

**THE NEW TRADITIONAL ECONOMY: A NEW
PERSPECTIVE FOR COMPARATIVE ECONOMICS?**

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by

J. Barkley Rosser, Jr.
Professor of Economics and
Kirby L. Kramer, Jr. Professor of Business Administration
James Madison University MSC 0204
Harrisonburg, VA 22807 USA
tel: 540-568-3212
fax: 540-568-3010
E-mail: rosserjb@jmu.edu

Marina V. Rosser
Associate Professor of Economics
James Madison University MSC 0204
Harrisonburg, VA 22807 USA
tel: 540-568-3094
fax: 540-568-3010
E-mail: rossermv@jmu.edu

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ABSTRACT:

This paper argues that a new economic system is emerging in the world economy, that of the *new traditional economy*. Such an economic system simultaneously seeks to have economic decision making embedded within a traditional socio-cultural framework, most frequently one associated with a traditional religion, while at the same time seeking to use modern technology and to be integrated into the modern world economy to some degree. The efforts to achieve such a system are reviewed in various parts of the world, with greater analysis of the Islamic and neo-Confucian economic systems.

KEYWORDS: tradition, systems, Islam, Confucianism

INTRODUCTION

The collapse of the Soviet model of command socialism has caused the old comparison between market capitalism and command socialism to lose its centrality as the foundation of comparative economics. The transformation of most of the former command socialist economies into other forms has triggered a transformation of the field of comparative economics itself. This paper considers a possible new perspective for the field.

This new perspective is the *new traditional economy*.¹ What we are proposing is really a new category, albeit one likely to become more significant within the near future. Thus we see this category as becoming a central feature of the future structure of the world economy and its respectively evolving and transforming systems, as a competing alternative system which in turn possesses an associated political agenda and thus a more general ideology.

This perspective is not something coming out of the blue, but draws directly from the older view of Karl Polanyi as articulated in his *The Great Transformation* (1944). There he presents the concept of a *traditional economy* which is one in which economic decision making is fundamentally embedded within a larger socio-cultural structure or system. In his 1944 formulation of this he identified three broad categories of traditional economies: household, reciprocal, and redistributive, although later he would modify these categories (Polanyi, 1957).

Of course many institutional economists argue that all economies are so embedded. But for Polanyi that is qualitatively less true of modern market economies. His basis for categorizing economies depends on what is the mechanism determining the majority of decision making in the economy. Thus according to him there were no true market economies until the nineteenth century because prior to then

a majority of economic decision making was not driven by market forces anywhere. This view can contrast with that of the formalist economists such as Robbins (1932) who argue that all societies can be analyzed as driven by market forces, if only implicitly.²

Many textbooks in the Principles of Economics have incorporated Polanyi's category into a standard trinity of "tradition, market, and command" as the three basic types of economic systems.³ Curiously within the field of comparative economics there has been a tendency to ignore Polanyi's traditional economy concept, perhaps because it is thought of as only existing in primitive less developed economies and thus to be a subject of study by development economists or economic anthropologists rather than by comparative economists.

The new traditional economy is one in which economic decision making is once again embedded to some extent within a broader socio-cultural framework, but which uses, or seeks to use, modern technology, to be an advanced modern economy. The usual basis for such an embedding is a traditional religion and the appearance of a new traditional economy is usually associated with the imposition upon a modern or modernizing economy and society of a traditional religion by a religiously based political movement. Although other such movements exist and are influential in various countries, the most prominent such movement, and the one with the most fully developed views about economic behavior and rules, is Islam.

An alternative variation which harks back to Polanyi's emphasis upon the household economy is a *familistic groupism* orientation and approach to economic structure and decision making. One of the most prominent such examples is the Japanese economy (Haitani, 1986), although this characteristic is not derived particularly from a specific traditional religion. On the other hand most traditional religions emphasize "family values" and often put forward an idea of society as a whole being like a big family.

Within the context of the old comparison between market capitalism and command socialism, the new traditional economy offers itself as a potential "Third Way." It claims to represent the best of both worlds and to be superior to either. It claims to combine the old with the new, the individual with the collective, the ethical with the practical. There is a harking back to a mythic past of the old traditional economy and the early period of the religion when all were supposedly righteous. This is to be revived within a modern context in which technology will not be alienating but will enforce the harmony of the family and the group in a supposedly humane yet efficient socio-economic order determined by the rules and values of the traditional religion or culture.

