Opinion **Free Lunch**

How culture shapes capitalism around the world

From east to west, different value systems support global economic diversity

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Private enterprise is a feature of most economies today, but culture influences how it plays out © Getty Images

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Sunday greetings. I've been away in the United Arab Emirates this past week, so I've called upon some experts to assist me with this edition.

In my Vietnam dialectic, I mentioned the often under-appreciated role of culture in shaping how economies develop.

So this week, I asked academics and journalists to explain how norms and values have influenced capitalism in four nations from across the cultural spectrum: China, India, Sweden and the US.

Culture matters

First, some background. Perhaps the most widely read work on the link between culture and economic outcomes comes from Max Weber. In *The Protestant Ethic and the Spirit of Capitalism* (1904) the German sociologist argued that values practised by reformist Christians — including hard work, discipline and frugality — paved the way for the emergence of capitalism in the west.

But most nations have now accepted some role for private enterprise in their economies (albeit to differing degrees). And cultural norms have shaped how it has evolved.

Asia, for instance, generally has more collectivist and hierarchical social structures than in the west. Thomas Talhelm, an associate professor at the University of Chicago, has linked this to the prevalence of rice agriculture in the east. He posits that its high labour intensity relative to wheat farming required farmers to create interdependent working customs, forming the basis of tighter-knit social structures.

Dutch social psychologist Geert Hofstede created a way to categorise cross-cultural differences using six dimensions, based in part on surveys of IBM employees.

Hofstede's six dimensions of culture

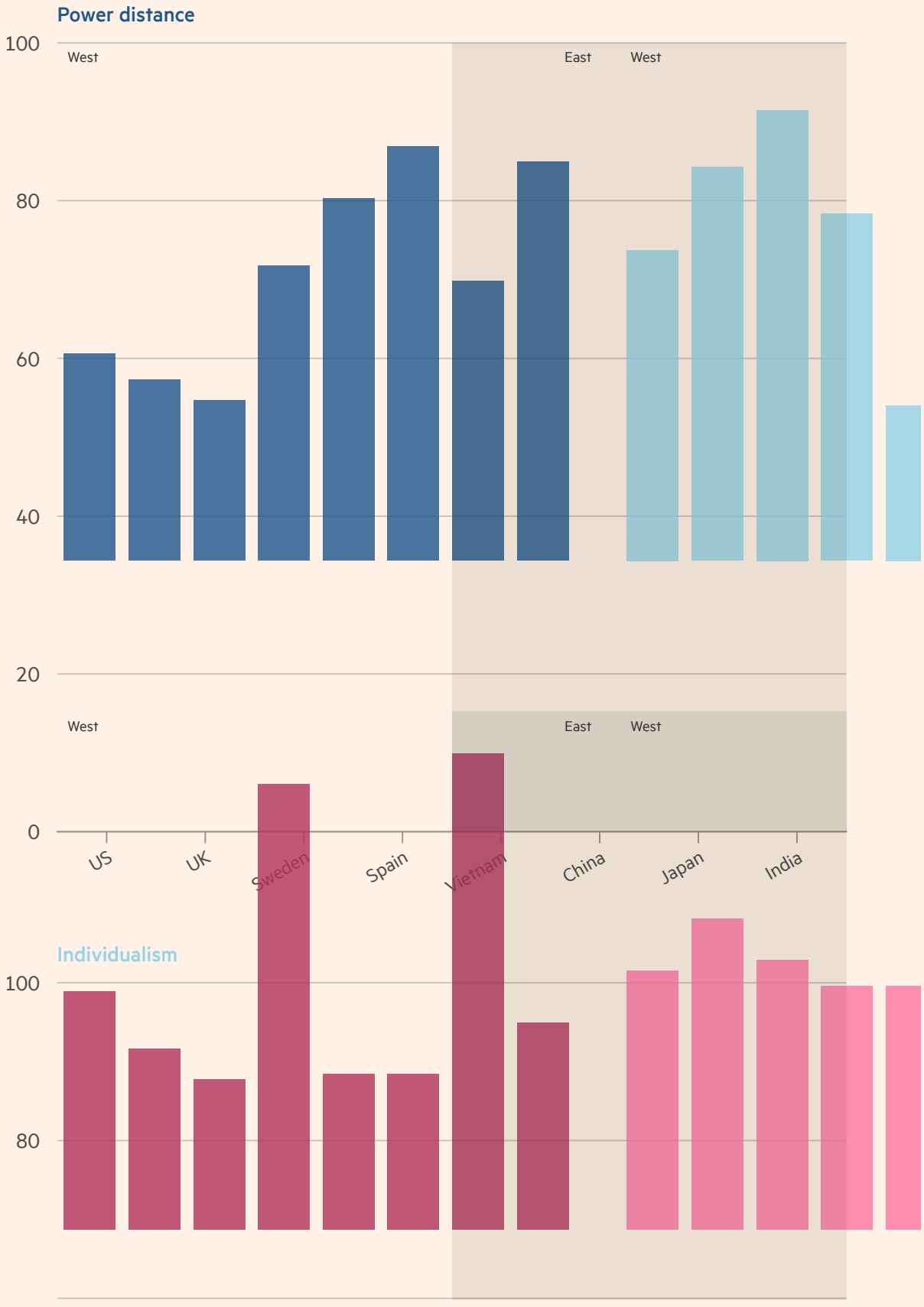
Dimension	Score (low to high)
Power distance	Egalitarian — Hierarchical
Individualism	"We" — "I"
Motivation towards achievement	Nurture — Power as success
Uncertainty avoidance	Open to change — Risk averse
Long-term orientation	Traditional — Future focused
Indulgence	Restrained — Desires-led

