout the generations, but, according to Novak (1982), in democratic capitalism, they are not the main instrument to do that.

He argues that agents acquire knowledge and spread it in the interactions and relationships they establish during the execution of their work and social functions. Parents teach their children about the best decisions and attitudes for some of the questions they will face during life, and business partners share the lessons learned from each trial and error of previous lived experiences. (NOVAK, 1982)

“Centuries of Biblical faith had nourished trust in human intelligence (...).” (NOVAK, 1982, p. 98)

¹⁹ Novak (1982) demonstrates that both traditional and socialist societies have unquestionable definitions of what is good and of what is the role to be played by each individual. He says that “[e]very other form of society the world has ever known imposes a collective sense of what is good and true. [And in any system besides democratic capitalism] every decisive economic, political, and moral-cultural power is exercised by one set of authorities.” (NOVAK, 1982, p. 48)

Probably from its historical origin in the revolutions of the Protestant movements in the eighteenth century, the capitalist system inherited a “narrative sense of history” (NOVAK, 1982, p. 98) characteristic of the Bible’s stories. “[I]n the new age, consciousness was thrown forward into the future (...)” (NOVAK, 1982, p.97) with the idea of a future still to be written, that may be better and happier than the present.

“(...) Individuals broke out of the ancient sense of imprisonment within eternal cycles and began to work toward, save for, and invest in the future.” (NOVAK, 1982, p. 99)

In this scenario, if books and theoretical content could not create successful individuals, by provisioning them of needed values or principles for that goal, sharing one’s experience and skills, and mistakes, could teach other persons and transmit to them the ideals of discipline, abnegation, self-education and self-improvement. According to Novak (1982), these principles would be required to lead a person to achieving all of his or her potential. (NOVAK, 1982)

The relationship between this component of the moral-cultural base of capitalism and the influence of culture (in the sense it was presented previously) is evident, as well as the consequences it has over the economic field of societies. The habits inherited by one generation are those that have been transmitted to people through education and through the many kinds of social intercourse in which they took part throughout life. Everything was part of their “training” to be individuals and active members of the present system of economic, political and social life. (NOVAK, 1982)

However, one thing does not seem to be sustainable where there is a system like this for sharing knowledge. That thing is the general idea of individualism found inherent in the capitalist system, and constantly criticized by defenders of the traditional, pre-capitalist order. Words from representatives of the church in the nineteenth century declare that individualism

nourishes “‘power without obedience’ (...) [and] ‘law without duty’”²⁰, and could even promote anarchy (NOVAK, 1982).

It can be said that the individual plays a central role in democratic capitalism. Modern economic theory stresses its importance by dedicating great effort to the development of mechanisms for the enlarging of the individual’s range of options and for the improvement of the individual’s well-being. Democracy, as noted, aims to guard the rights and liberties of each and every individual. Still, a system that supports, and is made up of, the principles of pluralism and practical wisdom should not be associated with any reductive conception of individualism. In democratic capitalism, individualistic or any kind of egoistic behavior may not find a suitable place.

Indeed, Fukuyama (1995) offers evidence that in developed countries, such as Germany and Japan, capitalism established a new sense of community, and turned them into “group-oriented societies” (FUKUYAMA, 1995, p. 28). Here resides the final component of the moral-cultural structure of democratic capitalism to be presented in this paper: community.

With the rise of the new order for economic and political life in the culture of the new capitalist societies emerges a new definition of community. In place of the previously dominant idea of “the small village, in which all share the same values” (NOVAK, 1982, p. 128), appeared a concept more similar to “colleagueship”, which is an association of human beings, that is “(...) task oriented, goal-directed, freely entered into and freely left.” (NOVAK, 1982, p. 137)

This new form of community cannot be underestimated:

“(…) [O]nly those cultures which nurture in their peoples inner social disciplines are capable of democratic politics and capitalist economies. Cultures in which individuals are not taught how to cooperate, compromise, and discipline themselves to practical communal tasks can make neither democratic politics nor market economies work.” (NOVAK, 1982, p. 134)

²⁰ Both the expressions are words of Lamennais, written in 1829, and cited by Novak (1982), p. 243. Lamennais was a French and catholic author that with many other religious men, saw nothing but segregation and disorder as products of the individual-centered approach of the new system.

