



## ECONOMIC COMMENTARY

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*For every one to attain  
financial well-being*

### CULTURE'S ROLE IN SHAPING CAPITALISM

Economic development is often examined through the lenses of policy, technology, and finance, but the influence of cultural norms and values cannot be overlooked. Cultural attitudes shape how markets operate, businesses function, and individuals engage in economic activity. From the Confucian traditions in China to the entrepreneurial spirit of the United States (US), these cultural traits influence capitalism in profound ways.

#### China: Guanxi and hierarchical networks

China's economic growth has been heavily influenced by the Confucian values of hierarchy, discipline, and building relationships, commonly called "guanxi". Guanxi represents the network of relationships that facilitate business transactions, regulatory approvals, and social mobility. In a state-controlled capitalist system, guanxi is often a crucial factor for business success. Entrepreneurs and corporations strategically cultivate government and social connections to gain access to resources and favourable policies, reinforcing China's unique blend of authoritarian capitalism.

#### India: Jugaad and frugal innovation

India's economic dynamism is driven by a culture of improvisation and problem-solving, encapsulated in the concept of "jugaad". Historically, India's resource-constrained environment has encouraged businesses and individuals to develop cost-effective, innovative solutions. This approach has fostered a thriving entrepreneurial ecosystem, exemplified by cost-efficient space exploration programmes. While jugaad fuels ingenuity, it also highlights challenges in regulatory compliance and long-term sustainability, necessitating structured policy frameworks for scalable innovation.

#### US: Hustle culture and individualism

The US economy is deeply rooted in the ideals of individual achievement and self-reliance. The "hustle culture", characterised by a relentless work ethic and ambition, has fuelled economic growth and social mobility. The US has long embraced a risk-taking business environment, fostering startups, venture capital, and innovation hubs. However, this emphasis on overwork and personal success has also contributed to economic inequality and job insecurity, with debates intensifying around the need for stronger social safety nets.

#### Sweden: Lagom and balanced capitalism

In contrast to America's focus on individualism, Sweden's economic model is shaped by "lagom", the cultural philosophy of moderation and collective well-being. This value system underpins Sweden's balanced approach to capitalism, where social welfare programmes co-exist with private enterprise. Swedish businesses emphasise sustainable growth, equitable wealth distribution, and strong labour protections. The lagom mindset fosters stability, high social trust, and resilience against economic shocks, making Sweden a model for inclusive capitalism.

#### The South African perspective

South Africa's (SA's) economic trajectory reflects a complex interplay of historical, social, and cultural influences. The concept of "ubuntu", meaning "I am because we are", embodies the nation's communal ethos, emphasising collective prosperity and social cohesion. However, persistent economic disparities and governance challenges have complicated efforts to align this philosophy with sustainable economic policies.

Lesetja Kganyago, Governor of the South African Reserve Bank, recently highlighted threats to central bank independence, linking them to the rise of right-wing populism worldwide. As political pressures on monetary authorities increase, maintaining financial stability and investor confidence remain crucial. SA's manufacturing sector also faces structural challenges, with the potential closure of key steel plants exacerbating job losses and economic vulnerabilities. However, despite these hurdles, SA's long-term growth prospects remain tied to addressing infrastructure deficiencies, improving governance, and fostering inclusive economic participation.

#### Global implications and future outlook

Understanding the cultural dimensions of capitalism provides valuable insights into the divergent economic models across the globe. Keeping globalisation in mind, the interplay between traditional cultural values and modern economic systems will shape policy choices, investment strategies, and business operations. In an era of rising protectionism and shifting economic power dynamics, acknowledging the role of culture in economic development is more important than ever.

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