Below are scores for each dimension in a few selected western and eastern countries, using survey and research data collated by The Culture Factor Group (check out its country comparison tool here).

Asian nations tend to score higher for traits associated with paternalism, long-termism and community than in the west:

How western and eastern cultures compare

Hofstede's cultural dimensions



Parag Khanna, author of *The Future is Asian,* explains that these characteristics underpin the region's typically technocratic, socially conservative and mixed capitalist systems:

> “Inter-generational accumulation of private wealth in family businesses (which may be reinforced by a deferential culture), has seen the rise of dynastic corporate structures, where there has been little need to follow the path of publicly listing companies to raise capital. And, what Western analysts have come to view as a “weakness” of many Eastern economies — low market capitalisation and trading volumes — is viewed by Asians as a source of strength: long-term strategic orientation, stability, and even immunity from market pressures.”

Beyond these broad western and eastern cultural traits, there are subtle combinational differences between countries in each region.

Let's begin with China, which scores high in values linked to thrift and respect for hierarchy. Keyu Jin, professor at the London School of Economics, explains how this is embodied in *guanxi* — a term used to describe one's ability to draw on networks:

> “Guanxi isn't everything in China — but without it, you won't get far. It's not just about contracts. It's trust, reputation and reciprocity — the unwritten code of relationships in Confucianism. Need a top doctor, a fresh grad job, or even a better quarantine hotel? Guanxi helps.
>
> In business and finance, it's even bigger. In a country where permits, licences and funding are controlled by local governments, guanxi is the ultimate shortcut.
>
> It's not just for billionaires. Parents cosy up to teachers, real estate developers befriend village chiefs, and plenty of loans are secured over dining and wining with mid-level bank staff. Deftness and persistence is key. Many of China's top tech entrepreneurs started with nothing but mastered the art of connection.

> Guanxi has evolved. It's no longer just relationships — it's "guanxi+" — where mutual value creation is key. Businesses that want government backing need to bring investment, jobs and innovation to the table. DeepSeek may not have started with guanxi, but moving forward, its success ensures it will secure the best conditions to navigate global competition. Today, it's not just who you know that matters, but what you can offer."