Thus, community not only exists in the democratic capitalist system but also has acquired a character broader than mere association of kin, neighbors, servants of a same master and so on.

“In order to experience the community of collegueship, one need an ethos deeper than individualism (...), an ethos of **association, teamwork, and collaboration**, (...) voluntarily entered into. (...) This (...) form of community (...) is not given. It **must be created.**” (NOVAK, 1982, p.138 – highlighting by the author)

How powerful can be the moral virtues of a people applied to their economic dealings? In democratic capitalism, one’s highest expectations seem not to provide the most complete answer to that question. Human existence has always been in community, but now its prosperity depends upon one’s capacity to voluntarily associate. One’s community can be as extensive as one is capable of, extending its influence through cooperation. In this new era, social capital proves itself remarkably important and even necessary.

The new community purposively joins family, friends and even nations. The ideals of “development, modernization, social justice, national liberation, independence, and self-reliance (...)”[bring] together peoples, despite the national frontiers. “It [is] thought that the advance of every part of humankind advanced the benefit of all.” (NOVAK, 1982, p. 130)

Let these words and ideas not be interpreted in a naïve sense; although associations created upon such an ideal demonstrate great moral charge, they do not refer to the superficial recognition of goodness. Novak (1982) clarifies this point with the following example:

“(...) when after the World War II the economies of Japan and Europe lay in shambles, it was not only in the interest of the United States to assist in their rapid recovery, it was also a fundamental imperative of the system.” (NOVAK, 1982, p.130)

The contribution made by the United States to the recovery of European and the Japanese economies was also because of the “self-interest” of US, to have networks of

commerce and exchange rebuilt and to stimulate its own economy. But it was also an imperative action necessary to continue the development and expansion of capital, and the creation of wealth to sustain the capitalist system.

“(…) [V]arious nations ought to promote ‘a healthy economic cooperation by prudent pacts and institutions, since in economic matters they are largely dependent one upon another, and need one another’s help’”. (NOVAK, 1982, p. 133)

Interdependence is according to Novak (1982) a characteristic of the new sort of community brought about by the capitalist system. The world has become a “global village”, especially due to the action of corporations. Novak believes that “[n]early every breakthrough of technology and trade which has since made the world more like a “global village” was pioneered by the achievements of business corporations, from the airplane to the (...) telecommunications”. (NOVAK, 1982, p. 135)

Moreover, the corporations themselves constitute a specific example of the new community that is a “voluntary association committed to business enterprise”. (NOVAK, 1982, p. 130) And as far as the corporation goes and the more it grows, the more distant it gets from the traditional community of relatives; impersonal relationships come to rule its development. Shareholders become members of a “community” without even coming to know each other.

The family, however, has not lost its place as a fundamental form of community. In fact, Novak (1982) says that the capitalist system revolves around the family. Novak (1982) declares that “[t]he institutions of capitalism are designed to function with minimal dependence upon virtuous motives (...)[,] certain moral strengths, rooted in institutions like the family.” (NOVAK, 1982, p. 156)

This is so probably because the family, being the first kind of association for any human being, works as the school of values and principles necessary to the adequate functioning of the capitalist institutions and associations, such as the corporation. (NOVAK, 1982)

“The family is the major carrier of culture, transmitting ancient values and lessons in ways that escape completely rational articulation, carrying forward motivations and standards of judgment and shaping the distribution of energy and emotion, preferences and inclinations.” (NOVAK, 1982, p. 161)

According to Novak (1982), the family is the first environment in which individuals practice skills needed for the social experience they will have all throughout their lives. Self-denial guides most of the actions of parents toward their children, and discipline is practiced by children through obeying orders and recognizing authorities. And these are just a couple of important principles learned from living in family before entering the many kinds of associations in which individuals tend to take part.