One implication of the rise of the new traditional economy ideology is that it can become the basis for conflict between nations, as traditional religions emphasize their traditional conflicts with each other. This idea parallels Huntington's (1993) argument that in the post-Cold War world the "clash of civilizations" is becoming the dominant basis for international conflict.

In the remainder of this paper we shall review some of the new traditional movements of significance in the world. We shall evaluate how successful those that have come to power have been. This will lead to a consideration of how these movements are affecting not only actual economies but economics itself.

VARIETIES OF NEW TRADITIONAL MOVEMENTS

We define a new traditional movement as one that seeks to subordinate economic decision making to the socio-cultural framework of either a traditional religion or a traditional view of society as a total household, but which nevertheless seeks to use modern technology and to have at least some relations

with the modern world economy. This last point is actually a difficult issue as many new traditional economic movements seek some degree of protectionism or isolation from the world economy precisely in order to preserve their new traditional system or society, once it is in place. However, the criterion of using modern technology clearly rules out some groups or movements, such as the Amish in the United States, as fitting into this category.

Most of the world's major world religions, and even some of its more minor ones as well, are associated with political-social-cultural-economic movements that can be labeled as new traditional to some extent. However, there tends to be tremendous variety within each of these movements, which leads us to caution against viewing any of them as monolithic.

Thus Buddhism has been argued by Schumacher (1973) to present a model for limited growth economics compatible with ecological concerns. Such ideas have been further encouraged by recent remarks by the Dalai Lama, spiritual-political leader of Tibetan Buddhism and probably the world's best known Buddhist leader. Schumacher cites Myanmar (Burma) as an example of Buddhist economics in action. For several decades its rulers followed a form of Buddhist socialism that led to low and frequently negative overall growth (Spiro, 1970). But there are other deeply Buddhist societies that have taken sharply contrasting paths, notably largely market capitalist Thailand (Keyes, 1993).

Without doubt in India Hindu nationalism is a powerful movement with its political arm contained in the Bharatiya Janata Party (BJP), which rules several state governments and currently leads a coalition that controls the national government. The economic ideology of the BJP derives from the ideas of Mohandas (Mahatma) Gandhi (Lal, 1993). These are arguably not new traditional in that he tended to oppose modern technology, idolizing the village spinning wheel, although his successors (Upadhyaya, 1965) have tended to modify this view to emphasize what development economists now call "appropriate technology." Gandhi supported local self-sufficiency and the BJP supports protectionism at the national level. Gandhi and Upadhyaya supported highly redistributionist programs, but the BJP at times seems to support internal laissez-faire, as well as defending the caste system⁴, supporting the suppression of other religions,⁵ and opposing the killing of cows, the banning of this latter being one of the clearest signs of BJP rule in an Indian state.

In Judaism, there are numerous rules regarding economic behavior laid out in the Torah covering many circumstances.⁶ There is also in Israel today a very strong political movement associated with Orthodox Judaism, although imposing the following of these ancient economic Biblical rules has not generally been uppermost on the agenda of these groups. Historically Judaism has been in practice closely associated with the development of market capitalism, even as individuals of Jewish background, such as Karl Marx, played an important role in developing socialist doctrines. In the Biblical rules are both an acceptance of markets and a strongly redistributionist ethic, especially in regard to the doctrine of the "jubilee year" which is to occur every 50 years, during which property will be remitted to its original owner, slaves will be freed, and the poor sojourner cared for. Although a full system has been worked out by Tamari (1987) based on these principles, in Israel there has been a tendency to emphasize practices aiding the survival of the nation while among most of the Orthodox the emphasis has been more on such issues as forbidding activities on the Sabbath. One exception to this have been kibbutzes with a strong Orthodox orientation which have been more economically successful than their secular counterparts while adhering to socialistic ideals (Fishman, 1992, 1994).