Next, to India. Like China it values social hierarchy, but scores stronger on traits linked to driving immediate results. This underpins India's *jugaad*, explains Jaideep Prabhu, professor of business and enterprise at Cambridge Judge Business School:

> "Jugaad — the ability to find ingenious, affordable solutions despite severe constraints — has shaped India's economy ever since independence.
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> This mindset initially fostered innovation across various sectors. Tata Motors' Nano, once marketed as the world's cheapest car, aimed to provide affordable four-wheel transportation to millions. And the Mitticool, a low-cost biodegradable clay refrigerator, offers an eco-friendly alternative to the conventional fridge.
>
> As India's economy has grown, the concept of jugaad has evolved into more structured "frugal innovation." This approach maintains the core principles of resourcefulness but applies them to create scalable, high-quality solutions at affordable prices. For instance the Chandrayaan-3 moon mission cost around $75 million, significantly less than comparable missions by other space agencies. India's Digital Public Infrastructure also exemplifies the country's ability to create high-tech, scalable solutions."

Next, the US, which scores high for individualism and valuing solo achievement. Here's Adam Chandler, author of *99% Perspiration,* on the country's "hustle" culture:

> "

> "The word hustle has taken an expansive journey in the US, evolving to a doctrine of basic endurance in a country with a thin-by-design social safety net. American Hustle culture grew out of a fascination with social mobility and has drawn millions from around the world to pursue their own American dream.
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> Hustle initially moved beyond its connotations [of] grit and hard work to embody a scheme or a sleight of hand. This version of hustle identified a way to survive, implicitly against the long odds imposed by external forces like oppression and economic exclusion.
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> As financial precarity has subsumed more would-be strivers, this interpretation of hustle has been more widely adopted. The hustle now appears as a call to be resilient or self-reliant; as a commodity that fetishises overwork and infuses it with good cheer as a cultural guideline that connects long hours with the need to play hard or indulge in high-priced self-care.
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> Speaking in Nebraska in 2005, former President George W Bush met a divorced mother of three who told him that she worked three jobs to get by. "Uniquely American, isn't it?" he told her. Unfortunately, anger is now also catching up. A 2023 Gallup poll found that 39 per cent of Americans believed that they were failing to get ahead despite working hard."

Finally, Sweden. Like the US it ranks high for valuing personal freedom, but places considerably less emphasis on individual achievement. Here's how *lagom* encapsulates that, via Andreas Bergh, an economics professor at Lund University.

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> "The Swedish word lagom is often translated as 'just the right amount'. It goes back to Viking culture, where there was a custom of passing a communal drinking horn around. Each person had to drink 'just enough', ensuring that everyone could have their share. The practice of lagom embodied the principle of social trust and considering the collective good rather than individual excess. It helped Swedes act as a team and co-ordinate their behaviour.

> On a private level, lagom encapsulates a philosophy of avoiding extremes. Rather than pursuing excess, Swedes strive for harmony. On a political level, the culture of lagom and the ability to act collectively paved the way for an expansion of the welfare state that ensures no one has too much or too little.
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> It's prevalent in business and consumer behaviour too. For instance, the minimalist, functional design of Ikea is a prime example of lagom at work. Ikea's products emphasise practicality, simplicity and affordability, aligning with the Swedish desire for moderation and balance in everyday life. Lagom also plays a role in Sweden's corporate culture, where work-life balance is prioritised."

"Culture" is multi-layered, and does not always sit neatly in distinct categories. Still, Hofstede's framework gives us a useful means to conceptualise beliefs, preferences and values. After all, history and geography mould societal behaviours in ways that influence how institutions and businesses operate — and how economies develop.

Culture isn't everything. But in a world that risks turning more insular, it's important to remember that global capitalism — from Ikea to DeepSeek to Tata — is more than just the trade of goods and talent, but also an exposure to new ways of thinking and doing.

Thoughts? Message me at freelunch@ft.com or on X @tejparikh90.

Food for thought

New research from the Federal Reserve Bank of New York finds that American imports from China have decreased by much less than reported in official US statistics in the aftermath of tariffs over recent years. The implication is that American consumers could face larger consequences from Donald Trump's latest amplification of the trade war.

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