“(…)To build a discipline [economics] on the proposition that [behavioral egoism] exhaust the range of essential human predispositions is to lead to the unsustainable conclusion that there are no cartels, no racial discrimination, no voting, no voluntary contributions to public goods, and no restraint on first strike (defect) in single play Prisoner’s Dilemmas.’ And no nationalism, no honor, no love, no courtesy between strangers.” (MCCLOSKEY, 1997, p.119)

Finally, the family, the corporation and the nation demonstrate how community composes the moral-cultural structure of democratic capitalism. Together with pluralism, the principle of sinful agents and the importance of practical wisdom, which were briefly introduced, they comprise a robust structure that opens space for the influence of moral values upon economic matters.

4 THE APPROACH OF “TRUST” AND SOME EMPIRICAL EVIDENCE

The perspective on economics this paper intends to draw is beyond the limited horizon of mere idealization of reality. Reciprocity, moral obligation, duty toward community, and trust are things here called values, or principles to be enhanced and stimulated among peoples because they seem to contribute to the better functioning of the capitalist system. Based on these principles are the rules guiding economic and social acts of most the populations of the world. At least, all the Brazilian one.

In fact, the approach to economic theory presented by authors such as Weber, Fukuyama, Novak, sometimes by Barro, “[r]eminds economists how every economic activity is also a social activity.” (Quddus, Goldsby and Farooque, 2000, p.87) And being such, activities cannot be fully comprehended and analyzed without taking into account the effects that culture, with all its forms of manifestation in the lives of people, can have over their economic behavior, and, the outcomes.

“Social capital is a concept that is (...) commonly understood as the ‘dense networks of norms and social trust which enable participants to cooperate in the pursuit of shared objectives’” (NORRIS, 1996 *apud* QUDDUS et. al., 2000, p. 89)

The “shared habits”, the moral codes, the principles or “virtues like loyalty, honesty and dependability” (FUKUYAMA, 1995, p.26) that promote spontaneous association²¹ among members of a community of any kind, from the neighborhood to the company, compose what has been called social capital. According to Fukuyama (1995), as social capital is accumulated

²¹ Fukuyama (1995) uses the term “spontaneous sociability”, referring to “the wide range of intermediate communities distinct from the family or those deliberately established by governments.” (FUKUYAMA, 1995, p. 28) As examples, he cites neighborhoods, churches, unions, clubs and charities.

The author also cares to differentiate “traditional sociability” – “(...) loyalty to older, long-established social groups (...)”, from this concept of “spontaneous sociability”, defined as “(...) the ability to come together and cohere in new groups, and to thrive in innovative organizational settings.” (FUKUYAMA, 1995, p.159)

within a society, the more *trust* there will be among its members, which brings with itself many economic benefits for a society.

“As a general rule, trust arises when a community shares a set of moral values in such a way as to create expectations of regular and honest behavior. To some extent, the particular character of those values is less important than the fact that they are shared (...).” (FUKUYAMA, 1995, p. 153)

At this point, it is important to point out that this paper does not intend to impose, or even suggest the “unitary order”, previously demonstrated unsuitable to the democratic capitalist system. Associations of many kinds come into existence outside the walls of churches, despite the rules of morality inherent to any specific religious community, gathering people from many countries and with different historical backgrounds. Still, this work defends the existence of general moral-cultural conditions, inevitably based on values and principles that are capable of leading those many associations to success. Considering the economic kinds of communities emerged within a society, the moral-cultural structure that generates and sustains trust is believed capable of improving the material lives of persons, and even nations. The latter idea is the main hypothesis of Fukuyama’s work, too.

“[...] People who do not trust one another will end up cooperating only under a system of formal rules and regulations, which have to be negotiated, agreed to, litigated, and enforced, sometimes by coercive means. This legal apparatus, serving as a substitute for trust, entails what economists call ‘transaction costs’” (FUKUYAMA, 1995, p. 27)

Some may argue that contracts will solve the matters in which Fukuyama (1995) recognizes the need for trust. However, he declares that, with trust, much simpler contracts would have to be produced, for it would not be necessary to identify and mention every possible contingency in a joint venture. This would also reduce transaction costs, making profitable more investments.

“To the extent that civic norms effectively constrain opportunism, the costs of monitoring and enforcing contracts are likely to be lower, raising the payoffs to many investments and other economic transactions.” (KNACK et. al., 1997, p. 1254)

“Now trust has a very important pragmatic value (...). [It is] an important lubricant of a social system” (FUKUYAMA, 1995, p. 151). It also helps dealing with problems like the “free rider”, for which the mainstream economic theory cannot give a final solution.