It is somewhat hard to conceive a new traditionalist movement in Christianity in that modern market capitalism largely developed in mostly Christian Europe and North America, especially in its more Protestant zones as argued by Max Weber (1958). Indeed, to a significant degree many of the new

traditionalist movements define themselves at least partly by being associated with broader anti-colonialist movements directed against domination by European or American powers. Furthermore, although there are fundamentalist Protestant movements of considerable power in the United States, many of them support something very close to laissez-faire market capitalism, albeit modified by various injunctions regarding consumption (North, 1987). Nevertheless, there are some American Protestant fundamentalist theologians who support substantial government intervention in markets (Wallis, 1987), and Iannacone (1993) documents much greater division within rank and file followers reflecting a tradition going back to the populist movement and William Jennings Bryan in the late nineteenth century.⁷

The position of Roman Catholicism is more complex in that from the Polanyian view historically it was the great ideological defender of the traditional economy in its European feudalistic form as codified in the views of St. Thomas Aquinas with his doctrines of just price, opposition to usury, and support for the embedding of economic behavior within a church-dominated socio-cultural framework. It resisted modern capitalism and industrialization. As these came to dominate Europe and North America by the late nineteenth century, the Vatican's position evolved towards doctrines of harmony between the socio-economic classes and the state that became the foundation for the twentieth century doctrine of corporatism (Pryor, 1988). Today, although elements of the Church support the quasi-Marxist liberation theology, its official position is largely reconciled to modern market capitalism while calling for government intervention to help the poor and for limits to rampant consumerism (United States Catholic Conference, 1986).

THE CASE OF ISLAMIC ECONOMICS

Arguably none of the movements listed above really qualify as truly new traditional movements in that they do not present fully developed systems of economic thought and practice, but merely advocate scattered injunctions or desiderata to mildly modify basically market capitalist economies. But at least ideologically, Islamic economics puts itself forward as a complete system embedded within a fully developed religious framework, and we see several nations in the world where governments are officially committed to implementing such a system, such as in Iran and Pakistan. This greater comprehensiveness of the Islamic economic system initially arose from the Prophet Muhammed's having himself been a practicing merchant, in contrast to the founders of other great world religions. But it also reflects the views of modern Islamic economists arguing that it is a potential Third Way form between capitalism and socialism (Pryor, 1985) for developing economies emerging from colonial rule. This view developed initially in Pakistan after it was founded in 1947 as a Muslim state out of British India (Maududi, 1975), and economists of Pakistani origin, educated in modern English language economics, have been especially significant in developing new traditional Islamic economics (Siddiqi, 1980; Kuran, 1993b; Nasr, 1994).

Thus, when one reads or hears about "Islamic economics," one is reading or hearing about something that is itself essentially new in the sense of having been relatively recently put together and codified to be an integrated doctrine, model, or theory, rather than merely the sum total effect of widely scattered injunctions and desiderata throughout the various *shari'a* law codes which gradually developed over time.⁸ This is not to say that nobody prior to 1947 ever tried pull together in one place the various legal rules about economic behavior that had evolved within the various *shari'as*; Aghnides (1916) did so. Nor is it to say that nobody ever discussed in a more general way the implications of Islamic economic ideas within Islamic societies; Ibn Khaldun did so in the 1300s of the Common Era (Issawi, 1987), but

as part of a much broader discussion of philosophy, history, and geography. Rather, nobody had attempted link these to modern and non-Islamic economic theories in order to understand their implications in that context with these being the major focus of discussion.

Indeed there are fewer disagreements between the different *shari'as* over the interpretation of the various economic laws of Islam than there are over their interpretation by modern Islamic economists. Important elements of Islamic economics include the advocacy of almsgiving (*zakat*), advocacy of profit-sharing (*qirad*), opposition to gambling (*gharar*), and above all, opposition to collecting interest (*riba*). Although Sunnis and Shi'is differ about methods of paying *zakat*, differences over these other items within the traditional law codes have tended to be minor. But modern Islamic economists have argued at great length over them with considerable disagreements arising over what constitutes approved-of profit-sharing as opposed to forbidden gambling, e.g. with regard to sharecropping rents, and over what kinds of financial arrangements within banks are allowable profit-sharing and which are forbidden interest.

This latter has become an especially hotly debated issue as an Islamic banking movement has arisen and spread far around the world, even into areas such as the United States where the population is not predominantly Muslim,⁹ and has been ordained to be the only legally allowed system in several nations, including Iran and Pakistan. The spectrum of legally allowed financial arrangements ranges from ones that look much more like profit-sharing, such as *mudaraba*, in which an investor advances money and an entrepreneur supplies labor, and the two share the profits, to more interest-like arrangements such as *murabaha*, in which the borrower sells the assets to the lender and then repurchases them later at a higher price. Given that the time the assets are held by the lender can be reduced to nearly infinitesimal, the risk born by the lender can be sharply reduced and the gap between the sale and repurchase prices of the assets comes to closely resemble an interest payment in practice. More strictly minded Islamic economists such as Chapra (1985) have expressed their disapproval of these latter kinds of arrangements relative to the former. Nevertheless, the actual trend in actually existing Islamic banks has been for the financing arrangements to become more like the latter than the former (Khan and Mirakhor, 1990). This has been largely because of principal-agent problems leading to the understatement and underpayment of profits by many borrowers involved in the more *mudaraba*-like arrangements and thus the Islamic banks seeking to minimize their exposure to such risks by preferring more *murabaha*-like arrangements.¹⁰

