

## Greetings!

I hope you enjoy our newsletter in which we illustrate our thoughts on current management issues.

In this edition we share some of our thoughts on Culture and its impact on Prosperity, I would love to receive your feedback and comments. Thank you.

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## In this issue

- Thoughts on Culture and Prosperity

### Thoughts on Culture and Prosperity



When faced with the reality of globalization and one of its most palpable impacts which is the migration of workers across borders and regions, the question that arises is whether the economic prosperity that those immigrants will achieve is in "real" terms (i.e., high income in a high income country) or just relative to the income levels that they had back home (i.e., low income in a high income country), and what is the access to such real economic prosperity. We will argue in the next paragraphs that such access is available through language and the adoption of the host country's culture.

For many years now, economists have tried to understand the variables behind economic growth and prosperity of a country or region. Even more intriguing has been the question of the factors that influence the differences in prosperity between regions. Some of the variables that have been correlated to prosperity over time are : climate, democracy, environmental standards, freedom of expression, gender equality, happiness (self-reported), health, height, honesty, inequality, inflation, literacy, materialism, openness, population growth, property rights, religion and tolerance. The hypotheses have evolved from pure geographic reasons (and perhaps even luck) to the elements that differentiate one region from another, which together define the culture of such specific region.

Differences in culture are the latest attempt to analyze not just the difference in prosperity between rich countries such as United States and France, but also those between rich and poor countries, in which the prosperity gap is wider as is the cultural gap.

In the United States and France case for instance, as John Kay\* presents, 16% of Frenchman age sixty to sixty-four work compared with 50% in the United States; five to six weeks is the summer break norm in France compared with two weeks per year in the United States; and a lunch break where all business are closed is mandatory in France while nonexistent in the United States. Kay's

hypothesis that prosperity is dependant on culture is supported by stronger facts than the ones just mentioned, but they illustrate the point that the economy is deeply affected by norms that the market dictates, such norms refer to the culture of the people that comprise a market in a specific country or region.

The hypothesis that culture is a key driver of prosperity comes stronger when some of the variables that have been correlated to economic growth are key components and differentiators of culture among different countries or regions, such as gender equality, the exercise of freedom of expression, honesty, inequality, materialism, openness, general beliefs on birth control, religion and tolerance.

Now, consider that language is the means through which culture is formed, transformed and passed among members of a region which in turn define its market; further, consider that culture can not be defined without language. If you entertain this thought the resulting implications have enormous impact. Consider for instance that language, as the expression of culture impacts the way business is performed across regions. A multinational professional services firm can predict how the same service will be provided across regions just by considering the language that frames that service's negotiation. A contract in English, for example, tends to be short, simple, and concrete (think now about how business is conducted in English), while the same contract crafted in Spanish (in a Spanish-speaking country) tends to be longer, more complicated, and even reflect an implicit distrust, which permeates to the greater general cultural distrust that Spanish- speaking countries manifest.

In a general, observation of the individual prosperity of immigrants is evidence that language is the most critical factor of success. We can see how large sections of some cities cluster around ethnicity and thereby allow, in some cases, that individuals do not even need to learn the host country's language. We can see how what could be interpreted as "convenient" for the immigrant (e.g. being able to work, shop, and function in its mother language) turns into a barrier of his "acculturation" process and in turn for greater individual prosperity.

Prosperous immigrants in contrast, have first succeeded in adopting the host language as its own second language, and that becomes the key to economic and social success. Consider that if an immigrant has not adopted the host language, he has almost not left his own country but instead is living in a vivid recreation of some place back home (e.g. little Havana, little Nicaragua, etc). This person might be relative more prosperous than he was back home, but is living at the lowest level of prosperity that the host country has to offer.

Just by speaking the language, culture opens a new door: that of prosperity.

*\*Kay, John. Culture and Prosperity: the truth about markets: why some nations are rich but most remain poor. HarperCollins. 2004*

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