“Many organizations produce (...) public goods (...) that benefit the members of [an] organization regardless the amount of effort they contribute to their production” (FUKUYAMA, 1995, p. 155).

The free rider is the individual who enjoys the benefits of a public good, like public safety, without contributing anything to it, by paying his taxes, for example. Fukuyama argues that this market failure could be mitigated if the individual identified his own well-being with that of the group/society, making himself trustworthy for contributing to the best for all. (FUKUYAMA, 1995)

Knack et. al. (1997) describe a set of economic transactions influenced by the existence of trust within a society. According to that paper, employers need to trust that their workforce will fulfill given tasks, especially when it is hard to monitor their doings; exchanges for future payment also require the belief that the borrower is willing to pay his debts; investment and savings “rely on assurances by governments and banks that they will not expropriate (...) assets”. Furthermore, when this environment of trust prevails, agents will have more to invest, if they spend less on protecting their properties. (KNACK et. Al., 1995)

On a larger scale, that same work mentions that trust is capable of improving the effectiveness of economic policy, when governments enjoy greater credibility in their policy decisions. Galor and Zera (1993) also refer to the finding that “where trust improves access to credit for the poor, enrollment in secondary education (...) may be higher” (Knack et. al., 1997), increasing the return to human capital, which also happens when trust allows employers to hire qualified personal despite the absence of any family relationship. (KNACK et. al., 1995)

Referring to the rapid economic growth of some Asian countries, Fukuyama (1995) declares:

“The neomercantilists (...) neglect the role of culture in shaping industrial policy itself. (...) [T]here are sharp differences in the relative capabilities of states to plan and carry out industrial policies. (...) [These] differences are shaped by culture, as well as by the nature of political institutions and historical circumstances of different countries.” (FUKUYAMA, 1995, p. 15)

Then, he goes on saying that:

“(...) Clearly industrial policies work better in societies with long traditions of honest and competent civil service. Although the corruption of Japanese politicians has become a national scandal, few accusations of a similar nature have ever been leveled against MITI [Ministry of International Trade and Industry] (...) The same is very unlikely to be the case with bureaucrats in Latin America, not to speak of other parts of the Third World.” (FUKUYAMA, 1995, p. 15)

It hard to find data that would confirm an argument like this, but what has been presented so far gives minimum support for such a conclusion. Trust, when shared by the members of a country bureaucracy, among them, and between them and the rest of the country, results in cooperation toward any common goal, such as economic development. (FUKUYAMA, 1995)

Following the approach made by Fukuyama (1995), trust is a determinant of firm size in a country. He says that “[n]ew business (...) usually start out as small family enterprises and only later take on a more impersonal corporate structure.” This happens differently in those nations where the development of a legal structure²² caused the birth and the expansion of national ventures. However, that author adds that “[t]he contract and its associated system of

²² Fukuyama (1995) cites the example of both England and Holland, which developed “legal arrangements permitting the vesting ownership in larger groups, such as joint proprietorships, join-stock companies, or limited liability partnerships.” (p. 63)

obligations and penalties, enforced through a legal system, could fill in the gap where the trust naturally found in families did not exist.” (FUKUYAMA, 1995, p. 63)

Still, low-trust societies face difficulties going beyond the “family business” and moving into rationally managed ones. Although the family is a very important form of community and a structure responsible for teaching association, where trust is lacking, it is hard for people to associate with others who are not members of their kin. The state then takes an always-larger part in the economy, where, according to Fukuyama (1995), the private sector should dominate. He says this is the case of the less developed countries, such as China, Italy, South Korea, France, and even Brazil.