Indeed the emergence of trends such as the above in economies attempting to actually implement Islamic economics has led some observers to argue that the most important economic issues within such societies remain the more traditional concerns of comparative economics such as the degree of state ownership and control of economic assets and activities within an economy. There is no agreement over this issue among Islamic economists with some arguing that Islamic economics is compatible with private property because of the presence in the *Qur'an* of passages discussing laws of inheritance (Rodinson, 1973). Others find passages that assert the ultimate ownership by Allah of all things and see in this a justification for an Islamic socialist approach (Mannan, 1970).¹¹

Thus, Valibeigi (1993) argues that the most significant fact about banks in Iran is not that they are attempting to follow Islamic law, but that they were nationalized in the aftermath of the Islamic revolution of 1979 and remain so today. This viewpoint carried to its logical conclusion denies that the Islamic economic system is really a coherent Third Way between capitalism and socialism, but is again yet another mixed economy that differs from the pure forms of either of those by simply adding on its particular grab bag of injunctions and desiderata that do not together really constitute a fully distinct

economic system.¹² In this view, the new traditional economy is ultimately an ideological fraud and delusion, at least in its widely discussed Islamic manifestation.

THE CONFUCIANIST NEW TRADITIONAL ECONOMY

Finally we come to the emerging new traditional economic system in those parts of East Asia under the influence of Confucianism, notably areas with significant ethnically Han Chinese populations as well as Korea and Japan (Rozman, 1991). Confucianism differs from all of the above cases in that it is arguably not a religion but more of a civil philosophy.¹³ But in its role of a promulgator of moral guidelines and socio-cultural practices it does provide a framework within which economic practices can be embedded. However, it more closely resembles Buddhism, Hinduism, and Christianity rather than Judaism and Islam in that it provides more general principles open to various interpretations rather than specific rules and injunctions regarding economic conduct.

Derived from the *Analects* of Confucius as interpreted by his followers over many centuries in China where it served as the official state religion of the emperor during extended periods, five principles are presented as foremost: benevolence (*jen*),¹⁴ righteousness (*i*), propriety (*li*), wisdom (*zhi*), and faithfulness (*xin*). These principles underpin respect for hierarchy in society with benevolent elites ruling subjects who are loyal as long as the elites are truly benevolent.¹⁵ This extended to the family with the husband ruling his wife and his sons. Along with order, hierarchy, benevolence, and strong families, there is an emphasis on education which was viewed from Confucius on as the basis for who should be in the ruling elite and became the foundation of the Mandarin bureaucracy of imperial China.

These principles are clearly consistent with a variety of economic systems from the perspective of conventional comparative economics. There are passages in the *Analects* apparently supportive of near laissez-faire as long as the emperor is sufficiently benevolent. Nevertheless, the neo-Confucianism that developed in China from the 1100s, C.E., tended to oppose commerce, industrialization, and foreign trade, indeed was the official doctrine of ultra-isolationist Choson Korea and Tokugawa Japan. Traditionally within China, Confucianism was viewed as supporting greater state oversight and involvement in the economy than its great rival as a native Chinese religion, Taoism, which is usually thought of as more pro-laissez-faire (Zhang, 1991, Chapter 10).