In fact, the Chinese case is a very interesting one. Fukuyama (1995) presents this society as a Confucian one, of which is says that:

“(…) the central core of this ethical teaching was the apotheosis of the family – in Chinese, the *jia* – as the social relationship to which all others are subordinate. Duty to the family trumped all other duties, including obligations to emperor, Heaven, or any other source of temporal or divine authority.” (FUKUYAMA, 1995, p. 85)

About China and what he calls Chinese countries – Taiwan, Singapore and Hong Kong – he notes the “(…) small scale of (…) businesses and that they tend to be owned and operated by families.” (Fukuyama, 1995, p.94). Thus, to emphasize the importance of social capital and trust to the development of such and productive structure, he states:

“The reasons for the persistence of small scale cannot be traced to either the level of development of contemporary Chinese societies or

their lack of modern legal or financial institutions. Other societies²³ at lower levels of development and with weaker institutions have nonetheless been able to move beyond the family as the dominant form of business organization.” (FUKUYAMA, 1995, p. 94)

This does not mean that the Confucian influence over economic development of Chinese companies is just a spiritual one, this ethical system has determined in China a custom of inheritance that compromises capital accumulation. In contrast with Japan, a developed Confucian society, inheritance in China is equally shared among all the male sons. In Japan, the first-born keeps all the capital acquired by his family. (FUKUYAMA, 1995)

The most curious example that the author refers to is definitely the South-Korean one. He classifies this country among those with low-trust and lacking in social capital. As another Confucian Asian society, he says it seems to be “an apparent anomaly”, since it “is similar to Japan, Germany, and the United States insofar as it has very large corporations and a highly concentrated industrial structure”. (FUKUYAMA, 1995, p. 127-128)

From his perspective, Fukuyama (1995) sees South Korea closer to China than to Japan in its family-centered social structure, and as such was expected to have small family businesses, hardly capable of institutionalizing themselves. Reality, has proven to be just the opposite.

“The answer to this apparent paradox is the role of the Korean state, which deliberately promoted gigantic conglomerates as a development strategy in the 1960s and 1970s (...) [.] The Korean case shows, however, how a resolute and competent state can shape industrial structure and overcome long-standing cultural propensity.” (FUKUYAMA, 1995, p.128)

²³ The author probably refers to the small economies like those of Holland and Sweden, but not really gives an example of country that could have their companies developed into the giant companies suitable to the actual paradigm of capitalism without a financial system, at least, as developed as the Chinese counterpart.

The liberal leaning evident in Fukuyama's discourse makes him point out the difference:

“The Korean *chaebol*, [as is called the network organization, or the international giant company that turned out to be there], differs from the Japanese (...) *keiretsu* (...) [also for they] were not centered around a private bank (...) [and] were controlled by the government in a much more direct way through the latter's ownership of the banking system.” (FUKUYAMA, 1995, p. 129)

It was the state that strategically planned and assured the needed resources for the development of the *chaebol*, like credit and market protection. This is important to consider because it reveals that, maybe without such close state direction, the social capital and trust in Korea would not have been enough to take Korean economy to that place. (FUKUYAMA, 1995)

Empirical studies have also established a correlation between trust and economic growth. For a panel of 29 countries, using data from the World Values Survey, Knack et. al. (1997) find that a rise of 10% in trust²⁴ leads to 0,8% increase in the rate of growth in national per capita incomes. In this paper, trust refers to “the percentage of respondents in each nation replying ‘most people can be trusted’” (Knack et. al., 1997, p. 1256), having deleted the ‘don't know’ responses.

It is not within the scope of this paper to describe the Knack/Keefer work, entitled “Does Social Capital Have A Payoff?” in detail, but it seems worthwhile to mention some of their findings. For example, the authors indicate that “the two cases most favorable for social capital's impact on economic performance” are the Korean and the Brazilian ones. (Knack et. al., 1997, p. 1265).

Considering the statistical measures that same paper presents on the determinants of trust and civic cooperation, it is important to mention a certain ambiguity regarding the impact

²⁴ The measure of trust used in the work of Knack et. al. (1997) is based on the answer to the following question: “Generally speaking, would you say that most people can be trusted, or that you can't be too careful in dealing with people?” (Knack et. al., 1997). Indeed, this seem to be a measure of what is here called social capital, for it refers to the (declared) capacity of people to trust one another. Anyway, the interpretation of Knack and Keefer's paper will not be different because of this, once social capital is an input to the production of trust.

of associations (measured by the "density of networks of horizontal association" (KNACK et. al., 1997, p. 1278) on trust. They reason that, in societies that are

"polarized by ethnic, political, religious, or income differences...associations...will often form along (e.g.) ethnic lines. These relatively homogeneous associations in heterogeneous societies may strengthen trust and cooperation within an ethnic group, but weaken trust and cooperation between those groups." (KNACK et. al., 1997, p.1278)

They are therefore not surprised to find in their study that "horizontal associations have no significant effect on TRUST...when income and education are controlled for, consistent with the ambiguities noted...on the effects of group memberships."