The advocates of "Confucian economics" in modern East Asia tend to identify it with authoritarian political and social systems, with considerable amounts of state control or planning of the economy. This holds for very market capitalist Singapore, where Confucianism is put forth as an anti-Western doctrine, and also for still largely socialist, albeit moving towards markets, China. In China, Deng Xiaoping was criticized by Mao Zedong for his alleged Confucianism.¹⁶ Now Deng's successors accept this judgment but view it as praise, seeing Confucianism as a bulwark against Westernizing liberalism and for respect for central state authority in an increasingly post-socialist society.¹⁷

Advocates of such economics see it as partially explaining the "East Asian Economic Miracle." Aspects of this system supposedly contributing to the high economic growth rates observed in this region of the world include the highly educated populace there with the resulting human capital implications, the strength of families leading to high savings rates, the reduced levels of class conflict and labor-management strife,¹⁸ and a general attitude of cooperativeness between governments and businesses with government interventions in the economies having positive impacts due to effective planning by well-educated elites and the cooperation between the public and private sectors¹⁹ (Kahn, 1979;²⁰ Hung-chao, 1989). Needless to say, given the recent crises in some of these economies, the

potential disadvantages of this familistic approach in the form of corrupt private-public relations and corrupt Acrony capitalism≡ are now more evident.

In many respects the issues surrounding Confucian economics, and more broadly the idea of the new traditional economy, come to a head in the most advanced and successful of the East Asian economies, that of Japan. Indeed, the fact that the Japanese economy has in recent years experienced serious difficulties and stagnation may represent the limits to such a system and the deeper problems that may attend to it. Nevertheless at the same time, the Japanese economy also represents the most dramatic example of the virtues and benefits of such a system. That there is deep controversy about the nature and performance of the Japanese economy thus represents the fundamental conflict over this system.²¹

Now it must be recognized that Japan is not fully a new traditional economy, but rather is a planned market capitalist economy with significant new traditional elements. As in the Islamic economies, these elements do not represent a fundamental embedding structure, but rather a substantial modification and variation on that basic market capitalist structure. Furthermore, in Japan the Confucian element is more diffused and combined with other elements such as Shintoism and Japanese versions of Buddhism, in short is "Japanified." There is no doubt about the "new" aspect of the Japanese economy given its highly successful high technology orientation. But the nature of its traditionalism is very distinctly rooted in its own society and not directly tied to any specific religion, albeit influenced by several of them, including the Japanified version of Confucianism (Morishima, 1982; Dore, 1987).

Indeed this deep rootedness in its own culture and society has managed to survive in a continuous manner in a much better way than have those in many other non-European nations impacted by global capitalism and modernization. The ability of the Japanese to absorb outside influences and synthesize them with their own culture has long been observed to be one of the most distinctive characteristics of Japanese society (Reischauer, 1988). At the core of this peculiarly Japanese model is the idea of society as a whole as *ie*, a household (Murakami, 1984). This idea, certainly compatible with Confucianism, extends to the institutions within society, most significantly to firms which are often known by this term, although Fukuyama (1995) argues that this is much stronger in Japan than in China where there is more focus on the family itself and less willingness to view society as a whole as a family as there is in Japan. This familistic groupism, observed by Haitani (1986) and many others, is seen to be the key to Japan's harmonious labor-management relations with lifetime employment and seniority wages, its consensus style of "J-mode" management contrasted with Western "H-mode" style (Aoki, 1990), and its controversial indicative planning and industrial policy practices.

It may be that what has made Japan so successful is that its version of new traditionalism was not something imposed consciously from above as an ideological system, but rather that it emerged spontaneously from Japanese society itself. Its success reflected that it is a direct continuation of the old traditional economy of Japan which has gradually adjusted to outside influences and gradually absorbed them while maintaining its own internal integrity. In this regard it could be said that the original emergence of the new traditional economy in Japan came with the Meiji Restoration of 1868 when the new leadership decided to seek to absorb modern technology while simultaneously maintaining its own culture and society in the wake of the forced opening of the Japanese economy by Commodore Perry's "black ships" in the 1850s. This policy of the post-Meiji Restoration period was symbolized by the slogan, *Wa-kon Yo-sai*, "Japanese spirit and Western ability" (Morishima, 1982, p. 23).

Nevertheless, this story does not fully hold up. Okazaki (1992) argues that many of the distinctive labor and management practices of the Japanese economy only date from the World War II period when they were imposed by the government concerned about morale in the wartime factories, rather

than continuously dating from some ancient Confucian tradition. Furthermore, Koike (1987) argues that the apparently harmonious labor-management relations reflect a reality that management defeated labor in contentious conflicts occurring during the 1950s and that the enterprise unions of today are subservient to management rather than in some harmonious partnership with it. Finally we have the fact that the much vaunted high Japanese savings rate is only a product of the post-World War II period with prewar savings rates being less than those in the United States or Germany (Balassa and Noland, 1988, p. 83), thereby suggesting that they may reflect fiscal policies and other such matters rather than some deep Confucian tradition.

Thus, at least parts of the apparently deeply rooted traditionalism of the Japanese economy appear to be later institutional or structural additions imposed from above. But that simply reinforces the argument that Japan really does reflect a strongly *new* traditional economy, with traditional elements being introduced after an initial encounter with the outside modern world economy as part of a strategy directed at achieving modernization while maintaining cultural and political autonomy. In that regard, despite its recent economic difficulties and drift towards more American-style structures and practices, Japan must be viewed as the ultimate success story of the new traditional economy paradigm.

PERSPECTIVE AND REALITY: CONCLUDING REMARKS

Kuran (1994) argues that there is "religious economics" and an "economics of religion." The former is exemplified by the sorts of systems discussed above, especially the more fully developed Islamic economic system. The latter is an essentially new institutionalist approach to studying religious behavior by looking at it according to economic motives (Warner, 1993), Ensminger's (1992, 1994) analysis of people converting to Islam for business reasons being an example, along with Iannaccone's (1990) placing religious behavior into a Beckerian human capital model. But this assumption that neoclassical economics itself is somehow above religion ignores the religious-like belief of some economists in the assumptions used in their economic analysis (Rosser, 1993).

In any case, Kuran (1994) sees the two approaches as working at cross purposes, passing each other like ships in the night. "Religious economics" seeks to convert people to particular religions, to embed their views of economics within a religion as part of a move to the new traditional economy in a revived Polanyian substantivism. The "economics of religion" essentially follows the formalist approach of analyzing religious behavior according to the supposedly universal principles of rational economic behavior within which supposedly all social behavior is embedded. According to Kuran, neither approach really has anything to say to the other and neither particularly cares about the other.

This controversy relates to the question of whether or not the new traditional economy can be viewed as a new perspective for comparing economic systems or not. To the extent that the "religious economists" are correct, then the new traditional economy must be viewed as a new perspective, or at least as a new model of an economic system, a new form in which economic behavior is embedded Polanyi-like within a broader socio-cultural framework in a way unseen in the world before. If the "economics of religion" view is correct, then the new traditional economy is merely a minor variation on the universal model of the mixed market economy with such systems merely providing minor rules or adjustments to the basic pattern.

In that respect the degree to which the new traditional economy represents a new perspective in comparative economics along Polanyian lines depends on the reality of the nature of the actually existing new traditional economies that can be observed. Do they reflect systems in which economic behavior is

embedded within socio - cultural frameworks so that a majority of allocative decisions are determined by rules or traditions derived from that framework? It would appear from our discussion above that it is very hard to make a definitive case for this at the current time anywhere in the world.

However, a curious situation would appear to exist. This can be seen by reconsidering the comparison of the case of Islamic economics as practiced in Iran or Pakistan with the localized and modified version of Confucian economics found in Japan. The former represents the very height of "religious economics" in the terminology of Kuran. It is imposed from above as a conscious ideology in the form of legal strictures. It is ideologically the new traditional economy, but suffers from the resistance by the economy against this effort as exemplified by such phenomena as the drift of actually existing Islamic banking towards more interest-like arrangements in its financial arrangements.

Although the new traditional economy probably cannot be said to dominate the majority of decision making in the Japanese economy, it is much more deeply embedded than are Islamic practices in Iran and Pakistan. The familistic groupism of the Japanese economy reflects deep socio-cultural patterns, even when some of its structures were consciously imposed from above at points in time in the past. Their acceptance reflects their coherence with the past traditions of the society and their success reflects a successful new traditional element, even if this does not arrive from an integrated religious system being totally imposed or adopted.

Thus, we arrive at our conclusion. Although the new traditional economy may not exist as a fully developed system in the full Polanyian sense, it exists as a perspective in the form of an ideal model which has become an ideological movement of significance around the world in many societies. Where it has come the closest to actually existing has been in societies where its adoption has been carried out gradually and only partly consciously, with the resulting synthesis thus most fully respecting and reflecting the genuine traditions of the society in question. It is this successful synthesis of the modern and the traditional which lies at the heart of the new traditional economy perspective and its appeal for many economies seeking a path in a transforming world economy.