Their finding appears to contradict Fukuyama's thesis, which is that a sign of social capital and trust in a society is the existence of spontaneous association. However, he does not distinguish between associations that may increase trust by bringing together people from various backgrounds and those that may decrease trust across society by grouping people into mutually suspicious ethical or religious groups.

Knack et al also find that "[t]he Gini coefficient for income inequality is strongly associated with lower trust" (KNACK ET. AL., 1997, p. 1282). Empirical works like this have been written by Ward et. al. (2014), and testing the very specific relationship between religiosity and economic growth is found in work by Barro (2003), both contributing to understanding the direct effect of culture and moral values on economic outputs of nations.

5 CONCLUSION

This paper was dedicated to reviewing a small part of the literature covering the effects of culture and its components, like religiosity and morality, on the economic outputs of nations. The intention was to highlight a point frequently ignored in the theoretical approach to economic matters, such as economic growth and development.

Weber (2004) reveals how strongly related are the religious revolutions during the eighteenth century and the birth and development of the capitalist system, which prevails in most economies and societies in recent times. Novak (1982), then, demonstrates how the moral-cultural origin of capitalism has left its marks, in the form of one of its sustaining pillars. Fukuyama (1995) sheds light on how a specific set of moral-cultural principles is responsible for causing the economic growth of nations, and the development of their productive structure. Finally, the paper from Knack and Keefer (2003) is used to present empirical evidence for the themes discussed in this paper.

These references have shown that even the effectiveness of economic policy depends on the shared values of the societies in which they are applied. This conclusion could be extended to any economic analysis, for, as was said, “every economic activity is also a social activity.” (Quddus, Goldsby and Farooque, 2000, p.87)

Fukuyama (1995) also argues that the accumulation of social capital is responsive to the development of trust among the members of a society, which is considered necessary for the development of larger companies, rationally managed, with the possibility to even internationalize themselves. The Korean case presented is an example that the state has to intervene where trust is lacking, in order to bring scale and growth for a country’s productive structure.

The empirical approach presented here contributes to the perception that trust is distributed unevenly among nations. Moreover, Knack and Keefer (2003) find, despite the arguments of Fukuyama (1995), that spontaneous association may not bring the improvement of trust in societies that are too heterogeneous, divided into ethical or religious groups, or with strong differences of income among their citizens.

Unfortunately, the references used in this paper do not explore the Brazilian case with as much attention as is given to Korea or China, for example. Fukuyama (1995) frequently takes Brazil to be the same, or very similar to other Latin American countries, like Mexico, which lack trust, and for that reason are very dependent on governmental initiative to build large successful, competitive associations, like companies.

Knack and Keefer (2003), though, find that Brazil's economic growth is very affected by the low level of trust. Their work demonstrates the relevance of culturally rooted factors to bringing about good economic/material results.

In addition, these authors also find that:

“(...) each five-percentage-point rise in the number of Protestants (...) is associated with a one-point rise in [trust].” (KNACK ET. AL., 2003, p. 1283)

The last census made by IBGE (Instituto Brasileiro de Geografia e Estatística) in 2010, documents the rise of 61.45% in the number of evangelical Protestant persons among the Brazilian population. Apparently, and according to Knack et. al. (2003), that may lead to higher levels of trust. Hopefully, that could enhance development of the national productive structure with the creation of international champions like those cited by Fukuyama from Japan and Korea – Toyota and Hyundai. (IBGE, 2010)

The perspective this paper intended to bring to economics is still far from being widely accepted. Often it is put forward by those who support a specific religion, or other ideological group, making it hard to maintain the neutrality needed for the scientific argumentation. More empirical analysis would contribute to building a deeper foundation for the discussion presented in this paper and, therefore, should be encouraged.

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