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NOTES

1. This term and concept was initially introduced in Rosser and Rosser (1996).

2. See Pryor (1977) and Rosser and Rosser (1995) for further discussion of this debate. Within economic anthropology Polanyi's position is known as substantivism. Gary Becker's (1981) work can be seen as the extreme example of formalism. Many see it as deriving from Adam Smith, although Polanyi (1968) categorizes Smith's work as part of the "societal" approach in contrast to the "economistic" approach of Townsend, Malthus, and Ricardo.

3. This trinity can be observed in a nascent form within Polanyi's original taxonomy of traditional economic systems. Thus the household economy can be viewed as the pure form of the traditional economy. Reciprocity clearly represents the original form of exchanges which would eventually evolve into full-blown market transactions in more developed economies out of the "negative reciprocity" form (Sahlins, 1972). Redistribution was carried out by governments in the ancient empires which many claim to have been the earliest models for modern socialist economies.

4. There is a tremendous irony here in that the BJP frequently exhibits intolerance of other religions along with strongly supporting the privileges of higher castes. Yet Gandhi himself supported tolerance and sought to reform the caste system, being assassinated by a Hindu extremist who disagreed with these

views.

5. Another new traditionalist movement largely confined to India is associated with the Sikh religion (Oberoi, 1993).

6. For an analysis of the Mishnaic commentaries on these laws from a Polanyian perspective see Neusner (1990).

7. The late nineteenth century "social gospel" movement played a role in the early development of American institutionalist economics (Mayhew, 1987; Gonce, 1996).

8. For a discussion of these various Islamic law codes, see Schacht (1964). The fundamental demand of any fundamentalist Islamic movement is for the imposition and enforcement of a *shari'a* code as the legal system of a society.

9. Kuran (1995) argues that the popularity of this movement in generally non-Muslim areas represents both a method of overcoming guilt by Muslims who use such institutions and also a way of establishing business contacts with like-minded people whom one might be more likely to trust, thus reducing transactions costs and increasing "social capital." In some societies the motive to be able to deal more successfully with Muslim businessmen has been an important factor in conversions to Islam (Ensminger, 1992, 1994).

10. The response of such Islamic economists as Chapra (1992) to this problem is that it reflects dishonest non-Islamic behavior by borrowers and that the solution is for society become more truly Islamic. Thus true Islamic banking can only operate within a truly Islamic society.

11. See Behdad (1989) for further discussion of Islamic attitudes towards private property rights.

12. See Bina and Zangeneh (1992) and Rahnama and Behdad (1996) for a thorough discussion of this question within Iran.

13. Thus, in Kuran's (1993a) discussion of "fundamentalist economics" there is no discussion of Confucianist economics, although there is of the economics of the other religions discussed in this paper.

14. In Japan under the Tokugawa shogunate (1603-1868) when Confucianism achieved official status, this principle was interpreted to be harmony (*wa*). Morishima (1982) argues that this distinguishes Japanese from Chinese Confucianism with the former stressing more strongly the need for subordination to superiors in order to maintain social harmony.

15. It was always understood in China that an emperor who was insufficiently benevolent could lose the "Mandate of Heaven," the closest thing to a deity in Confucianism, and could then be overthrown by his subjects.

16. During the Great Proletarian Cultural Revolution in the late 1960s, Confucianism was reviled as part of the "Four Olds" that were to be rejected and replaced by Maoist socialism. The peak of this anti-

Confucianism in China came in the early 1970s after the failed flight of the renegade, Lin Biao, who was identified as a Confucianist.

17. Ironically, Confucianism is the official state ideology on Taiwan. This dates from the early 1940s when then Nationalist Chinese leader Chiang Kai-Shek declared that China would attain a great future if it would follow Confucian virtues.

18. In South Korea there has been considerable labor-management strife, although other elements of the model apply there and South Korea's economic performance has been spectacular. Although it is officially anti-Confucianist, North Korea also exhibits some Confucian characteristics such as respect for education and for state authority.

19. In many East Asian states this widely praised cooperativeness eventually resulted in corruption scandals involving business payoffs to government officials. These scandals first erupted in Japan and South Korea, but became much more widespread after the financial collapses in the region in late 1997..

20. It is with Kahn (1979) that the attitude shifted from viewing Confucianism as a hindrance to economic growth based on its nineteenth century role in China, Korea, and Japan, supporting anti-commercial and isolationist policies, towards viewing it as favorable to and supportive of economic growth. Some argue that this shows that it really has little to do with economic performance and is only being used as a post hoc rationalization for political authoritarianism.

21. See Vogel (1979) in contrast to Woronoff (1991).